PENARTH MASTER ISSUER PLC – SERIES 2018-2 A1 CLASS A

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW):

You must read the following before continuing. The following applies to the drawdown prospectus (the "**Drawdown Prospectus**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Drawdown Prospectus. In accessing the Drawdown Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR THE BENEFIT OF, U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE FOLLOWING DRAWDOWN PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS OTHER THAN AS PROVIDED BELOW. THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE SECURITIES ACT, OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The Drawdown Prospectus has been delivered to you on the basis that you are a person into whose possession the Drawdown Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the Drawdown Prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Drawdown Prospectus by electronic transmission, (c) you are either (i) not a U.S. person (within the meaning of Regulation S under the Securities Act) and not acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located within the United States within the meaning of Regulation S under the Securities Act or (ii) a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2005.

The Drawdown Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Penarth Master Issuer plc (the "**Issuer**") nor Bank of Scotland plc ("**BOS**") nor Lloyds Bank plc ("**Lloyds**" or "**Lloyds Bank**") nor any Joint Lead Manager nor any Dealer nor any person who controls, nor any director, officer, employee or agent of the Issuer, BOS, Lloyds or any Dealer or any Joint Lead Manager nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Drawdown Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, BOS, Lloyds or any Joint Lead Manager or any Dealer.

IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

DRAWDOWN PROSPECTUS DATED 4 OCTOBER 2018

(to the Base Prospectus dated 12 March 2018)

Penarth Master Issuer plc

(incorporated under the laws of England and Wales with limited liability under registered number 6615304)

Issuer

Bank of Scotland plc

Sponsor, Transferor, Transferor Beneficiary, Cash Manager and Servicer

Issue of $650,000,000 Series 2018-2 A1 Class A Asset Backed Floating Rate Notes due 2020 under

the Penarth Medium Term Note Programme

(ultimately backed by trust property in the Penarth Receivables Trust)

The Issuer will issue	
Series/Class	Series 2018-2 A1 Class A
Principal Amount	$650,000,000
Interest Rate	One-month USD LIBOR plus Margin
Interest Payment Dates	On the 18th day of each month, in each case subject to adjustment for non Business Days
Scheduled Redemption Date	18 September 2020
Final Redemption Date	18 September 2022
Price to public	$650,000,000 (or 100 per cent.)
Underwriting Discount	$0 (or 0 per cent.)
Proceeds to Sponsor	$650,000,000 (or 100 per cent.)

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to "**U.S. Persons**" (within the meaning of Regulation S of the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Notes issued under the Penarth Medium Term Note Programme may only be offered, sold or delivered (i) to non U.S. Persons (as defined in Regulation S) in "offshore transactions" in reliance on Regulation S (the "**Regulation S Notes**") and (ii) (a) within the United States in reliance on Rule 144A under the Securities Act ("**Rule 144A**") only to persons that are "qualified institutional buyers" (each a "**QIB**") within the meaning of Rule 144A (the "**Rule 144A Notes**") and (b) within the United States in reliance on Rule 506 of Regulation D under the Securities Act (the "**Registered Uncleared Notes**").

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or determined if this Drawdown Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

The Issuer has not registered and does not intend to register as an investment company under the United States Investment Company Act of 1940, as amended (the "Investment Company Act").

Prospective investors should read this Drawdown Prospectus and the Base Prospectus carefully before making an investment. This Drawdown Prospectus and the Base Prospectus are available for viewing at the specified offices of the Dealers or the Principal Paying Agent and copies may be obtained from the specified offices of the Dealers or the Principal Paying Agent.

The Series 2018-2 A1 Notes are expected to be assigned ratings on issue by each of Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), Fitch Ratings Ltd ("**Fitch Ratings**") and Moody's Investors Service Limited ("**Moody's**"), each of which, as at the date of this Drawdown Prospectus, is a credit rating agency established and operating in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended (the "**CRA Regulation**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to a revision, suspension or withdrawal at any time by the assigning rating organisation.

Each of Moody's, Standard & Poor's and Fitch is established in the European Union and is a registered rating agency under the CRA Regulation.

This Drawdown Prospectus, together with the information incorporated by reference herein, has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the Series 2018-2 A1 Notes.

If issued under this Drawdown Prospectus, Regulation S Notes (as defined herein) of each class will be represented on issue by beneficial interests in one or more permanent global note certificates (each a "**Regulation S Global Note Certificate**"), in fully registered form, without interest coupons attached, which will be registered in the name of a nominee for and deposited with a Common Depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme,* ("**Clearstream**"). If issued under this Drawdown Prospectus, Rule 144A Notes (as defined herein) of each class will be represented on issue by beneficial interests in one or more permanent global note certificates (each a "**Rule 144A Global Note Certificate**"), in fully registered form, without interest coupons attached, which will be deposited with Deutsche Bank Trust Company Americas, as custodian ("**DTC Custodian**") for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**"). Ownership interests in the Regulation S Global Note Certificates and in the Rule 144A Global Note Certificates (together, the "**Global Note Certificates**") will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and DTC (as relevant), and their respective participants. Regulation S Notes and Rule 144A Notes in definitive certificated, fully registered form will be issued only in the limited circumstances described herein. In each case, purchasers and transferees of notes will be deemed to have made certain representations and agreements. See "*Forms of the notes*" and "*Plan of Distribution*" in the Base Prospectus and "*Purchase and Transfer Restrictions*" in this Drawdown Prospectus.

Arranger

LLOYDS BANK

Joint Lead Managers and Dealers

LLOYDS BANK

LLOYDS SECURITIES

citi

CONTENTS

Page

IMPORTANT INFORMATION

In the event that any withholding or deduction for any taxes, duties, assessments or government charges of whatever nature is imposed, levied, collected, withheld or assessed on payments of principal or interest in respect of the notes by Jersey, the United Kingdom, or any other jurisdiction or any political subdivision or any authority in or of such jurisdiction having power to tax, the Issuer or the Paying Agents on behalf of the Issuer shall make such payments after such withholding or deduction and neither the Issuer nor the Paying Agents will be required to make any additional payments to Noteholders in respect of such withholding or deduction.

The Issuer will confirm to the Series Dealers that the Drawdown Prospectus, contains all information which is (in the context of the Programme, the issue, offering and sale of the notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in the Drawdown Prospectus are honestly held or made and are not misleading in any material respect; that the Drawdown Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and offering and sale of the notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with the Drawdown Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Arranger, Dealers or Joint Lead Managers.

No representation or warranty is made or implied by the Arranger, Dealers or Joint Lead Managers or any of their respective affiliates, and neither such Arranger, Dealers or Joint Lead Managers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in the Drawdown Prospectus. Neither the delivery of the Drawdown Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in the Drawdown Prospectus is true subsequent to the date hereof or the date upon which any future Drawdown Prospectus (in relation to any future issue of other notes) is produced or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which any future Drawdown Prospectus (in relation to any future issue of other notes) are produced or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No request has been made for a certificate permitting public offers of the notes in other member states of the European Union.

The distribution of the Drawdown Prospectus and the offering, sale and delivery of the notes in certain jurisdictions may be restricted by law. Persons in possession of the Drawdown Prospectus are required by the Issuer and the Dealer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of notes and on the distribution of the Drawdown Prospectus and other offering material relating to the notes, see "*Plan of Distribution*" in the Base Prospectus.

Certain figures included in the Drawdown Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Prospective investors should rely only on the information in the Drawdown Prospectus, including information incorporated by reference. The Issuer has not authorised anyone to provide investors with different information.

Prospective investors should read the Drawdown Prospectus carefully before making an investment. A note is not a deposit and neither the notes nor the underlying Receivables are insured or guaranteed by Bank of Scotland plc or by any United Kingdom or United States governmental agency. The notes offered in the Drawdown Prospectus will be obligations of the Issuer only. The Issuer will only have a limited pool of assets to satisfy its obligations under the notes. The notes will not be obligations of Bank of Scotland plc, the Joint Lead Manager(s), the Dealer(s) or any of their respective affiliates.

AN INVESTMENT IN THE NOTES IS ONLY SUITABLE FOR FINANCIALLY SOPHISTICATED INVESTORS WHO ARE CAPABLE OF EVALUATING THE MERITS AND RISKS OF SUCH INVESTMENT AND WHO HAVE SUFFICIENT RESOURCES TO BE ABLE TO BEAR ANY LOSSES WHICH MAY RESULT FROM SUCH INVESTMENT. IF PROSPECTIVE INVESTORS ARE IN ANY DOUBT ABOUT THE CONTENTS OF THE BASE PROSPECTUS AND/OR DRAWDOWN PROSPECTUS THEY SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.

RISK FACTORS

Prospective investors should read the entirety of this Drawdown Prospectus together with the documents incorporated herein by reference, including the base prospectus for the Penarth Master Trust plc medium term note programme dated 12 March 2018 (the "**Base Prospectus**"). Investing in the notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the notes are discussed under "Risk Factors" at pages 36 to 73 of the Base Prospectus (and such risk factors shall be deemed to be incorporated into and form part of this Drawdown Prospectus).

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in and form part of this Drawdown Prospectus:

1. the following sections of the Base Prospectus dated 12 March 2018

(a) Important notices	Set out on pages vi to xi of the Base Prospectus
(b) Programme structural overview	Set out on pages 1 and 2 of the Base Prospectus
(c) Structural diagram of Bank of Scotland plc credit card securitisation programme	Set out on page 3 of the Base Prospectus
(d) Transaction overview	Set out on pages 4 to 8 of the Base Prospectus
(e) The receivables and servicing of receivables	Set out on pages 9 to 12 of the Base Prospectus
(f) Overview of terms and conditions of the notes	Set out on pages 13 to 16 of the Base Prospectus
(g) Rights of noteholders and relationship with other secured creditors	Set out on pages 17 to 20 of the Base Prospectus
(h) The Penarth Receivables Trust and the loan notes	Set out on pages 21 to 28 of the Base Prospectus
(i) Triggers table	Set out on pages 29 to 34 of the Base Prospectus
(j) Fees	Set out on page 35 of the Base Prospectus
(k) Risk factors	Set out on pages 36 to 73 of the Base Prospectus
(l) Regulatory disclosure	Set out on pages 74 to 77 of the Base Prospectus
(m) Prime collateral securities initiative	Set out on page 78 of the Base Prospectus
(n) The Penarth Receivables Trust	Set out on pages 79 to 93 of the Base Prospectus
(o) The receivables	Set out on pages 94 to 104 of the Base Prospectus
(p) Servicing the receivables	Set out on pages 105 to 110 of the Base Prospectus
(q) The loan notes	Set out on pages 111 to 147 of the Base Prospectus
(r) Sources of funds to pay the loan notes	Set out on pages 148 to 162 of the Base Prospectus
(s) The security trust deed and cash management agreement	Set out on pages 163 and 164 of the Base Prospectus
(t) The note trust deed	Set out on pages 165 to 172 of the Base Prospectus
(u) Description of the Swap Agreements	Set out on pages 173 to 175 of the Base Prospectus
(v) Bank of Scotland plc	Set out on page 176 of the Base Prospectus
(w) Lloyds Bank plc	Set out on page 177 of the Base Prospectus
(x) Credit card portfolio	Set out on pages 178 to 183 of the Base Prospectus
(y) Receivable yield considerations	Set out on page 184 of the Base Prospectus
(z) Maturity assumptions	Set out on pages 185 and 186 of the Base Prospectus
(aa) The receivables trustee	Set out on pages 187 to 190 of the Base Prospectus
(bb) Loan Note Issuer No.1	Set out on pages 191 to 193 of the Base Prospectus
(cc) The Issuer	Set out on page 194 and 196 of the Base Prospectus

(dd)	The note trustee and the security trustee	Set out on page 197 of the Base Prospectus
(ee)	Forms of the notes	Set out on pages 198 to 206 of the Base Prospectus
(ff)	Terms and conditions of the notes	Set out on pages 207 to 257 of the Base Prospectus
(gg)	United Kingdom taxation treatment of the notes	Set out on page 258 of the Base Prospectus
(hh)	Material Jersey tax considerations	Set out on page 259 of the Base Prospectus
(ii)	FATCA	Set out on page 260 of the Base Prospectus
(jj)	Material United States federal income tax consequences	Set out on pages 261 to 267 of the Base Prospectus
(kk)	ERISA and certain other considerations	Set out on pages 268 and 270 of the Base Prospectus
(ll)	Plan of distribution	Set out on pages 271 to 282 of the Base Prospectus
(mm)	Auditors	Set out on pages 283 of the Base Prospectus
(nn)	Use of proceeds	Set out on page 284 of the Base Prospectus
(oo)	General information	Set out on pages 285 to 287 of the Base Prospectus
(pp)	Additional important information	Set out on pages 288 to 289 of the Base Prospectus
(qq)	Form of final terms	Set out on pages 290 to 325 of the Base Prospectus
(rr)	Financial statements of Loan Note Issuer No.1 for the 12 month period ended 31 December 2016	Set out on page 326 of the Base Prospectus
(ss)	Financial statements of Loan Note Issuer No.1 for the 12 months period ended 31 December 2015	Set out on page 327 of the Base Prospectus
(tt)	Financial statements of Issuer for the 12 month period ended 31 December 2016	Set out on page 328 of the Base Prospectus
(uu)	Financial statements of Issuer for the 12 months period ended 31 December 2015	Set out on page 329 of the Base Prospectus

Any statement contained in the Base Prospectus or in any document incorporated or deemed incorporated by reference into this Drawdown Prospectus shall be deemed to be modified or superseded for the purpose of this Drawdown Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Drawdown Prospectus except as modified or superseded.

Any information not listed above but included in the information incorporated by reference is given for information purposes only. Except where explicitly incorporated by reference herein, any documents themselves incorporated by reference into the documents listed in the table above shall not form a part of this Drawdown Prospectus.

Where any information incorporated by reference constitutes only certain parts of a document, the parts of such document not incorporated into this Drawdown Prospectus are either (i) not relevant to an investor in the notes or (ii) covered elsewhere in this Drawdown Prospectus.

Full information on the Issuer and the notes described herein is only available on the basis of a combination of this Drawdown Prospectus and any information incorporated by reference into this document.

Documents available for inspection

For so long as the Base Prospectus is in effect, copies and, where appropriate, English translations of the following documents may be inspected at the specified office of the Principal Paying Agent and at the registered office of the Issuer during usual business hours on any weekday, apart from public holidays and the Base Prospectus shall be available on or around the date hereof in electronic form at:

https://www.intertrustgroup.com/our-services/capital-markets-services/public-transactions/penarth-master-issuer-plc

(i) the memorandum and articles of association of the Issuer;

(ii) the memorandum and articles of association of Loan Note Issuer No.1;

(iii) the memorandum and articles of association of the Receivables Trustee;

(iv) historical financial information of the Issuer set out in Appendix D and Appendix E of the Base Prospectus;

(v) the current Base Prospectus in relation to the Programme;

(vi) the Paying Agency Agreement;

(vii) the Dealer Agreement and the relevant subscription agreement;

(viii) any Final Terms or Drawdown Prospectus, as applicable relating to notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system;

(ix) the Master Framework Agreement;

(x) the RSD including amendments thereto;

(xi) the RTDSA including amendments thereto;

(xii) the Trust section 75 indemnity;

(xiii) the Expenses Loan Agreement;

(xiv) the STDCMA;

(xv) the Note Trust Deed;

(xvi) each Note Trust Deed Supplement;

(xvii) the Issuer Master Framework Agreement;

(xviii) the De-Linked Supplement;

(xix) the Jersey jurisdiction agreement (Loan Notes);

(xx) the Issuer Corporate Services Agreement;

(xxi) the RT Corporate Services Agreement;

(xxii) the Funding 1 Corporate Services Agreement;

(xxiii) the various bank agreements of Loan Note Issuer No.1 and the Issuer; and

(xxiv) each Loan Note Supplement.

DESCRIPTION OF THE A1 SWAP AGREEMENT

The Issuer has entered into a currency swap transaction pursuant to an ISDA master agreement and related schedules dated 2 October 2018 (together, the "**A1 Swap Agreement**") with Wells Fargo Securities International Limited (the "**Swap Counterparty**"). For further detail, please see "*Description of the Swap Agreements*" in the Base Prospectus.

Early termination

The A1 Swap Agreement may be terminated early, *inter alia*, in the following circumstances:

(a) at the option of one party, if there is a failure by the other party to pay any amounts due under the A1 Swap Agreement;

(b) by the Swap Counterparty upon the service of an Enforcement Notice following the occurrence of an Event of Default under the Conditions;

(c) upon the occurrence of certain other events, including but not limited to certain amendments (including but not limited to amendments to the priorities of payment) being made to certain documents (such as the Note Trust Deed Supplement in relation to Series 2018-2 A1) without the Swap Counterparty's prior written consent, certain insolvency events or changes in law resulting in illegality; and

(d) in the event that there is a withholding tax imposed (1) in relation to the Issuer's payments under the A1 Swap Agreement, or (2) in relation to the Swap Counterparty's payments under the A1 Swap Agreement and, as a result, the Swap Counterparty is required to pay more or receives less under the A1 Swap Agreement (following, broadly, expiry of any period during which the Swap Counterparty is required to mitigate against the imposition of such withholding tax).

Upon any such early termination of the A1 Swap Agreement, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other. The amount of any such termination payment will be based on the market value of the swap computed in accordance with the A1 Swap Agreement, generally on the basis of market quotations of the cost of entering into a replacement swap transaction with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties, in accordance with the procedures set forth in the A1 Swap Agreement. Any such termination payment could, if interest rates and/or the relevant exchange rate have changed significantly, be substantial.

Upon termination of the A1 Swap Agreement, the Issuer will endeavour to find a replacement swap counterparty on acceptable terms but if no replacement Swap Agreement is entered into, the security under the Note Trust Deed (and the supplement to the Note Trust Deed) in respect of the Series 2018-2 A1 Notes may become enforceable. If such security is enforced, the proceeds thereof will be applied in payment of amounts under the order of post-enforcement priority of payments set forth in the Conditions of such note. In the event that the A1 Swap Agreement is terminated not as a result of a Counterparty Swap Event Of Default (as defined below), then any termination payment to be paid to the Swap Counterparty by the Issuer in accordance with the early termination provisions of such A1 Swap Agreement shall rank simultaneously and equally with payments to be made under the Series 2018-2 A1 Notes.

Certain events including, without limitation, failure to pay or deliver, misrepresentation, insolvency or bankruptcy pertaining to the Swap Counterparty (a "**Counterparty Swap Event Of Default**") may result in the early termination of the A1 Swap Agreement. In the event that the A1 Swap Agreement is terminated as a result of a Counterparty Swap Event Of Default, then any termination payment to be paid to the Swap Counterparty by the Issuer in accordance with the early termination provisions of such A1 Swap Agreement shall be subordinated to any payments to be made under the Series 2018-2 A1 Notes.

Taxation

The Issuer is not obliged under the A1 Swap Agreement to gross up payments made by it if a withholding or deduction for, or on account of, taxes is imposed on payments made under the A1 Swap Agreement.

The Swap Counterparty will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for, or on account of, certain taxes is imposed on payments made by the Swap Counterparty under the A1 Swap Agreement. However, if the Swap Counterparty is required to gross up a payment under the A1 Swap Agreement due to a change in the law, the Swap Counterparty may terminate the A1 Swap Agreement.

Rating downgrade or withdrawal of the Swap Counterparty

If the Swap Counterparty (or, if applicable, its guarantor or credit support provider) ceases to have, does not have or is not guaranteed by an institution which has (as the case may be) the Minimum Required Ratings (in accordance with the requirements of Standard & Poor's, Fitch Ratings or Moody's), or if the rating of a Swap Counterparty (or, if applicable, its guarantor or credit support provider) is withdrawn, then the Swap Counterparty will, in accordance with the provisions of and subject to the timeframes specified in the A1 Swap Agreement, be required to take certain remedial measures which may include:

(i) providing collateral in accordance with a mark-to-market collateral agreement between the Swap Counterparty and the Issuer (the "**Credit Support Annex**");

(ii) obtaining a guarantee from a guarantor that satisfies the minimum rating and other requirements specified in the A1 Swap Agreement;

(iii) transferring the A1 Swap Agreement to an entity that satisfies the minimum rating and other requirements specified in the A1 Swap Agreement; or

(iv) taking such other actions as may be specified in the A1 Swap Agreement.

If the Swap Counterparty fails to take any of the applicable remedial measures in accordance with the provisions of the A1 Swap Agreement, the Issuer may terminate such A1 Swap Agreement in accordance with its terms.

"**Minimum Required Ratings**" means:

(a) a short term issuer default rating of at least F1 from Fitch Ratings and a short term rating of at least A-1 by Standard and Poor's; and

(b) a long term issuer default rating of at least A by Fitch Ratings and a long term, unsecured and unsubordinated debt or counterparty obligations rating of at least A3 by Moody's and a long term unsecured, unsubordinated and unguaranteed debt obligations rating of at least A by Standard and Poor's, depending, in each case, on the rating of the relevant notes, and, in the case of ratings from Standard and Poor's, on the replacement option selected,

or such other minimum required ratings as may be specified in the A1 Swap Agreement.

General

Except as permitted under the A1 Swap Agreement neither the Issuer nor the Swap Counterparty is, save for the assignment by way of security in favour of the Note Trustee under the supplement to the Note Trust Deed, permitted to assign, novate or transfer as a whole or in part any of its rights, obligations or interests under the A1 Swap Agreement.

SWAP COUNTERPARTY

This description of the Swap Counterparty does not purport to be an abstract of, and is therefore subject to, and qualified in its entirety by reference to, the detailed provisions of the Swap Agreements and the other Transaction Documents.

Wells Fargo Securities International Limited is a London-based MiFID-investment firm. Wells Fargo Securities International Limited is regulated by the UK's Financial Conduct Authority and it has the ability to offer its products and services throughout the European Economic Area. Wells Fargo Securities International Limited is an EMIR-compliant entity rated, as of the date of this Drawdown Prospectus, A+/A2/A+ by Standard & Poor's, Moody's and Fitch (respectively). The ratings reflect the respective rating agency's current assessment of the creditworthiness of Wells Fargo Securities International Limited and may be subject to revision or withdrawal at any time by the rating agencies.

Wells Fargo Securities International Limited will provide upon request, without charge, to each person to whom this Drawdown Prospectus is delivered, a copy of the most recent audited annual financial statements of Wells Fargo & Co., the ultimate parent company of Wells Fargo Securities International Limited. Requests for such information should be directed to Wells Fargo & Co. – Investor Relations, (415) 371-2921 or via electronic mail at investorrelations@wellsfargo.com.

Wells Fargo Securities International Limited has not participated in the preparation of this Drawdown Prospectus and has not reviewed and is not responsible for any information contained in this Drawdown Prospectus, other than the information contained in the immediately preceding paragraphs.

TRANSACTION FEATURES

The Series 2018-2 A1 Notes will be governed, to the extent not described in this Drawdown Prospectus, by the applicable provisions of the Base Prospectus. Unless otherwise indicated, words and expressions defined in the Base Prospectus shall have the same meanings below.

NOTE SERIES

Series Number:	Series 2018-2 A1
Class of Note:	Class A
Issue Date:	10 October 2018
Issue Price:	100 per cent.
Ratings:	Standard & Poor's (AAA(sf))/Fitch Ratings (AAAsf)/Moody's (Aaa(sf))
Principal Amount:	\$650,000,000
Net Proceeds:	\$650,000,000
Specified Currency:	Notes are to be denominated in U.S. Dollars
Fixed, Floating or other interest type Designation:	Floating
Scheduled Redemption Date:	18 September 2020
Final Redemption Date:	18 September 2022
Initial Rate (if applicable):	Not Applicable
Rate of Interest:	One-month USD LIBOR plus Margin
Margin (if applicable):	0.45 per cent.
Additional Interest Margin (if applicable):	Not Applicable
Maximum Interest Rate (if applicable):	Not Applicable
Day Count Fraction:	Actual/360
Interest Determination Date:	Two Business Days prior to the commencement of the relevant Interest Period
Distribution Date:	On the 18th day of each month, in each case subject to adjustment for non-Business Days
First Interest Payment Date:	18 November 2018
Interest Commencement Date:	10 October 2018
Floating Rate Commencement Date (if applicable):	Not Applicable

Interest Payment Dates:	On the 18th day of each month, in each case subject to adjustment for non-Business Days
Redemption Period Interest Payment Dates:	Not Applicable
Interest Rate Calculations:	Condition 6(b)
USD LIBOR (in the case of the first Interest Period):	One-month (except for the first Interest Period where LIBOR will be based on the linear interpolation of one-month and two-month USD LIBOR)
EURIBOR (in the case of the first Interest Period):	Not Applicable
Redenomination, Renominalisation and Reconventioning:	No
Indication of Yield:	Not applicable
Denomination:	$150,000 and amounts in excess thereof which are integral multiples of $1,000
Listing:	London Stock Exchange - Regulated Market
Clearing and Settlement (if applicable):	In respect of the Rule 144A Global Note Certificates, through DTC In respect of the Regulation S Global Note Certificates, through Euroclear and Clearstream, Luxembourg
Additional Business Centre(s):	None
Additional Financial Centre(s):	None
Business Day:	Not applicable
Business Day Convention:	Modified Following Business Day Convention
Form of notes:	Registered Notes: Rule 144A Global Note Certificates registered in the name of Cede & Co. as a nominee of DTC Regulation S Global Note Certificates registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg
Eurosystem eligibility:	No. Whilst the designation is specified as "no" at the date of these Drawdown Prospectus, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Call Date:	None
Estimated total expenses related to admission to trading:	3,600
Screen Rate:	Yes
Redemption Period End Date:	Not applicable
Minimum Adjusted Transferor Interest:	6 per cent. or such lower percentage as the Servicer may certify in its opinion formed on the basis of due consideration, that such reduction will not result in a reduction or withdrawal of each Rating Agency's then current rating of any outstanding Associated Debt
Credit Risk Retention - Expected Seller's interest as at the Issue Date for U.S. Credit Risk Retention Rules	Approx Sterling equivalent of £2,553,000,000 or 49%, calculated on the basis of balances as of 31 August 2018 and a hypothetical Sterling equivalent issuance of £1,000,000,000 aggregate principal amount of all the Series 2018-2 Notes
Intended to be held in a manner which would allow Eurosystem eligibility:	No
Debt or Equity for U.S. taxation purposes:	Debt
Issued with Original Issue Discount for U.S. taxation purposes:	No

LOAN NOTE SUPPORTING SERIES

The notes of this Note Series will be collateralised by the Class A (2018-2 A1) Loan Note (the "**Related Loan Note**") which shall have the following terms, as also set out in the Class A 2018-2 A1 Loan Note Supplement.

Designation for the purposes of the STDCMA:	Class A
Issuance Date:	10 October 2018
Initial Principal Amount:	£500,000,000
Class A Required Subordinated Percentage:	15.5 per cent.
First Monthly Period End Date:	31 October 2018
First Loan Note Interest Payment Date:	18 November 2018
Loan Note Interest Payment Date:	18 November 2018 and each Distribution Date thereafter up to and including the Distribution Date falling in September 2022
Loan Note Interest Period:	From, and including, a Loan Note Interest Payment Date or, for the first Loan Note Interest Period, the Issuance Date, to, but excluding, the next Loan Note Interest Payment Date
Loan Note Interest Rate:	One-month Sterling LIBOR plus 0.501 per cent. beginning on (and including) the Issuance Date and ending on (but excluding) the commencement of an Amortisation Period and thereafter one-month Sterling LIBOR plus 0.901 per cent.
Scheduled Redemption Date:	18 September 2020
Stated Monthly Accumulation Amount:	£166,666,667
Final Redemption Date:	18 September 2022
Additional Early Redemption Events:	An early termination, without replacement within 30 days, of the Related Swap Agreement
Required Accumulation Reserve Account Amount:	On any Transfer Date on or after the Accumulation Reserve Account Funding Date, 2.25 per cent. of the Outstanding Principal Amount of the Class A (2018-2 A1) Loan Note at the close of business on the last day of the preceding Monthly Period
Additional Junior Cost Items:	None
Series Cash Reserve Account:	Yes
Amortisation Period:	Regulated Amortisation Period/Rapid Amortisation Period
Accumulation Period Commencement Date:	1 June 2020

Programme Reserve Account Percentage:	0 per cent.

The Related Loan Note will have a Loan Note Revolving Period and an Accumulation Period and may have an Amortisation Period as more fully described in the Base Prospectus.

The "**Accumulation Period Commencement Date**" means in respect of the Related Loan Note, the first day of the month that is 3 whole months prior to the Scheduled Redemption Date for the Related Loan Note **provided**, **however, that** if the Accumulation Period Length for such Related Loan Note is less than 3 months, the Accumulation Period Commencement Date will be the first day of the month that is the number of whole months prior to such Scheduled Redemption Date at least equal to the Accumulation Period Length and, as a result, the number of Monthly Periods during the period from the Accumulation Period Commencement Date to such Scheduled Redemption Date will be at least equal to the number of months comprising the Accumulation Period Length.

The "**Class A (2018-2 A1) Reserve Account Percentage**" shall be determined as follows: (i) if the Originator Rating Trigger is satisfied, the Class A (2018-2 A1) Reserve Account Percentage shall be 0.00 per cent., or (ii) if the Originator Rating Trigger has been breached, the Class A (2018-2 A1) Reserve Account Percentage shall be 3.77 per cent.

The "**Originator Rating Trigger**" means the (i) short term unsecured and unguaranteed debt rating of Bank of Scotland of at least P-1 by Moody's and A2 by Standard & Poor's and (ii) long term unsecured and unguaranteed debt rating of Bank of Scotland of at least A2 by Moody's.

The "**Release Date**" means the earlier to occur of (i) the Scheduled Redemption Date (or any Transfer Date thereafter) on which the Nominal Liquidation Amount for the Related Loan Note is reduced to zero and (ii) the Final Redemption Date. On the Release Date an amount equal to the lesser of (i) the Available Series Cash Reserve Account Amount for the Related Loan Note and (ii) the Nominal Liquidation Amount Deficit for the Related Loan Note after taking into account the Available Programme Reserve Account Amount, will be paid by Loan Note Issuer No.1 to the Issuer in respect of the Related Loan Note.

The "**Required Series Cash Reserve Account Amount**" means on any Transfer Date in respect of the Related Loan Note, an amount equal to the product of (i) the Class A (2018-2 A1) Reserve Account Percentage for such Transfer Date multiplied by (ii) the Nominal Liquidation Amount of the Related Loan Note at the close of business on the last day of the preceding Monthly Period.

PARTIES

Dealers	Lloyds Bank plc, Lloyds Bank Corporate Markets plc, Lloyds Securities Inc. and Citigroup Global Markets Limited
Joint Lead Managers:	Lloyds Bank Corporate Markets plc, Lloyds Securities Inc. and Citigroup Global Markets Limited
Issuer:	Penarth Master Issuer plc
Note Trustee:	Deutsche Bank Trust Company Americas
Principal Paying Agent, and Agent Bank for the notes:	Deutsche Bank AG, London Branch. The Principal Paying Agent will make payments of interest and principal when due on the notes. The Principal Paying Agent's address in London is, at the date of this Drawdown Prospectus, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom
US Paying Agent and Registrar:	Deutsche Bank Trust Company Americas whose address in New York is, at the date of this Drawdown Prospectus, 60 Wall Street 16th Floor, MailStop NYC60-1625, New York, New York 10005, United States of America
Custodian:	Deutsche Bank Trust Company Americas
Calculation Agent:	Deutsche Bank AG, London Branch
Paying Agent:	Deutsche Bank AG, London Branch at its Specified Office in London, which is, at the date of this Drawdown Prospectus, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom
Receivables Trustee:	Penarth Receivables Trustee Limited
Loan Note Issuer No.1:	Penarth Funding 1 Limited
Sponsor, Transferor and Transferor Beneficiary:	Bank of Scotland plc
Security Trustee:	Deutsche Bank Trust Company Americas
Swap Counterparty:	Wells Fargo Securities International Limited
Cash Manager:	Bank of Scotland plc
Servicer:	Bank of Scotland plc
Mandatory Purchaser:	Not Applicable

OTHER NOTE SERIES ISSUED

The table below sets forth the principal characteristics of the other series previously issued by the Issuer that are outstanding at the date of this Drawdown Prospectus, in connection with the Penarth Receivables Trust and the Receivables assigned by the Transferor.

Note Series	Current Ratings (Standard & Poor's/Fitch/ Moody's)	Issuance Date	Tranche Size	Note Interest Rate	Scheduled Redemption Date	Final Redemption Date
Series 2013-1 A2	Not rated/AAAsf/Aaa (sf)	21 November 2013	£1,300,000,000	0.45 per cent. per annum plus 1-month Sterling LIBOR	18 October 2021	18 October 2023
Series 2014-1 A2	AAA (sf)/AAAsf/Aaa (sf)	10 April 2014	£500,000,000	0.50 per cent. per annum plus 1-month Sterling LIBOR	18 March 2019	18 March 2021
Series 2014-2 B1	AA-(sf)/Asf/ Aa3(sf)	20 October 2014	£600,000,000	1.25 per cent. per annum plus 1-month Sterling LIBOR	18 September 2025	18 September 2027
Series 2014-2 C1	A (sf)/BBB+sf/ Baa1(sf)	20 October 2014	£120,000,000	1.75 per cent. per annum plus 1-month Sterling LIBOR	18 September 2025	18 September 2027
Series 2014-2 D1	Not rated/Not rated/Not rated	20 October 2014	£500,000,000	0.50 per cent. per annum plus 1-month Sterling LIBOR	18 September 2028	18 September 2028
Series 2015-1 A2	AAA (sf)/AAAsf/Aaa (sf)	31 March 2015	£500,000,000	0.50 per cent. per annum plus 1-month Sterling LIBOR	18 March 2020	18 March 2022
Series 2015-2 A2	AAA (sf)/AAAsf/Aaa (sf)	11 June 2015	£200,000,000	0.50 per cent. per annum plus 1-month Sterling LIBOR	18 May 2020	18 May 2022
Series 2018-1 A1	AAA(sf)/AAA(sf)/Aaa(sf)	26 March 2018	$300,000,000	0.38 per cent per annum plus 1-month USD LIBOR	18 March 2020	18 March 2022
Series 2018-1 A2	AAA(sf)/AAAsf/Ass(sf)	26 March 2018	£300,000,000	0.45 per cent per annum plus 1-month GBP LIBOR	18 March 2023	18 March 2025

CURRENT NOTE SERIES

The table below sets forth the principal characteristics of the other series to be issued by the Issuer at the date of this Drawdown Prospectus in connection with the receivables trust and the receivables assigned by the Transferor.

Note Series	Ratings (Standard & Poor's/Fitch/ Moody's)	Issuance Date	Tranche Size	Note Interest Rate	Scheduled Redemption Date	Final Redemption Date
Series 2018-2 A2	Not rated/AAAsf/Ass(sf)	10 October 2018	£500,000,000	0.85 per cent per annum plus 1-month GBP LIBOR	18 September 2025	18 September 2027

BANK PORTFOLIO INFORMATION AS AT 30 JUNE 2018

The following tables show information relating to the historic performance of Eligible Accounts originated using Bank of Scotland plc's and Lloyds Bank plc's underwriting criteria, respectively as at 30 June 2018. The following tables replace, in their entirety, any previous information provided relating to the historic performance of Eligible Accounts originated by Bank of Scotland plc and/or Lloyds Bank plc. The Receivables from certain Eligible Accounts will ultimately back the notes and comprise the Receivables Trust (the "**Securitised Portfolio**"). As mentioned in the Base Prospectus, a member of Lloyds Banking Group may accede to the RSD as an Additional Transferor subject to certain conditions being satisfied.

Receivables Yield Considerations

The following tables set forth the gross revenues from finance charges and fees billed to Accounts in the Bank Portfolio (as defined in the Base Prospectus) of Bank of Scotland and Lloyds Bank for each of the years ended 31 December 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017, and for the period ended 30 June 2018. These revenues vary for each account based on the type and volume of activity for each account. The historical yield figures in these tables are calculated on an accrual basis. Collections of Receivables included in Penarth Receivables Trust will be on a cash basis and may not reflect the historical yield experience shown in the following tables. For further detail, please see page 184 of the Base Prospectus. Historical yield experience of the Bank Portfolio may not be indicative of future performance of the Bank Portfolio or the Securitised Portfolio.

Combined Bank of Scotland and Lloyds Bank Portfolio Yield

	Bank Portfolio Yield					
	Period Ended 30 Jun 2018	**Year Ended 31 Dec 2017**	**Year Ended 31 Dec 2016**	**Year Ended 31 Dec 2015**	**Year Ended 31 Dec 2014**	**Notes**
Average Monthly Accrued Finance Charges and Fees	£91,139,340	£94,615,019	£101,984,120	£98,983,306	£99,099,985	1
Average Receivables Outstanding	£9,862,715,417	£9,710,213,396	£9,352,430,011	£8,969,270,042	£8,560,584,480	2
Yield from Charges and Fees	11.1%	11.7%	13.1%	13.2%	13.9%	3,4
Yield from Interchange	0.8%	0.8%	0.7%	1.4%	1.6%	4
Yield from Charges, Fees and Interchange	11.9%	12.5%	13.8%	14.6%	15.5%	4,5

NOTES:
(1) Finance Charges and Fees are comprised of Monthly Periodic charges and other credit card fees - this is the average accrued monthly amount
(2) Average receivables outstanding includes principal and finance charges, and excludes receivables charged off
(3) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.
(4) All ratios are annualised.
(5) Yield from interchange has reduced from November 2015 onwards as a result of the adoption of EU Interchange Fee Regulation.

Delinquency and Loss Experience

The following tables set forth the delinquency and loss experience for each of the periods shown for the Bank Portfolio of credit card accounts. The Bank Portfolio's delinquency and loss experience is comprised of segments which may, when taken individually, have delinquency and loss characteristics different from those of the overall Bank Portfolio of credit card accounts. Because the Securitised Portfolio is only a portion of the Bank Portfolio, actual delinquency and loss experience with respect to the Receivables comprised therein may be different from that set forth below for the Bank Portfolio. There can be no assurance that the delinquency and loss experience for the Securitised Portfolio in the future will be similar to the historical experience of the Bank Portfolio set forth below. For further detail, please see the Base Prospectus.

DELINQUENCY EXPERIENCE

Combined Bank of Scotland and Lloyds Bank Portfolio

	Delinquency Experience									
	As at 30 Jun 2018	**%**	**As at 31 Dec 2017**	**%**	**As at 31 Dec 2016**	**%**	**As at 31 Dec 2015**	**%**	**As at 31 Dec 2014**	**%**
Receivables Outstanding(1) (2)	£9,915,617,427		£9,890,273,534		£9,625,819,243		£9,234,029,808		£8,783,521,093	
Receivables Delinquent										
5-29	£87,725,828	0.9%	£103,732,616	1.0%	£97,657,550	1.0%	£104,730,436	1.1%	£120,862,675	1.4%
30-59	£32,089,093	0.3%	£31,898,212	0.3%	£33,645,286	0.3%	£32,779,641	0.4%	£37,335,286	0.4%
60-89	£22,767,324	0.2%	£21,476,690	0.2%	£26,283,514	0.3%	£24,598,127	0.3%	£28,026,244	0.3%
90+	£67,456,003	0.7%	£45,510,020	0.5%	£48,840,705	0.5%	£45,583,791	0.5%	£48,341,230	0.6%
Total	**£210,038,248**	**2.1%**	**£202,617,538**	**2.0%**	**£206,427,055**	**2.1%**	**£207,691,995**	**2.2%**	**£234,565,435**	**2.7%**

Notes:
(1) Receivables outstanding represent end of period receivables.
(2) Receivables outstanding includes principal and finance charges, and excludes receivables charged off.

GROSS CHARGE-OFF EXPERIENCE

Combined Bank of Scotland and Lloyds Bank Portfolio

	Gross Charge-off Experience					
	Period Ended 30 Jun 2018	**Year Ended 31 Dec 2017**	**Year Ended 31 Dec 2016**	**Year Ended 31 Dec 2015**	**Year Ended 31 Dec 2014**	**Notes**
Average Receivables Outstanding.....	£9,862,715,417	£9,710,213,396	£9,352,430,011	£8,969,270,042	£8,560,584,480	1
Total gross charge-offs......................	£115,815,388	£254,955,707	£237,263,656	£248,776,502	£323,802,108	
Total gross charge-offs as % of receivables	2.4%	2.6%	2.5%	2.8%	3.8%	2

Notes:

(1) Average receivables outstanding includes principal and finance charges, and excludes receivables charged off.

(2) All ratios are annualised.

Maturity Assumptions

The following tables set forth the highest and lowest cardholder monthly payment rates for the Bank Portfolio during any month in the periods shown and the average cardholder monthly payment rates for all months during the periods shown, in each case calculated as a percentage of total opening monthly account balances during the periods shown. Payment rates shown in the table are based on amounts which would be deemed payments of Principal Receivables and Finance Charge Receivables with respect to the related credit card accounts.

CARDHOLDER MONTHLY PAYMENTS RATES

Combined Bank of Scotland and Lloyds Bank Portfolio

	Cardholder Monthly Payment Rates					
	Period Ended 30 Jun 2018	**Year Ended 31 Dec 2017**	**Year Ended 31 Dec 2016**	**Year Ended 31 Dec 2015**	**Year Ended 31 Dec 2014**	**Notes**
Lowest Month	20.3%	19.5%	18.5%	17.7%	18.5%	1
Highest Month.................................	22.4%	21.5%	20.9%	20.1%	20.3%	1
Monthly Average	21.5%	20.7%	20.1%	19.2%	19.3%	1

Notes:

(1) Payment % = (Total Payments in calendar month/ Total Opening Receivables Outstandings at start of calendar month)*100.

For further detail, please see the Base Prospectus.

SECURITISED PORTFOLIO RECEIVABLES INFORMATION

As at 30 June 2018

The following tables summarise the Securitised Portfolio by various criteria at the end of the day on 30 June 2018. Because the future composition of the Securitised Portfolio may change over time, these tables are not necessarily indicative of the composition of the Securitised Portfolio at any time subsequent to 30 June 2018.

Recent Lump Additions and Removals

Bank of Scotland may from time to time transfer Receivables to the Penarth Receivables Trust in lump additions by designating additional accounts to the Penarth Receivables Trust. Since 1 January 2014, Bank of Scotland has made the following lump additions of accounts to the Penarth Receivables Trust: on 1 June 2014, 1 November 2014, 1 June 2015, 1 November 2015, 1 March 2016, 1 November 2016, 1 November 2017 and 1 June 2018 the amounts of £592,574,309, £635,657,464, £653,410,229, £687,026,190, £909,068,819, £545,751,827, £1,041,736,637 and £783,362,155 respectively. The lump additions made since 8 November 2010 include Receivables transferred by Lloyds Bank to Bank of Scotland and subsequently transferred by Bank of Scotland to the Receivables Trustee.

On 26 February 2016, there was a redesignation and removal of certain credit card accounts in the amount of £170,930,762 from the Penarth Receivables Trust, which the Transferor selected after undertaking a review of the Designated Accounts in the Securitised Portfolio by reference to the definition of LCR Credit Impaired Accounts and LCR Defaulted Accounts in the LCR Regulations.

Receivables Yield Considerations

The following tables set forth the gross revenues from finance charges and fees billed to accounts in the Securitised Portfolio for the period from the year ended 31 December 2014, the year ended 31 December 2015, the year ended 31 December 2016, the year ended 31 December 2017 and the period ended 30 June 2018. Each table has been provided by Bank of Scotland. These revenues vary for each account based on the type and volume of activity for each account. The historical yield figures in these tables are calculated on an accrual basis. Collections of Receivables included in the Penarth Receivables Trust will be on a cash basis and may not reflect the historical yield experience in the table. For further detail, please see the Base Prospectus.

Securitised Portfolio Yield

(non percentage amounts are expressed in Sterling)

Revenue Experience	Period Ended 30 Jun 2018	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014	Notes
Average Principal Receivables Outstanding..	£7,527,488,595	£7,276,772,762	£7,465,777,756	£6,799,653,813	£6,254,850,829	1
Average Finance Charges, Fees and Interchange	£84,412,229	£84,145,695	£88,002,163	£93,062,132	£95,376,264	2,3
Yield from Finance Charges, Fees and Interchange	13.5%	13.9%	14.1%	16.4%	18.3%	2,3,4

Notes:

(1) Average principal receivables outstanding is the average of the opening receivables balance for the period indicated.

(2) Finance Charges and Fees are comprised of monthly periodic charges and other credit card fees net of adjustments made pursuant to Bank of Scotland.

(3) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.

(4) All ratios are annualised.

Principal Payment Rate	Period Ended 30 Jun 2018	Year Ended 31 Dec 2017	Year Ended 31 Dec 2016	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014	Notes
Lowest Month[(1)]	21.2%	19.9%	19.8%	18.9%	19.0%	1
Highest Month[(1)].....................	25.4%	24.7%	22.8%	22.6%	22.6%	1
Average Month[(1)]....................	23.8%	22.6%	21.4%	21.0%	21.3%	1

Notes:

(1) Payment rate calculated as principal collections in the calendar month over opening principal receivables

Securitised Portfolio Performance

	As at 30 Jun 2018			As at 31 Dec 2017			As at 31 Dec 2016			As at 31 Dec 2015			As at 31 Dec 2014		
Delinquency Experience	**Number of Accounts**	**Principal Receivables**	**Percentage of Total Principal Receivables**	**Number of Accounts**	**Principal Receivables**	**Percentage of Total Principal Receivables**	**Number of Accounts**	**Principal Receivables**	**Percentage of Total Principal Receivables**	**Number of Accounts**	**Principal Receivables**	**Percentage of Total Principal Receivables**	**Number of Accounts**	**Principal Receivables**	**Percentage of Total Principal Receivables**
Principal Receivables Outstanding[1]..........	7,102,493	7,945,310,391		6,895,779	£7,701,054,954		6,904,122	£7,609,942,653		7,179,132	£7,311,898,934		6,839,904	£6,773,264,754	
Number of Days Delinquent:															
5 to 29 Days	33,936	£65,726,233	0.83%	40,216	£74,166,386	0.96%	40,878	£69,062,263	0.91%	43,992	£75,530,506	1.03%	47,220	£86,737,340	1.28%
30 to 59 Days	9,631	£23,061,279	0.29%	10,372	£23,140,718	0.30%	10,224	£23,558,307	0.31%	10,480	£23,451,939	0.32%	11,590	£26,285,586	0.39%
60 to 89 Days	6,328	£16,587,801	0.21%	5,737	£14,416,317	0.19%	6,715	£18,197,209	0.24%	6,848	£17,132,508	0.23%	7,376	£19,456,361	0.29%
90 or more Days	18,337	£45,998,462	0.58%	11,508	£28,683,659	0.37%	12,593	£29,735,838	0.39%	12,539	£29,661,476	0.41%	13,822	£31,673,348	0.47%
Total	**68,232**	**£151,373,776**	**1.91%**	**67,833**	**£140,407,080**	**1.82%**	**70,410**	**£140,553,616**	**1.85%**	**73,859**	**£145,776,429**	**1.99%**	**80,008**	**£164,152,636**	**2.42%**

Notes:
(1) Principal Receivables outstanding represent the closing receivables at the period end.
(2) Delinquencies represent delinquent principal receivables at the period end.

Loss Experience

Loss Experience	**Period Ended 30 Jun 2018**	**Year Ended 31 Dec 2017**	**Year Ended 31 Dec 2016**	**Year Ended 31 Dec 2015**	**Year Ended 31 Dec 2014**	**Notes**
Average Principal Receivables Outstanding..	£7,527,488,595	£7,276,772,762	£7,465,777,756	£6,799,653,813	£6,254,850,829	1
Average Gross Losses..	£12,736,684	£13,998,201	£10,927,256	£13,361,458	£18,192,668	2
Average Recoveries...	£4,975,956	£9,445,420	£11,434,864	£11,818,366	£13,403,188	3
Average Net Losses...	£7,760,728	£4,552,781	-£507,608	£1,543,092	£4,789,480	4, 6
Gross Losses as a percentage of Principal Receivables Outstanding	2.0%	2.3%	1.8%	2.4%	3.5%	5
Net Losses as a percentage of Principal Receivables Outstanding...	1.2%	0.8%	-0.1%	0.3%	0.9%	5, 6

Notes:
(1) Average principal receivables outstanding is the average of the opening receivables balance for the period indicated.
(2) Gross Losses are charged-off principal receivables.
(3) Recoveries are amounts received on previously charged-off principal receivables.
(4) Net Losses are Gross Losses minus Recoveries.
(5) All ratios are annualised.
(6) Average net losses and net losses as a % of principal receivables outstanding are negative in 2016, resulting from lower gross losses and relatively higher recoveries due to a debt sale in December 2016.

All ratios are annualised by multiplying by the following ratio: 365 divided by the number of days in the reported period.

COMPOSITION BY ACCOUNT BALANCE

Securitised Portfolio

Account Balance Range	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Credit Balance	557,596	7.9%	-£32,253,274	-0.4%
No Balance	2,195,317	30.9%	£0	0.0%
£0.01 - £5,000.00	3,902,072	54.9%	£4,876,885,887	58.8%
£5,000.01 - £10,000.00	375,315	5.3%	£2,561,421,967	30.9%
£10,000.01 - £15,000.00	69,738	1.0%	£838,183,486	10.1%
£15,000.01 - £20,000.00	2,123	0.0%	£34,780,680	0.4%
£20,000.01 or more	332	0.0%	£8,823,672	0.1%
Total	**7,102,493**	**100.0%**	**£8,287,842,418**	**100.0%**

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY CREDIT LIMIT

Securitised Portfolio

Credit Limit Range	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Less than £5,000.00	3,915,329	55.1%	£2,446,691,483	29.5%
£5,000.01 - £10,000.00	2,300,524	32.4%	£3,447,716,760	41.6%
£10,000.01 - £15,000.00	856,272	12.1%	£2,287,246,429	27.6%
£15,000.01 - £20,000.00	27,293	0.4%	£88,704,720	1.1%
£20,000.01 or more	3,075	0.0%	£17,483,026	0.2%
Total	**7,102,493**	**100.0%**	**£8,287,842,418**	**100.0%**

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY PERIOD OF DELINQUENCY

Securitised Portfolio

Period of Delinquency (Days contractually Delinquent)	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Not Delinquent............................	7,034,261	99.0%	£8,110,531,716	97.9%
5 - 29 Days..................................	33,936	0.5%	£76,666,917	0.9%
30 - 59 Days................................	9,631	0.1%	£26,997,509	0.3%
60 - 89 Days................................	6,328	0.1%	£19,372,896	0.2%
90 or More Days	18,337	0.3%	£54,273,381	0.7%
Total	**7,102,493**	**100.0%**	**£8,287,842,418**	**100.0%**

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY ACCOUNT AGE

Securitised Portfolio

Account Age	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Not More Than 6 Months.............	-	0.0%	£0	0.0%
Over 6 Months to 12 Months........	309,329	4.4%	£518,679,259	6.3%
Over 12 Months to 24 Months......	707,003	10.0%	£1,026,365,375	12.4%
Over 24 Months to 36 Months......	658,609	9.3%	£694,696,523	8.4%
Over 36 Months to 48 Months......	627,708	8.8%	£600,717,375	7.2%
Over 48 Months to 60 Months......	524,370	7.4%	£505,174,907	6.1%
Over 60 Months to 72 Months......	379,126	5.3%	£364,120,538	4.4%
Over 72 Months	3,896,348	54.9%	£4,578,088,442	55.2%
Total	**7,102,493**	**100.0%**	**£8,287,842,418**	**100.0%**

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

GEOGRAPHIC DISTRIBUTION OF ACCOUNTS

Securitised Portfolio

Region	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
East Anglia	838,907	11.8%	£1,028,949,589	12.4%
London	492,566	6.9%	£625,925,223	7.6%
Midlands	912,874	12.9%	£1,007,750,351	12.2%
North East England	918,245	12.9%	£1,013,061,907	12.2%
North West England	829,221	11.7%	£939,925,326	11.3%
Scotland	661,124	9.3%	£739,335,772	8.9%
South Central England	745,605	10.5%	£935,293,370	11.3%
South East England	676,948	9.5%	£869,558,916	10.5%
South West England	697,428	9.8%	£763,695,608	9.2%
Wales	299,935	4.2%	£343,982,274	4.2%
Other	29,640	0.4%	£20,364,082	0.2%
Total	**7,102,493**	**100.0%**	**£8,287,842,418**	**100.0%**

Notes:

(1) Total Receivables include Principal Receivables and Finance Charge Receivables

SECURITISED PORTFOLIO YIELD AND SECURITISED PORTFOLIO PERFORMANCE ON A MONTHLY BASIS

	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014
Principal Receivables Outstanding[1]	£6,288,866,659	£6,143,351,530	£5,993,656,722	£5,858,841,586	£5,867,653,003	£6,374,844,071	£6,344,395,506	£6,286,649,064	£6,262,946,788	£6,201,226,999	£6,717,823,118	£6,717,954,901
Total Receivables Outstanding[1]	£6,710,924,802	£6,567,607,531	£6,418,248,794	£6,268,503,562	£6,282,376,248	£6,792,915,618	£6,761,884,664	£6,698,669,512	£6,680,514,273	£6,614,254,603	£7,129,000,357	£7,137,012,451
Net Losses as % of Principal Receivables Outstanding[2]	0.3%	2.5%	2.7%	2.5%	0.7%	2.1%	-3.49%	-0.63%	1.54%	1.67%	1.07%	0.75%
Percentage of Total Receivables Delinquent 30+ Days[3]	1.68%	1.73%	1.67%	1.62%	1.50%	1.38%	1.35%	1.38%	1.32%	1.31%	1.20%	1.14%
Yield from Finance Charges, Fees and Interchange[4]	18.6%	19.6%	19.9%	18.3%	19.5%	18.3%	18.23%	16.66%	19.05%	19.30%	15.51%	17.62%
Receivables Principal Payment Rate[5]	22.4%	19.6%	21.9%	20.1%	21.8%	21.1%	22.04%	20.07%	22.15%	22.38%	18.97%	22.55%
% of accounts making minimum monthly payment	8.7%	8.5%	8.7%	8.4%	8.6%	8.8%	8.9%	8.8%	8.7%	8.6%	8.8%	9.0%
% of accounts paying full balance	25.4%	24.9%	24.3%	24.4%	24.7%	24.0%	24.5%	24.3%	24.4%	24.4%	24.3%	24.3%

	Jan-2015	Feb-2015	Mar-2015	Apr-2015	May-2015	Jun-2015	Jul-2015	Aug-2015	Sep-2015	Oct-2015	Nov-2015	Dec-2015
Principal Receivables Outstanding[1]	£6,773,264,754	£6,573,707,083	£6,494,521,040	£6,396,650,659	£6,383,167,655	£6,968,878,034	£6,930,131,895	£6,828,292,290	£6,892,339,707	£6,743,261,511	£7,298,676,788	£7,312,954,336
Total Receivables Outstanding[1]	£7,183,707,404	£6,984,591,663	£6,911,735,528	£6,797,615,728	£6,787,266,695	£7,378,594,775	£7,336,946,851	£7,227,438,619	£7,299,221,456	£7,146,753,454	£7,702,530,874	£7,716,414,625
Net Losses as % of Principal Receivables Outstanding[2]	0.8%	1.0%	1.1%	0.8%	0.7%	1.1%	-5.54%	0.81%	0.89%	0.68%	0.82%	0.30%
Percentage of Total Receivables Delinquent 30+ Days[3]	1.18%	1.20%	1.18%	1.20%	1.18%	1.05%	1.06%	1.06%	1.05%	1.09%	0.97%	0.96%
Yield from Finance Charges, Fees and Interchange[4]	16.8%	16.8%	19.0%	17.0%	16.2%	16.6%	17.18%	14.65%	17.13%	16.26%	15.48%	14.92%
Receivables Principal Payment Rate[5]	21.5%	18.9%	22.6%	20.3%	20.5%	21.6%	22.17%	19.33%	22.00%	21.63%	20.64%	21.35%
% of accounts making minimum monthly payment	9.1%	8.8%	8.8%	8.6%	8.7%	9.2%	9.2%	9.1%	9.1%	9.0%	9.4%	9.5%
% of accounts paying full balance	24.0%	23.9%	23.7%	23.6%	24.2%	24.1%	24.3%	24.1%	24.3%	24.4%	24.3%	24.3%

	Jan-2016	Feb-2016	Mar-2016	Apr-2016	May-2016	Jun-2016	Jul-2016	Aug-2016	Sep-2016	Oct-2016	Nov-2016	Dec-2016
Principal Receivables Outstanding[1]	£7,311,898,934	£7,128,435,356	£7,751,844,135	£7,630,646,227	£7,560,545,874	£7,501,977,101	£7,427,510,161	£7,350,010,623	£7,338,045,125	£7,232,945,547	£7,666,877,140	£7,688,596,848
Total Receivables Outstanding[1]	£7,711,930,446	£7,533,341,967	£8,138,965,676	£8,011,120,387	£7,946,893,776	£7,884,313,306	£7,812,425,234	£7,734,823,578	£7,719,684,317	£7,611,691,944	£8,041,636,797	£8,064,501,269
Net Losses as % of Principal Receivables Outstanding[2]	0.7%	0.7%	-0.5%	-0.3%	0.0%	0.4%	0.90%	-1.86%	0.86%	1.00%	1.15%	-3.77%
Percentage of Total Receivables Delinquent 30+ Days[3]	1.03%	0.57%	0.63%	0.74%	0.80%	0.86%	0.88%	0.87%	0.95%	1.00%	0.92%	0.94%
Yield from Finance Charges, Fees and Interchange[4]	13.3%	15.4%	14.4%	13.1%	14.2%	14.0%	13.63%	14.36%	15.73%	14.88%	13.48%	13.55%
Receivables Principal Payment Rate[5]	20.6%	21.3%	21.2%	19.8%	21.7%	21.0%	20.89%	22.83%	22.11%	22.57%	21.02%	21.80%
% of accounts making minimum monthly payment	9.6%	9.2%	9.9%	9.7%	9.7%	9.6%	9.6%	9.7%	9.7%	9.6%	9.9%	10.1%
% of accounts paying full balance	25.2%	25.5%	25.4%	24.9%	24.3%	24.4%	24.7%	24.0%	24.5%	24.3%	24.4%	24.4%

	Jan-2017	Feb-2017	Mar-2017	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017	Nov-2017	Dec-2017
Principal Receivables Outstanding[1]	£7,609,942,653	£7,421,520,590	£7,326,986,902	£7,179,239,539	£7,190,217,236	£7,122,974,530	£7,051,709,650	£7,022,991,887	£6,988,404,042	£6,896,911,862	£7,757,011,360	£7,753,362,896
Total Receivables Outstanding[1]	£7,979,943,227	£7,788,573,272	£7,698,089,247	£7,534,862,508	£7,552,789,664	£7,476,248,496	£7,403,847,053	£7,369,812,659	£7,333,364,603	£7,243,797,120	£8,100,077,398	£8,097,040,122
Net Losses as % of Principal Receivables Outstanding[2]	1.3%	2.2%	0.5%	-1.7%	1.6%	1.1%	-2.25%	1.22%	1.26%	1.52%	1.24%	0.99%
Percentage of Total Receivables Delinquent 30+ Days[3]	0.96%	0.90%	0.96%	0.90%	0.83%	0.85%	0.84%	0.86%	0.88%	0.88%	0.79%	0.86%
Yield from Finance Charges, Fees and Interchange[4]	13.8%	14.2%	15.1%	12.6%	14.6%	14.5%	14.30%	13.92%	13.73%	14.66%	13.24%	12.05%
Receivables Principal Payment Rate[5]	23.4%	20.1%	24.0%	19.9%	24.0%	22.7%	23.52%	23.30%	22.15%	24.68%	22.37%	21.38%
Percentage of accounts making minimum monthly payment	10.0%	9.6%	9.6%	9.4%	9.7%	9.7%	9.7%	9.6%	9.6%	9.6%	9.9%	10.1%
Percentage of accounts paying full balance	25.0%	24.8%	24.6%	25.0%	25.7%	25.8%	26.1%	26.3%	26.5%	26.7%	26.0%	26.0%

	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018
Principal Receivables Outstanding[1]	£7,701,054,954	£7,544,913,964	£7,443,391,685	£7,280,585,189	£7,228,527,868	£7,966,457,910

	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018
Total Receivables Outstanding[(1)]................................	£8,045,733,155	£7,887,066,085	£7,791,118,529	£7,616,904,458	£7,564,884,728	£8,304,227,209
Net Losses as % of Principal Receivables Outstanding[(2)]	1.8%	1.8%	1.0%	0.7%	1.1%	1.1%
Percentage of Total Receivables Delinquent 30+ Days[(3)]	0.88%	0.91%	1.00%	1.12%	1.15%	1.08%
Yield from Finance Charges, Fees and Interchange[(4)]..	13.4%	13.7%	14.0%	13.8%	14.0%	12.3%
Receivables Principal Payment Rate[(5)].......................	24.9%	21.2%	24.1%	24.6%	25.4%	22.8%
Percentage of accounts making minimum monthly payment	10.1%	9.7%	9.7%	9.5%	9.5%	9.8%
Percentage of accounts paying full balance................	25.7%	25.7%	25.6%	25.6%	26.5%	25.7%

Notes:

(1) Principal Receivables and total Receivables outstanding are at the beginning of the period.

(2) Net losses includes recoveries from previously charged off accounts.

(3) Delinquencies represent delinquent Principal Receivables.

(4) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.

(5) Payment rate calculated as principal collections in the calendar month over opening Principal Receivables.

STATIC POOL DATA

The following tables present yield, net charge off, delinquencies, principal payment rate, total payment rate, Principal Receivables balance and total Receivables balance for Receivables included in the Securitised Portfolio since January 2014. In each case, the information is organised by calendar year of account origination ("**Year of Account Origination**") for each monthly period.

The data reflects the combined Bank of Scotland and Lloyds Bank Receivables in the Penarth Receivables Trust.

Yield from finance charges, fees and interchange

Year of Account Origination	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014
Pre-2007	20.09%	21.15%	21.41%	19.47%	20.78%	20.69%	20.50%	18.55%	21.17%	20.88%	18.25%	20.84%
2007	18.75%	19.88%	20.23%	18.39%	19.29%	19.51%	19.24%	17.67%	20.03%	19.39%	17.51%	19.36%
2008	20.02%	21.05%	20.88%	19.40%	20.34%	20.58%	20.19%	18.51%	21.00%	20.56%	18.24%	20.53%
2009	18.92%	19.63%	19.82%	18.05%	19.29%	19.28%	18.88%	17.33%	19.84%	19.30%	16.92%	19.06%
2010	17.00%	17.52%	17.95%	16.44%	17.44%	17.55%	17.46%	15.96%	18.09%	17.61%	15.42%	17.52%
2011	16.32%	16.89%	16.67%	15.42%	16.40%	16.78%	16.63%	15.12%	17.11%	16.64%	14.78%	16.28%
2012	11.69%	13.22%	14.39%	14.15%	15.59%	16.32%	16.44%	15.04%	16.86%	16.13%	14.32%	15.51%
2013	6.02%	6.48%	7.18%	7.41%	8.61%	5.49%	5.97%	6.06%	7.67%	8.16%	7.49%	9.02%
2014						3.37%	2.69%	2.50%	3.02%	3.20%	3.29%	3.52%
2015												
2016												
2017												

Year of Account Origination	Jan-2015	Feb-2015	Mar-2015	Apr-2015	May-2015	Jun-2015	Jul-2015	Aug-2015	Sep-2015	Oct-2015	Nov-2015	Dec-2015
Pre-2007	19.32%	19.47%	21.24%	19.37%	18.40%	20.10%	20.56%	17.36%	19.54%	19.11%	19.21%	18.59%
2007	18.28%	18.44%	20.09%	18.24%	17.17%	18.69%	19.24%	16.38%	18.25%	17.52%	18.09%	17.02%
2008	19.28%	19.33%	21.01%	19.11%	18.17%	19.75%	20.41%	17.38%	19.33%	18.77%	19.06%	17.97%
2009	18.34%	17.99%	19.79%	18.00%	17.18%	18.71%	19.02%	15.97%	18.14%	17.72%	17.99%	16.99%
2010	16.81%	16.34%	18.21%	16.61%	15.67%	17.23%	17.82%	15.09%	16.88%	16.39%	16.79%	15.84%
2011	15.88%	15.61%	17.00%	15.63%	14.62%	16.09%	16.78%	14.33%	15.92%	15.43%	15.91%	14.96%
2012	15.31%	14.57%	15.85%	14.28%	13.46%	14.86%	15.29%	13.00%	14.52%	14.18%	14.50%	13.62%
2013	9.90%	10.38%	12.32%	11.75%	11.41%	12.74%	13.76%	11.98%	13.82%	13.89%	14.42%	13.84%
2014	3.85%	3.77%	4.56%	4.70%	4.75%	4.77%	5.78%	5.35%	6.54%	6.76%	7.18%	7.17%
2015						2.17%	2.38%	2.17%	2.69%	2.72%	2.88%	2.81%
2016												
2017												

Year of Account Origination	Jan-2016	Feb-2016	Mar-2016	Apr-2016	May-2016	Jun-2016	Jul-2016	Aug-2016	Sep-2016	Oct-2016	Nov-2016	Dec-2016
Pre-2007	16.27%	18.85%	19.28%	17.31%	18.45%	17.92%	17.42%	18.38%	19.62%	18.46%		
2007	15.00%	17.49%	17.51%	16.04%	16.80%	16.33%	15.78%	16.55%	17.80%	16.77%		
2008	16.18%	18.61%	18.75%	17.19%	18.27%	17.68%	17.14%	17.86%	19.19%	18.02%		
2009	15.07%	17.25%	17.64%	16.08%	17.19%	16.58%	15.98%	16.88%	18.08%	17.03%		
2010	13.60%	15.96%	16.32%	14.64%	15.82%	15.47%	14.82%	15.61%	16.81%	15.72%		
Pre-2011											16.95%	16.84%
2011	13.19%	15.08%	15.39%	13.95%	14.94%	14.58%	13.93%	14.34%	15.52%	14.59%	14.19%	14.08%
2012	12.19%	13.88%	14.02%	12.65%	13.69%	13.51%	12.86%	13.19%	14.40%	13.75%	13.32%	13.03%
2013	12.64%	14.52%	14.74%	13.26%	14.36%	14.10%	13.21%	13.57%	15.05%	13.99%	13.29%	13.27%
2014	6.78%	8.09%	8.73%	8.25%	9.56%	9.87%	9.77%	10.35%	11.90%	11.34%	11.02%	11.29%
2015	2.53%	3.19%	3.23%	2.88%	3.60%	3.91%	4.14%	4.41%	5.98%	5.82%	5.98%	6.39%
2016											2.93%	3.09%
2017												

Year of Account Origination	Jan-2017	Feb-2017	Mar-2017	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017	Nov-2017	Dec-2017
Pre-2007												
2007												
2008												
2009												
2010												
Pre-2011	16.81%	17.22%	18.26%	14.99%	17.40%	17.05%	16.68%	16.12%	15.82%	16.83%	17.33%	15.09%
2011	14.36%	14.79%	15.28%	13.04%	14.89%	14.77%	14.43%	13.87%	13.85%	14.52%	14.43%	13.23%
2012	13.47%	13.65%	14.29%	12.10%	13.70%	13.81%	13.44%	13.02%	12.83%	13.65%	13.55%	12.53%
2013	13.61%	13.78%	14.47%	12.10%	13.89%	13.66%	13.38%	13.03%	12.68%	13.56%	13.01%	12.29%
2014	11.94%	12.29%	13.30%	11.42%	13.26%	13.30%	13.05%	12.71%	12.46%	13.25%	12.50%	12.10%
2015	7.00%	7.27%	7.89%	6.80%	8.11%	8.48%	8.68%	8.81%	9.02%	9.84%	9.30%	9.63%
2016	3.43%	3.75%	4.34%	3.96%	4.83%	5.17%	5.29%	5.39%	5.53%	6.02%	4.93%	5.23%
2017											2.14%	2.16%

Year of Account Origination	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018
Pre-2007						
2007						
2008						
2009						
2010						
Pre-2011	16.46%	16.75%	16.81%	16.57%	16.68%	15.57%
2011	14.59%	14.92%	14.67%	14.66%	14.79%	13.85%
2012	13.82%	14.10%	13.94%	14.07%	14.31%	13.51%
2013	13.84%	13.88%	13.93%	14.03%	14.22%	13.23%
2014	13.51%	13.60%	13.57%	13.66%	13.77%	12.86%
2015	11.18%	11.64%	11.86%	12.26%	12.63%	12.03%
2016	6.22%	6.58%	6.86%	7.22%	7.72%	7.45%

Year of Account Origination	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018
2017	2.56%	2.91%	3.11%	3.42%	3.72%	3.23%

Yield from finance charges and fees includes interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards. The yield percentage for each monthly period is calculated by dividing the sum of finance charges, fees and interchange during each monthly period by the Principal Receivables balance as of the beginning of the monthly period, then annualised by dividing the result by the number of days in each monthly period and multiplying by the number of days in the calendar year.

Volatility in the yield percentage is driven primarily by variations in the number of collection days during the performance period; the more collection days there are, the higher the value of payments received, and the higher the reported yield.

Pre-2004 the operating environment in the UK for credit cards issuers was less competitive, and Lloyds Banking Group's acquisition strategy for the Lloyds portfolio had initial APRs at account origination which were typically higher; accordingly, the pre-2004 vintages have a slightly higher yield compared with the post-2004 vintages.

In July 2007, Lloyds launched the Airmiles Duo card, taking over the Airmiles relationship from National Westminster Bank plc ("**NatWest**"). This product rewarded credit card spend with Airmiles, and attracted a higher proportion of convenience users who were less likely to revolve a balance on an account and attract interest charges. Yield on the Lloyds originated accounts from 2007 is therefore lower than accounts originated in years prior to 2007. The Airmile Duo product was rebranded to Duo Avios in November 2011 and was moved to a new Avios rewards product in November 2013.

Yield on accounts acquired since 2010 is lower than for previous years as a result of an improvement in the quality of new accounts acquired in these years compared to previous years driven by a combination of management actions to improve underwriting, a higher concentration of full payers acquired on the reward products offered by Lloyds and a general improvement in the macro environment.

From 2014 onwards both Balance Transfers as a percentage of the portfolio and the length of BT promotion periods have increased in line with wider market trends, resulting in some dilution of yield.

In addition yield from interchange has reduced from November 2015 onwards as a result of the adoption of the EU Interchange Fee Regulation.

Net Charge Off

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2014											
Pre-2007	0.17%	2.16%	2.51%	2.27%	0.77%	2.10%	-3.51%	-0.59%	1.42%	1.43%	0.35%	0.05%
2007	0.41%	2.32%	3.21%	2.66%	0.93%	2.40%	-3.80%	-0.72%	1.78%	1.55%	1.07%	0.22%
2008	1.04%	3.46%	3.25%	2.91%	0.79%	2.59%	-4.39%	-0.89%	1.87%	1.90%	1.75%	0.92%
2009	1.05%	2.53%	2.80%	3.02%	0.41%	2.53%	-3.61%	-0.80%	1.86%	1.72%	1.97%	1.02%
2010	0.50%	2.98%	2.75%	2.59%	0.02%	2.23%	-3.80%	-0.71%	1.77%	1.63%	2.14%	1.64%
2011	1.10%	3.27%	3.11%	2.98%	0.89%	2.49%	-4.59%	-0.77%	1.97%	2.03%	3.26%	2.58%
2012	-0.16%	2.90%	2.81%	3.14%	0.89%	2.56%	-4.15%	-0.87%	2.07%	2.18%	2.99%	3.40%
2013	-2.16%	0.38%	0.44%	0.26%	-1.08%	0.36%	-0.99%	-0.21%	0.80%	0.97%	1.06%	1.43%
2014						0.03%	-0.12%	-0.02%	0.14%	0.38%	0.17%	0.33%
2015												
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2015											
Pre-2007	0.21%	0.24%	0.38%	0.01%	-0.14%	0.29%	-10.67%	0.01%	0.07%	-0.22%	0.13%	-0.51%
2007	0.62%	1.01%	0.88%	0.51%	0.77%	0.99%	-7.60%	0.78%	0.70%	0.85%	0.30%	0.00%
2008	1.43%	1.45%	1.22%	1.58%	0.89%	1.80%	-6.02%	1.09%	1.13%	0.86%	0.88%	-0.01%
2009	1.18%	1.14%	1.59%	0.95%	1.13%	1.62%	-4.58%	1.00%	1.50%	0.92%	0.86%	-0.10%
2010	1.80%	1.82%	2.06%	1.33%	1.37%	1.98%	-1.55%	1.61%	1.12%	0.95%	1.21%	0.56%
2011	2.44%	2.57%	2.97%	2.94%	2.69%	2.69%	0.31%	2.46%	2.31%	2.05%	2.36%	1.44%
2012	2.70%	3.10%	3.18%	2.72%	2.46%	3.16%	2.23%	2.38%	2.65%	2.64%	2.85%	1.89%
2013	1.32%	1.75%	1.93%	2.02%	2.18%	2.34%	2.24%	2.31%	2.33%	2.23%	2.47%	2.38%
2014	0.31%	0.49%	0.70%	1.03%	1.23%	0.83%	0.75%	0.85%	1.04%	1.17%	1.12%	1.21%
2015						0.03%	0.07%	0.12%	0.27%	0.39%	0.24%	0.25%
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016											
Pre-2007	-0.14%	-0.07%	-1.49%	-1.28%	-0.77%	-0.52%	-0.09%	-4.05%	-0.17%	0.04%		
2007	0.09%	0.01%	-1.13%	-1.10%	-0.39%	0.08%	-0.01%	-4.15%	0.21%	0.13%		
2008	0.60%	0.88%	-0.85%	-0.61%	-0.40%	0.00%	0.64%	-3.87%	0.34%	0.90%		
2009	0.89%	0.60%	-0.76%	-0.26%	-0.48%	0.34%	1.01%	-3.08%	0.57%	1.17%		
2010	1.40%	1.00%	-0.29%	0.15%	0.15%	0.39%	1.18%	-2.14%	1.31%	1.04%		
Pre-2011											0.62%	-7.22%
2011	2.19%	2.09%	0.10%	0.49%	1.16%	1.16%	1.96%	-1.13%	1.78%	1.60%	1.82%	-3.13%
2012	2.10%	2.32%	0.14%	0.92%	1.18%	1.59%	2.42%	-0.63%	1.68%	1.69%	2.00%	-1.80%
2013	2.60%	2.49%	0.87%	1.24%	1.49%	2.46%	2.68%	1.52%	2.61%	2.53%	2.49%	1.17%
2014	1.34%	1.55%	0.63%	1.02%	1.10%	1.70%	2.36%	2.05%	2.55%	2.60%	2.47%	2.14%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016											
2015	0.31%	0.44%	0.30%	0.30%	0.45%	0.71%	1.12%	1.15%	1.41%	1.61%	1.82%	1.87%
2016											0.14%	0.14%
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2017											
Pre-2007												
2007												
2008												
2009												
2010												
Pre-2011	0.68%	1.66%	-0.23%	-4.56%	0.87%	0.43%	-4.54%	0.47%	0.51%	0.75%	0.51%	0.52%
2011	2.23%	3.08%	0.57%	-0.24%	2.12%	1.46%	-2.22%	1.68%	1.83%	1.65%	1.91%	1.31%
2012	2.11%	3.37%	1.00%	1.32%	2.55%	1.71%	-1.67%	1.95%	2.10%	1.83%	2.04%	1.21%
2013	2.79%	2.89%	1.77%	2.63%	2.77%	2.19%	0.20%	2.32%	2.12%	2.46%	2.22%	1.87%
2014	2.87%	4.10%	2.18%	3.69%	2.97%	2.75%	2.29%	2.72%	2.94%	3.11%	3.10%	2.23%
2015	2.16%	2.82%	1.72%	2.84%	2.70%	2.10%	2.30%	2.49%	2.39%	3.27%	3.02%	2.53%
2016	0.28%	0.75%	0.64%	1.18%	1.53%	1.67%	1.91%	1.95%	2.00%	2.40%	1.31%	1.10%
2017											0.47%	0.09%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun
	2018					
Pre-2007						
2007						
2008						
2009						
2010						
Pre-2011	1.11%	0.96%	0.32%	0.04%	0.43%	0.34%
2011	2.15%	2.01%	1.44%	0.79%	1.48%	1.31%
2012	2.55%	2.64%	1.59%	1.31%	1.54%	2.01%
2013	3.48%	3.28%	2.06%	1.89%	1.56%	2.04%
2014	3.81%	3.69%	2.40%	2.02%	2.39%	2.57%
2015	3.85%	4.24%	2.23%	1.93%	2.89%	2.94%
2016	1.86%	2.20%	1.31%	1.30%	1.90%	1.86%
2017	0.33%	0.53%	0.43%	0.42%	0.85%	0.49%

Net losses for a performance period is calculated as Principal Receivables charged off during the performance period less recoveries received on previously charged off accounts during the performance period, all divided by the Principal Receivables balance as of the beginning of the performance period, then annualised by dividing the result by the number of days in the performance period and multiplying by the number of days in the calendar year.

In 2008 during the economic market dislocation, there was an industry-wide deterioration in the quality of business acquired. Lloyds Banking Group undertook significant de-risking in response, with tighter cutoffs reducing volume and lower initial credit lines. This activity was undertaken in the second half of 2008 and into 2009. This has resulted in a significant improvement in the credit quality of accounts originated since 2009.

Net charge offs in January 2014, May 2014, July 2014, August 2014, May 2015, July 2015, December 2015, August 2016, December 2016, April 2017 and July 2017 are negative for some vintages and below trend for others. This is due to the sale of previously charged off accounts to a third party whereby the proceeds from the sale were recorded as recoveries in the month.

On the 26 February 2016 approximately £193.5 million of receivables were removed on accounts selected by reference to the LCR Regulation which resulted in a reduction in net charge offs in March 2016.

30+days Delinquencies

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	1.87%	1.93%	1.85%	1.78%	1.63%	1.59%	1.55%	1.57%	1.51%	1.49%	1.50%	1.40%
2007	2.09%	2.17%	2.00%	1.95%	1.77%	1.73%	1.65%	1.69%	1.56%	1.52%	1.51%	1.42%
2008	2.23%	2.25%	2.18%	2.13%	2.05%	2.02%	1.92%	1.94%	1.79%	1.75%	1.72%	1.61%
2009	2.05%	2.10%	2.02%	1.91%	1.84%	1.81%	1.84%	1.88%	1.73%	1.66%	1.60%	1.55%
2010	1.89%	1.87%	1.79%	1.81%	1.73%	1.70%	1.67%	1.71%	1.62%	1.62%	1.58%	1.48%
2011	2.12%	2.14%	2.11%	2.09%	2.01%	1.97%	1.92%	1.98%	1.87%	1.83%	1.80%	1.71%
2012	1.68%	1.85%	1.94%	1.98%	1.97%	1.93%	1.97%	2.00%	1.88%	1.84%	1.77%	1.68%
2013	0.77%	0.89%	0.96%	1.08%	1.16%	0.53%	0.63%	0.75%	0.79%	0.83%	0.64%	0.73%
2014						0.15%	0.19%	0.31%	0.38%	0.43%	0.09%	0.21%
2015												
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	1.41%	1.43%	1.38%	1.38%	1.33%	1.29%	1.25%	1.26%	1.23%	1.25%	1.23%	1.18%
2007	1.48%	1.46%	1.41%	1.45%	1.44%	1.46%	1.46%	1.40%	1.37%	1.39%	1.30%	1.20%
2008	1.68%	1.67%	1.65%	1.65%	1.63%	1.57%	1.58%	1.55%	1.54%	1.52%	1.46%	1.38%
2009	1.58%	1.59%	1.53%	1.58%	1.49%	1.48%	1.47%	1.49%	1.40%	1.44%	1.40%	1.37%
2010	1.46%	1.47%	1.42%	1.45%	1.40%	1.35%	1.34%	1.31%	1.31%	1.35%	1.33%	1.26%
2011	1.76%	1.79%	1.72%	1.72%	1.66%	1.59%	1.61%	1.57%	1.50%	1.57%	1.55%	1.47%
2012	1.77%	1.76%	1.71%	1.72%	1.68%	1.62%	1.65%	1.64%	1.61%	1.56%	1.47%	1.45%
2013	0.85%	0.96%	1.03%	1.15%	1.21%	1.07%	1.12%	1.14%	1.21%	1.27%	1.23%	1.26%
2014	0.31%	0.41%	0.49%	0.59%	0.69%	0.35%	0.43%	0.54%	0.62%	0.70%	0.61%	0.71%
2015							0.09%	0.17%	0.29%	0.39%	0.10%	0.21%
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	1.23%	0.65%	0.81%	0.92%	0.96%	1.02%	1.02%	1.01%	1.13%	1.22%		
2007	1.27%	0.68%	0.85%	0.96%	1.00%	1.01%	1.06%	1.03%	1.13%	1.19%		
2008	1.46%	0.80%	0.94%	1.07%	1.19%	1.24%	1.23%	1.23%	1.38%	1.41%		
2009	1.46%	0.71%	0.98%	1.03%	1.09%	1.14%	1.15%	1.13%	1.26%	1.25%		
2010	1.32%	0.72%	0.84%	0.93%	0.98%	1.08%	1.07%	1.07%	1.12%	1.20%		
Pre-2011											1.21%	1.20%
2011	1.52%	0.82%	0.97%	1.12%	1.18%	1.24%	1.25%	1.15%	1.18%	1.23%	1.21%	1.23%
2012	1.50%	0.79%	1.04%	1.20%	1.29%	1.28%	1.24%	1.17%	1.21%	1.23%	1.22%	1.26%
2013	1.38%	0.76%	0.91%	1.06%	1.19%	1.21%	1.27%	1.23%	1.21%	1.21%	1.17%	1.17%
2014	0.84%	0.50%	0.60%	0.76%	0.90%	1.01%	1.06%	1.09%	1.12%	1.14%	1.17%	1.21%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016											
2015	0.32%	0.29%	0.17%	0.29%	0.38%	0.50%	0.58%	0.66%	0.73%	0.78%	0.81%	0.85%
2016											0.00%	0.15%
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2017											
Pre-2007..												
2007												
2008												
2009												
2010												
Pre-2011..	1.44%	1.27%	1.28%	1.18%	1.06%	1.07%	1.06%	1.05%	1.08%	1.09%	1.12%	1.16%
2011	1.24%	1.16%	1.24%	1.11%	1.00%	1.06%	1.04%	1.05%	1.05%	1.03%	1.02%	1.08%
2012	1.27%	1.21%	1.29%	1.19%	1.06%	1.09%	1.07%	1.08%	1.04%	1.09%	1.04%	1.15%
2013	1.18%	1.15%	1.21%	1.15%	1.07%	1.05%	1.08%	1.08%	1.11%	1.13%	1.12%	1.20%
2014	1.25%	1.25%	1.34%	1.27%	1.21%	1.25%	1.19%	1.21%	1.24%	1.25%	1.30%	1.45%
2015	0.92%	0.92%	1.02%	1.02%	0.98%	1.05%	1.06%	1.13%	1.23%	1.25%	1.29%	1.45%
2016	0.29%	0.40%	0.55%	0.65%	0.68%	0.73%	0.77%	0.80%	0.83%	0.85%	0.45%	0.62%
2017											0.00%	0.14%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun
	2018					
Pre-2007..						
2007						
2008						
2009						
2010						
Pre-2011..	0.98%	0.99%	1.07%	1.16%	1.13%	1.16%
2011	1.11%	1.14%	1.21%	1.36%	1.42%	1.45%
2012	1.13%	1.16%	1.27%	1.39%	1.45%	1.46%
2013	1.17%	1.18%	1.27%	1.38%	1.45%	1.55%
2014	1.39%	1.43%	1.55%	1.70%	1.76%	1.81%
2015	1.50%	1.51%	1.69%	1.90%	1.95%	1.99%
2016	0.75%	0.87%	1.08%	1.34%	1.46%	1.19%
2017	0.28%	0.38%	0.49%	0.66%	0.76%	0.40%

Delinquencies include both Principal Receivables and Finance Charge Receivables. The 30+ days delinquency percentage for a performance period is calculated as total receivables 30 days or more past due divided by total Principal Receivables and Finance Charge Receivables as of the last day of the performance period.

In 2008 in response to the deteriorating economic environment, Lloyds Banking Group undertook significant de-risking of its portfolio, with credit lines of higher risk customers reduced and tighter cutoffs and lower initial credit lines improving the quality of new account acquisitions. This activity was undertaken in 2008 and into 2009.

In 2012 Lloyds Banking Group changed its charge off policy for accounts in financial difficulty where the account holder does not meet the criteria to enter a temporary reduced repayment plan. The charge off of these accounts was accelerated from standard 180 days to 120 days in arrears. This resulted in a drop in the level of delinquencies at 120 to 180 days and thus total 30+ days delinquencies.

From 2013 onwards delinquencies continued to improve. A combination of the established accelerated charge off policy, robust selection criteria and the seasonal impact of Principal Receivables added to the Trust, as set out under Recent Lump Additions and Removals, resulting in lower delinquencies across all vintage years.

On 26 February 2016 approximately £193.5 million of receivables were removed on accounts selected by reference to the LCR Regulation which resulted in a reduction in delinquencies in February 2016.

Principal Payment Rate

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	21.06%	18.46%	20.46%	18.95%	20.58%	20.23%	21.13%	19.20%	21.12%	21.36%	18.51%	22.35%
2007	25.98%	22.77%	25.30%	23.26%	25.40%	24.94%	25.89%	23.71%	25.86%	26.02%	22.92%	27.28%
2008	21.89%	19.16%	21.52%	19.86%	21.20%	21.02%	21.96%	19.76%	21.99%	22.03%	19.21%	22.60%
2009	22.17%	18.81%	21.94%	19.33%	21.59%	21.29%	22.13%	20.09%	21.96%	22.25%	18.90%	23.18%
2010	26.07%	22.82%	26.01%	23.48%	25.98%	25.43%	26.49%	24.13%	26.58%	26.79%	23.01%	27.56%
2011	25.82%	23.11%	25.41%	23.51%	25.28%	25.33%	26.33%	23.90%	26.51%	26.46%	22.99%	26.50%
2012	23.50%	21.02%	23.09%	21.34%	21.90%	23.10%	23.58%	20.89%	22.76%	22.34%	19.82%	22.44%
2013	16.68%	15.54%	17.95%	17.10%	17.81%	16.19%	17.83%	16.91%	19.45%	20.34%	17.86%	20.39%
2014						12.01%	12.34%	11.51%	13.03%	13.46%	11.99%	13.79%
2015												
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	20.78%	18.11%	21.68%	19.44%	19.74%	21.47%	21.87%	18.93%	21.41%	20.98%	20.53%	21.59%
2007	25.75%	22.50%	26.61%	23.91%	24.20%	26.24%	26.75%	23.36%	26.02%	25.77%	25.57%	26.28%
2008	21.48%	18.90%	22.48%	20.07%	20.26%	22.10%	22.48%	19.55%	21.97%	21.54%	21.39%	21.92%
2009	21.71%	18.87%	22.76%	20.33%	20.54%	22.29%	22.68%	19.13%	22.12%	21.93%	21.61%	22.17%
2010	25.93%	22.85%	27.35%	24.54%	24.70%	26.69%	27.46%	23.44%	26.72%	26.63%	26.22%	26.73%
2011	25.32%	22.79%	26.67%	24.20%	24.20%	26.22%	26.85%	23.51%	26.47%	25.85%	25.52%	25.97%
2012	21.68%	19.18%	22.39%	20.15%	19.99%	22.12%	22.53%	19.65%	22.41%	21.96%	21.48%	21.80%
2013	21.46%	19.65%	22.80%	20.36%	20.27%	22.10%	22.95%	20.49%	23.89%	23.39%	22.83%	23.03%
2014	14.20%	13.21%	16.43%	15.44%	16.10%	15.91%	16.69%	15.13%	17.64%	17.24%	16.93%	17.16%
2015						10.88%	11.22%	10.05%	11.54%	11.90%	12.49%	12.89%
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	20.59%	20.86%	21.75%	20.29%	22.08%	21.28%	21.15%	23.06%	22.15%	22.59%		
2007	25.48%	26.09%	26.74%	25.11%	27.21%	25.93%	25.92%	27.80%	26.76%	27.32%		
2008	21.01%	21,85%	22.56%	20.97%	22.77%	21.96%	21.68%	23.49%	22.52%	22.91%		
2009	21.21%	21.97%	22.43%	20.89%	22.71%	21.67%	21.72%	23.61%	22.62%	23.17%		
2010	25.41%	26.50%	27.16%	25.27%	27.60%	26.56%	26.40%	28.58%	27.39%	28.21%		
Pre-2011											22.62%	23.63%
2011	24.73%	25.72%	26.70%	24.71%	27.21%	25.99%	25.74%	27.86%	26.73%	27.28%	25.40%	25.99%
2012	20.92%	21.94%	22.51%	20.78%	22.78%	22.10%	21.72%	23.94%	22.74%	23.27%	21.74%	22.21%

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
	2016											
2013	22.23%	23.29%	23.92%	21.78%	23.61%	22.48%	22.10%	24.21%	23.42%	23.44%	21.81%	22.21%
2014	17.36%	18.74%	19.61%	18.46%	20.30%	19.82%	19.64%	21.61%	21.13%	21.30%	20.40%	20.79%
2015	13.18%	14.15%	14.05%	13.25%	14.64%	14.48%	14.68%	16.29%	16.42%	16.91%	16.53%	16.76%
2016											13.27%	13.88%
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
	2017											
Pre-2007												
2007												
2008												
2009												
2010												
Pre-2011	25.15%	21.29%	25.45%	21.03%	25.44%	23.99%	24.64%	24.26%	22.97%	25.62%	24.15%	23.86%
2011	27.57%	23.77%	27.99%	23.34%	27.92%	26.21%	27.24%	26.90%	25.38%	28.05%	25.93%	25.30%
2012	23.80%	20.51%	24.15%	20.06%	23.96%	22.67%	23.60%	23.32%	22.22%	24.62%	23.23%	21.98%
2013	23.61%	20.66%	24.30%	20.23%	23.94%	22.75%	23.63%	23.49%	22.19%	24.64%	22.98%	21.83%
2014	23.10%	20.45%	24.07%	19.81%	23.36%	22.29%	23.16%	23.02%	21.78%	23.74%	22.27%	20.95%
2015	18.41%	16.16%	19.12%	16.07%	19.75%	18.98%	20.03%	20.27%	19.73%	22.24%	21.46%	19.77%
2016	15.44%	13.71%	16.35%	13.73%	16.44%	15.74%	16.58%	16.64%	16.17%	18.15%	17.73%	15.59%
2017											15.06%	11.63%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun
	2018					
Pre-2007						
2007						
2008						
2009						
2010						
Pre-2011	27.51%	23.11%	26.28%	26.58%	27.60%	25.79%
2011	29.27%	24.88%	28.10%	28.68%	29.59%	27.22%
2012	25.71%	21.79%	24.36%	25.11%	25.90%	24.10%
2013	25.60%	21.86%	24.73%	25.37%	25.95%	24.04%
2014	24.28%	20.94%	23.57%	24.25%	24.91%	23.00%
2015	23.58%	20.56%	23.09%	23.90%	24.28%	22.88%
2016	18.68%	16.42%	18.99%	19.95%	20.43%	18.97%
2017	13.76%	12.09%	13.84%	14.11%	14.47%	13.04%

Principal payment rate for a performance period is calculated as Principal Collections received from cardholders during the performance period divided by Principal Receivables at the beginning of the performance period.

For the Bank of Scotland portfolio, pre-2004 account originations typically received higher spending rewards and attracted a higher percentage of convenience users. As a result, payment rates for this segment tend to be stronger for the pre-2004 vintage. From 2005 onwards, Bank of Scotland products have typically targeted the borrower population with more attractive lower introductory APRs instead of rewards. This strategy has reduced the average payment rate on Bank of Scotland's credit card receivables originated since 2005.

In July 2007, Lloyds launched the Airmiles Duo card, taking over the Airmiles relationship from NatWest. This product rewards credit card spend with Airmiles, and attracts a higher proportion of convenience users who pay down their balance in full each month. Payment rates for this product on the Lloyds portfolio increased not only for originations from 2007, but also for the pre-2007 vintages as some existing customers switched to the new product and changed their spending and payment behaviours to benefit from the Airmiles rewards. The Airmiles Duo product was rebranded to Duo Avios in November 2011 and was moved to a new Avios rewards product in November 2013.

From 2013 total principal payment rate has remained broadly consistent, with a marginal increase observed on more seasoned accounts.

Total Payment Rate

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	21.44%	18.73%	20.74%	19.17%	21.00%	20.42%	21.73%	19.52%	21.30%	21.57%	18.72%	22.58%
2007.....................................	26.09%	22.80%	25.30%	23.24%	25.53%	24.87%	26.26%	23.84%	25.81%	25.96%	22.90%	27.23%
2008.....................................	22.23%	19.40%	21.69%	20.02%	21.55%	21.16%	22.61%	20.16%	22.13%	22.20%	19.34%	22.77%
2009.....................................	22.58%	19.13%	22.19%	19.59%	22.01%	21.50%	22.74%	20.50%	22.20%	22.48%	19.09%	23.36%
2010.....................................	26.35%	22.96%	26.12%	23.58%	26.23%	25.47%	26.99%	24.37%	26.64%	26.84%	22.98%	27.52%
2011.....................................	26.36%	23.47%	25.75%	23.81%	25.78%	25.63%	27.22%	24.39%	26.82%	26.80%	23.17%	26.70%
2012.....................................	24.25%	21.59%	23.73%	21.95%	22.76%	23.73%	24.75%	21.74%	23.43%	23.02%	20.25%	22.90%
2013.....................................	17.33%	15.97%	18.44%	17.59%	18.55%	16.51%	18.31%	17.32%	19.90%	20.83%	18.22%	20.81%
2014.....................................						12.23%	12.54%	11.69%	13.23%	13.70%	12.20%	14.01%
2015.....................................												
2016.....................................												
2017.....................................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	21.01%	18.34%	21.94%	19.70%	19.95%	21.63%	22.95%	19.13%	21.61%	21.17%	20.71%	21.77%
2007.....................................	25.72%	22.48%	26.58%	23.93%	24.14%	26.12%	27.36%	23.33%	25.98%	25.67%	25.50%	26.22%
2008.....................................	21.61%	19.04%	22.63%	20.23%	20.38%	22.15%	23.20%	19.68%	22.08%	21.63%	21.49%	22.04%
2009.....................................	21.91%	19.03%	22.95%	20.52%	20.70%	22.39%	23.28%	19.28%	22.24%	22.02%	21.71%	22.30%
2010.....................................	25.92%	22.81%	27.29%	24.52%	24.63%	26.56%	27.64%	23.41%	26.64%	26.51%	26.11%	26.65%
2011.....................................	25.54%	22.94%	26.86%	24.38%	24.32%	26.32%	27.19%	23.65%	26.61%	25.95%	25.65%	26.12%
2012.....................................	22.16%	19.56%	22.84%	20.55%	20.36%	22.46%	22.98%	20.00%	22.76%	22.28%	21.81%	22.15%
2013.....................................	21.91%	20.05%	23.31%	20.83%	20.71%	22.55%	23.48%	20.92%	24.33%	23.81%	23.26%	23.45%
2014.....................................	14.44%	13.41%	16.69%	15.70%	16.35%	16.16%	17.03%	15.42%	17.98%	17.58%	17.29%	17.52%
2015.....................................						11.02%	11.38%	10.19%	11.72%	12.07%	12.67%	13.07%
2016.....................................												
2017.....................................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	20.62%	20.93%	21.94%	20.41%	22.19%	21.38%	21.23%	23.43%	22.33%	22.70%		
2007.....................................	25.25%	25.88%	26.65%	24.99%	27.03%	25.77%	25.74%	27.94%	26.68%	27.18%		
2008.....................................	20.98%	21.84%	22.64%	21.01%	22.80%	21.98%	21.70%	23.82%	22.62%	22.94%		
2009.....................................	21.19%	21.95%	22.54%	20.95%	22.76%	21.70%	21.72%	23.90%	22.74%	23.20%		
2010.....................................	25.15%	26.25%	27.03%	25.08%	27.39%	26.36%	26.17%	28.56%	27.26%	27.98%		
Pre-2011											22.62%	24.22%
2011.....................................	24.73%	25.70%	26.79%	24.74%	27.22%	26.00%	25.73%	28.05%	26.77%	27.26%	25.40%	26.36%
2012.....................................	21.13%	22.13%	22.81%	21.00%	23.01%	22.31%	21.91%	24.29%	22.98%	23.46%	21.94%	22.69%
2013.....................................	22.54%	23.59%	24.31%	22.08%	23.93%	22.78%	22.36%	24.50%	23.73%	23.70%	22.04%	22.56%
2014.....................................	17.67%	19.06%	19.99%	18.79%	20.68%	20.20%	20.00%	21.97%	21.56%	21.68%	20.74%	21.16%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016											
2015	13.32%	14.31%	14.24%	13.41%	14.85%	14.69%	14.90%	16.51%	16.74%	17.21%	16.81%	17.07%
2016											13.44%	14.07%
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2017											
Pre-2007												
2007												
2008												
2009												
2010												
Pre-2011	25.07%	21.33%	25.44%	21.52%	25.39%	23.99%	25.01%	24.23%	22.95%	25.56%	24.18%	23.80%
2011	27.53%	23.80%	27.96%	23.57%	27.87%	26.22%	27.54%	26.86%	25.37%	28.01%	25.94%	25.29%
2012	23.95%	20.70%	24.33%	20.37%	24.10%	22.85%	24.02%	23.44%	22.35%	24.72%	23.35%	22.12%
2013	23.83%	20.90%	24.53%	20.49%	24.15%	22.96%	24.00%	23.66%	22.36%	24.79%	23.14%	22.02%
2014	23.43%	20.76%	24.42%	20.15%	23.70%	22.64%	23.55%	23.31%	22.05%	24.02%	22.52%	21.24%
2015	18.73%	16.46%	19.47%	16.35%	20.08%	19.32%	20.37%	20.60%	20.05%	22.57%	21.74%	20.11%
2016	15.64%	13.91%	16.58%	13.94%	16.69%	16.00%	16.85%	16.91%	16.43%	18.42%	17.94%	15.84%
2017											15.19%	11.77%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun
	2018					
Pre-2007						
2007						
2008						
2009						
2010						
Pre-2011	27.35%	23.08%	26.17%	26.45%	27.46%	25.63%
2011	29.18%	24.88%	28.02%	28.56%	29.48%	27.10%
2012	25.77%	21.92%	24.44%	25.15%	25.96%	24.14%
2013	25.72%	22.03%	24.85%	25.46%	26.06%	24.12%
2014	24.53%	21.20%	23.81%	24.45%	25.12%	23.18%
2015	23.91%	20.90%	23.42%	24.21%	24.61%	23.16%
2016	18.97%	16.69%	19.27%	20.22%	20.73%	19.26%
2017	13.92%	12.26%	14.03%	14.31%	14.69%	13.23%

Total payment rate is calculated as Principal Receivables and Finance Charge Collections received from cardholders during the performance period divided by Principal Receivables and Finance Charge Collections at the beginning of the performance period.

Opening Principal Receivables

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	3,412,355,668	3,343,284,268	3,278,333,031	3,224,055,827	3,232,384,411	3,226,255,600	3,218,124,331	3,193,834,862	3,183,384,743	3,159,131,114	3,130,910,657	3,145,706,953
2007	524,253,225	513,166,944	500,895,689	491,703,365	494,944,691	491,966,090	490,434,526	487,639,586	486,424,520	483,937,850	479,350,099	482,121,117
2008	531,689,065	522,632,497	511,791,091	501,320,795	503,024,283	503,201,499	502,667,446	499,306,121	498,872,633	494,719,117	489,734,298	491,597,182
2009	422,304,407	416,212,381	408,756,307	397,994,491	401,580,267	396,948,610	396,011,633	394,353,797	393,455,902	391,511,151	385,930,693	389,660,199
2010	425,962,403	419,766,566	412,106,938	402,381,772	406,747,855	400,591,592	401,472,262	399,656,535	400,612,222	398,939,034	392,087,748	395,014,018
2011	400,744,681	398,261,700	389,257,128	382,433,765	385,871,039	386,093,885	388,239,795	389,288,455	393,176,427	392,135,535	387,020,868	388,474,383
2012	459,562,249	424,375,411	392,245,898	364,749,758	353,404,041	366,354,308	363,760,933	363,757,709	367,614,583	367,553,567	377,208,517	380,297,485
2013	111,994,960	105,651,762	100,270,640	94,201,814	89,696,417	509,345,830	489,677,707	465,945,918	447,423,376	423,332,635	597,134,007	571,476,617
2014						94,086,657	94,006,874	92,866,080	91,982,381	89,966,996	478,446,229	473,606,949
2015												
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	3,182,195,299	3,097,050,643	3,075,277,388	3,043,045,364	3,049,267,480	3,035,684,170	3,028,293,887	2,994,662,461	3,029,833,867	2,976,025,533	2,943,247,235	2,974,147,700
2007	488,709,896	473,648,229	469,691,280	465,394,516	467,499,412	465,396,166	465,930,295	460,965,594	467,941,759	460,048,308	454,088,240	460,202,701
2008	499,232,932	487,888,094	483,544,881	478,374,715	479,873,306	479,337,738	479,047,202	475,212,168	481,150,647	472,995,948	468,280,410	472,775,670
2009	394,313,268	385,642,299	383,200,729	377,586,889	378,398,710	376,583,786	376,636,234	373,137,213	380,564,118	374,219,479	368,405,251	372,879,946
2010	400,740,097	390,021,769	387,888,570	383,184,239	384,357,137	382,295,041	384,523,295	380,962,111	390,076,834	383,212,327	375,996,440	380,532,760
2011	396,714,977	388,205,890	384,443,911	380,645,240	381,875,696	380,803,504	383,017,266	380,385,518	389,121,548	381,669,855	375,413,323	379,120,722
2012	388,403,500	384,445,272	382,937,957	380,753,593	383,156,438	390,334,712	393,537,583	391,688,114	399,258,661	392,827,488	390,624,656	393,844,404
2013	553,265,029	513,715,331	487,845,950	465,507,035	451,117,174	502,677,118	490,400,390	475,009,786	473,737,436	458,078,188	476,461,149	469,741,830
2014	469,689,756	453,089,556	439,690,374	422,159,068	407,622,302	805,430,482	779,186,398	748,549,232	732,870,018	699,227,831	865,020,217	837,018,524
2015						150,335,316	149,559,345	147,720,093	147,784,819	144,956,554	581,139,866	572,690,080
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	2,987,341,956	2,920,106,125	2,809,772,425	2,783,186,959	2,775,627,970	2,772,637,641	2,759,142,491	2,741,533,867	2,741,289,681	2,712,965,406		
2007	465,768,839	453,176,294	435,518,766	431,972,764	431,468,477	432,090,626	431,458,751	429,006,686	430,963,340	428,302,569		
2008	476,007,392	467,873,761	449,551,130	445,401,435	444,732,936	445,294,573	443,628,784	442,404,443	444,500,664	441,172,389		
2009	376,810,143	370,054,218	356,194,267	353,221,728	352,020,593	352,813,683	352,833,132	351,627,460	352,463,007	349,390,644		
2010	384,393,259	376,812,098	363,385,391	360,099,584	360,205,041	361,769,372	362,138,535	360,820,924	363,790,538	360,553,613		
Pre-2011											4,254,791,859	4,309,688,384
2011	383,127,408	375,603,856	363,215,649	360,153,993	360,523,403	361,539,182	362,466,717	363,079,091	368,778,635	365,585,244	360,725,715	365,110,857
2012	396,483,930	390,502,694	378,579,495	374,773,719	374,484,440	375,390,349	374,771,622	374,910,536	378,902,962	376,385,746	372,481,160	376,286,512
2013	466,084,338	454,628,691	459,933,644	455,401,292	453,790,331	452,933,382	452,496,576	452,093,096	459,184,653	458,610,067	459,171,071	463,320,776
2014	813,205,237	776,390,079	832,276,921	799,237,673	772,267,878	746,119,837	723,092,596	704,721,851	697,695,130	681,529,695	670,487,735	661,870,680
2015	562,676,432	543,287,539	1,303,416,447	1,267,197,082	1,235,424,806	1,201,388,456	1,165,480,957	1,129,812,669	1,100,476,516	1,058,450,174	1,030,439,565	999,586,682
2016											518,780,036	512,732,957
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2017											
Pre-2007												
2007												
2008												
2009												
2010												
Pre-2011	4,293,234,068	4,196,219,072	4,162,943,657	4,097,699,081	4,124,995,686	4,108,929,358	4,081,296,941	4,077,360,532	4,061,238,231	4,028,547,276	3,946,710,816	3,989,464,879
2011	364,047,877	358,455,903	356,767,228	351,138,576	354,927,809	354,700,691	354,258,670	355,169,044	356,824,577	354,340,355	343,135,963	348,593,544
2012	374,583,464	369,441,851	366,828,210	361,523,361	363,772,626	362,270,606	361,651,233	361,364,863	361,248,301	356,910,219	346,247,129	348,864,991
2013	461,679,276	456,689,190	454,664,430	449,909,889	452,740,527	451,194,912	449,767,867	450,969,025	452,487,586	448,066,512	439,698,713	438,958,384
2014	649,073,573	629,298,407	615,285,932	598,952,490	596,962,859	588,576,145	581,985,727	580,866,665	581,186,536	571,817,785	561,584,098	557,764,526
2015	966,200,345	927,238,729	899,273,815	865,748,478	850,615,885	822,418,307	798,018,186	780,107,934	764,107,993	738,183,292	711,621,767	688,442,213
2016	501,124,051	484,177,438	471,223,629	454,267,664	446,201,845	434,884,511	424,731,025	417,153,826	411,310,818	399,046,422	823,528,166	800,857,450
2017											584,484,708	580,416,909

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun
	2018					
Pre-2007						
2007						
2008						
2009						
2010						
Pre-2011	3,983,849,867	3,906,257,184	3,874,651,346	3,813,954,818	3,810,429,216	3,807,917,093
2011	347,730,188	343,887,385	341,100,692	335,618,220	335,887,393	335,786,705
2012	347,658,842	342,651,565	338,776,385	332,871,959	332,343,570	332,151,744
2013	437,272,898	431,441,073	426,547,356	417,562,167	416,031,027	417,760,915
2014	554,196,792	548,552,853	542,687,568	531,355,057	529,656,607	533,838,382
2015	674,346,083	654,649,793	636,698,711	614,806,076	603,227,381	600,503,376
2016	781,682,627	754,392,676	730,369,062	697,689,231	673,861,280	845,725,897
2017	574,317,657	563,081,435	552,560,567	536,727,660	527,091,393	1,092,773,798

Opening principal receivables represents principal receivables at the start of the first day of the performance period.

Opening Total Receivables

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	3,675,752,246	3,607,094,517	3,541,741,857	3,477,961,036	3,488,586,103	3,481,628,436	3,472,124,839	3,443,446,822	3,435,381,507	3,407,953,746	3,375,604,235	3,394,138,477
2007	560,549,621	549,649,985	537,392,622	526,819,685	530,386,793	527,328,313	525,593,718	522,310,453	521,428,046	518,411,253	513,245,898	516,395,564
2008	572,268,252	563,341,905	552,439,423	540,649,409	542,686,180	543,037,418	542,347,353	538,476,363	538,420,226	533,754,912	528,168,584	530,564,224
2009	450,729,906	444,804,321	437,355,027	425,571,822	429,583,955	424,668,935	423,710,842	421,794,624	421,227,127	418,935,750	412,825,335	417,068,407
2010	449,927,486	443,984,815	436,483,032	425,909,398	430,693,333	424,329,670	425,350,845	423,297,557	424,633,379	422,733,853	415,456,647	418,946,160
2011	418,410,901	416,314,976	407,404,538	399,983,032	403,877,639	404,170,953	406,513,695	407,460,274	411,830,706	410,689,128	405,289,323	407,218,823
2012	470,150,668	435,566,104	403,851,347	376,108,196	365,464,295	379,318,875	377,212,613	377,434,292	381,893,347	381,828,337	391,732,193	395,422,475
2013	113,135,723	106,850,908	101,580,947	95,500,982	91,097,951	513,934,624	494,667,230	471,217,033	453,296,779	429,516,934	605,796,143	581,051,044
2014						94,498,393	94,363,529	93,232,093	92,403,157	90,430,691	480,882,000	476,207,276
2015												
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	3,424,497,016	3,338,774,855	3,319,590,073	3,277,473,649	3,284,477,600	3,270,543,362	3,260,461,536	3,221,613,531	3,259,913,555	3,203,216,936	3,167,091,092	3,196,968,177
2007	522,173,097	507,027,570	503,357,624	497,635,740	499,903,009	497,708,501	497,884,230	492,226,854	499,623,594	491,287,377	484,935,219	490,852,802
2008	537,318,339	525,925,668	521,983,998	515,341,893	517,003,777	516,504,846	515,900,109	511,262,483	517,661,972	509,039,966	503,903,833	508,246,028
2009	421,190,071	412,519,723	410,512,445	403,831,147	404,841,613	403,002,904	402,812,772	398,881,249	406,841,328	400,242,254	394,027,714	398,458,630
2010	424,276,204	413,608,421	411,963,827	406,324,221	407,751,564	405,747,857	407,869,202	403,932,605	413,478,596	406,425,063	398,906,363	403,453,158
2011	415,211,496	406,835,826	403,464,690	398,898,992	400,388,062	399,459,083	401,651,340	398,746,458	407,938,011	400,372,353	393,916,368	397,621,222
2012	403,418,100	399,657,772	398,631,521	395,843,010	398,652,415	406,301,395	409,561,036	407,490,914	415,609,447	409,171,763	406,963,926	410,208,861
2013	563,159,479	524,121,359	499,138,306	476,587,186	462,767,061	516,189,246	504,180,932	488,743,780	488,249,860	472,902,068	492,295,884	485,756,507
2014	472,463,601	456,120,470	443,093,043	425,679,890	411,481,592	812,273,059	786,543,635	756,254,316	741,450,182	708,376,349	876,617,157	849,212,996
2015						150,864,521	150,082,058	148,286,429	148,454,912	145,719,325	583,873,318	575,636,244
2016												
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	3,207,066,237	3,141,471,552	3,017,909,047	2,986,316,854	2,980,243,712	2,973,863,543	2,960,317,883	2,941,093,961	2,937,373,469	2,905,837,818		
2007	496,081,540	483,684,804	463,907,192	459,816,433	459,530,033	459,767,037	459,207,997	456,633,308	458,238,168	455,274,686		
2008	511,169,481	503,316,990	482,451,684	477,729,185	477,371,967	477,480,700	475,912,121	474,520,036	476,251,892	472,577,662		
2009	402,183,173	395,671,291	380,190,868	376,838,880	375,874,590	376,403,159	376,501,036	375,248,611	375,788,737	372,479,416		
2010	407,153,435	399,893,018	385,051,323	381,450,173	381,893,372	383,266,139	383,744,777	382,397,609	385,142,237	381,699,353		
Pre-2011											4,543,259,573	4,597,063,954
2011	401,535,604	394,268,279	380,714,331	377,423,613	378,149,602	379,046,830	380,168,858	380,872,719	386,581,294	383,412,663	378,369,957	382,906,379
2012	412,805,618	407,113,695	394,325,332	390,359,951	390,511,931	391,381,642	390,960,081	391,199,210	395,270,169	392,825,505	388,747,787	392,684,434
2013	482,239,366	471,327,030	476,647,620	472,081,691	471,105,579	470,224,436	470,104,290	469,981,326	477,297,917	476,891,467	477,388,454	481,851,621
2014	825,845,203	789,788,782	847,100,129	814,338,306	788,358,106	762,468,554	740,112,879	722,298,808	715,685,097	699,924,653	689,056,427	681,014,410
2015	565,850,789	546,806,526	1,310,668,151	1,274,765,301	1,243,854,886	1,210,411,268	1,175,395,311	1,140,577,991	1,112,055,339	1,070,768,721	1,043,438,248	1,013,412,406
2016											521,376,351	515,568,066
2017												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2017											
Pre-2007												
2007												
2008												
2009												
2010												
Pre-2011	4,574,562,607	4,473,797,358	4,441,578,550	4,363,700,404	4,394,392,786	4,370,408,771	4,340,600,096	4,331,684,490	4,313,048,369	4,280,580,310	4,190,767,624	4,232,718,047
2011	381,659,197	376,007,307	374,566,898	368,308,156	372,460,978	371,844,756	371,410,659	372,106,341	373,751,338	371,384,296	359,599,926	365,242,274
2012	390,848,745	385,685,326	383,366,614	377,481,512	380,117,452	378,337,456	377,753,375	377,282,612	377,150,169	372,963,783	361,842,934	364,570,721
2013	480,106,101	475,172,570	473,602,027	468,171,316	471,539,147	469,590,311	468,251,895	469,309,975	470,822,580	466,672,125	457,888,418	457,226,547
2014	668,247,696	648,670,545	635,379,073	618,416,607	617,295,568	608,584,094	602,238,952	601,019,641	601,491,012	592,525,159	581,980,078	578,334,366
2015	980,348,634	941,793,163	914,655,521	880,728,075	866,539,441	838,207,505	814,203,456	796,433,218	780,744,850	755,332,939	728,729,263	705,820,958
2016	504,170,246	487,447,004	474,940,563	458,056,438	450,444,291	439,275,602	429,388,619	421,976,383	416,356,285	404,338,508	832,834,183	810,596,194
2017											586,434,972	582,524,967

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun
	2018					
Pre-2007						
2007						
2008						
2009						
2010						
Pre-2011	4,226,178,032	4,145,407,719	4,116,124,996	4,046,892,644	4,042,174,866	4,035,852,082
2011	364,436,792	360,478,395	357,924,909	351,916,692	352,213,866	351,900,228
2012	363,433,745	358,363,433	354,737,235	348,347,699	347,850,075	347,464,161
2013	455,727,005	449,804,898	445,290,894	435,710,800	434,222,182	435,811,888
2014	575,075,326	569,432,998	564,108,182	552,092,261	550,536,193	554,698,159
2015	692,252,506	672,829,356	655,601,398	633,218,290	622,027,432	619,464,319
2016	791,956,469	765,049,675	741,760,340	708,897,646	685,440,249	860,199,626
2017	576,673,279	565,699,610	555,570,574	539,828,425	530,419,865	1,098,836,746

Opening total receivables represents principal and Finance Charge Receivables at the start of the first day of the performance period.

PURCHASE AND TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their own legal counsel prior to making any offer, sale, resale, pledge or transfer of the notes.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities or "Blue Sky" laws or the securities laws of any other jurisdiction and, accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Without limiting the foregoing, by holding a note, each Noteholder will acknowledge and agree, among other things, that such Noteholder understands that neither of the Issuer nor the Securitised Portfolio is registered as an investment company under the United States Investment Company Act of 1940, but that the Issuer and the Securitised Portfolio are exempt from registration as such.

Prospective Initial Investors in the notes

Each prospective purchaser of the notes offered in reliance on Rule 144A ("**Rule 144A**") under the Securities Act (each a "**U.S. Offeree**") and each prospective purchaser of the notes offered in reliance on Regulation S ("**Regulation S**") under the Securities Act (a "**Non-U.S. Offeree**" and together with the U.S. Offerees, the "**Offerees**"), by accepting delivery of this Drawdown Prospectus and the Base Prospectus, will be deemed to have represented, acknowledged and agreed as follows:

(i) The Offeree acknowledges that this Drawdown Prospectus and the Base Prospectus are personal to the Offeree and do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the notes other than pursuant to Rule 144A, or another exemption from registration from the Securities Act, or in offshore transactions in accordance with Regulation S. Distribution of this Drawdown Prospectus and the Base Prospectus or disclosure of any of their contents to any person other than the Offeree and those persons, if any, retained to advise the Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised and any disclosure of any of their contents, without the prior written consent of the Issuer, is prohibited.

(ii) The Offeree agrees to make no photocopies of this Drawdown Prospectus and Base Prospectus or any documents referred to herein and, if the Offeree does not purchase the notes or the offering is terminated, to return this Drawdown Prospectus and the Base Prospectus and all documents referred to herein and therein to Lloyds Bank Corporate Markets plc.

(iii) The Offeree has carefully read and understands this Drawdown Prospectus and the Base Prospectus, including, without limitation, the "Risk Factors" section herein and the "Risk Factors" section in the Base Prospectus, and has based its decision to purchase the notes upon the information contained herein and therein and on written information, if any, provided to it by the Issuer and any Joint Lead Manager and not on any other information.

Notes

Legend

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any class of Rule 144A Notes or Regulation S Notes is outstanding, the Rule 144A and the Regulation S Notes will bear a legend substantially set forth below:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND NEITHER THE ISSUER NOR THE SECURITISED PORTFOLIO HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**").THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS THAT IT HAS OBTAINED THIS NOTE IN A TRANSACTION IN COMPLIANCE WITH THE SECURITIES ACT AND ALL OTHER APPLICABLE LAWS OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE RESTRICTIONS ON SALE AND TRANSFER SET FORTH IN THE NOTE TRUST DEED (THE "**NOTE TRUST DEED**"), DATED 16

OCTOBER 2008 (AS AMENDED AND RESTATED FROM TIME TO TIME), BETWEEN THE ISSUER AND DEUTSCHE BANK TRUST COMPANY AMERICAS (THE "**NOTE TRUSTEE**").THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, FURTHER REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR ANY INTEREST HEREIN) EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION AND IN ACCORDANCE WITH THE RESTRICTIONS, CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE NOTE TRUST DEED (i) TO A TRANSFEREE THAT IS A PERSON THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A "**QIB**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (ii) TO A TRANSFEREE THAT IS NOT A US PERSON (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND THAT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSES (i) AND (ii), IN A PRINCIPAL AMOUNT WITH RESPECT TO EACH CLASS OF NOTES OF NOT LESS THAN $150,000 (OR THE EQUIVALENT THEREOF IN THE SPECIFIED CURRENCY) FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING. EACH PURCHASER OR TRANSFEREE OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE NOTE TRUST DEED.

The following three paragraphs are to be included in the legend for Regulation S Global Note Certificates only:

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR OF AN INTEREST HEREIN IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (I) THE HOLDER IS NOT AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE, (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (B) A "PLAN" WITHIN THE MEANING OF AND SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (C) ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, THE ASSETS OF ANY SUCH "EMPLOYEE BENEFIT PLAN" OR "PLAN" BY REASON OF 29 C.F.R. 2510.3-101 OR OTHERWISE, OR (D) ANY OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), AND IS NOT PURCHASING THIS NOTE ON BEHALF OF ANY SUCH PERSON, OR (II) THE PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANY SUCH OTHER EMPLOYEE BENEFIT PLAN, ARE NOT IN VIOLATION OF ANY SUCH SIMILAR LAW).

EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE TRUST DEED TO THE TRANSFEREE.

HOWEVER, WITHOUT PREJUDICE TO THE RIGHTS OF THE ISSUER AGAINST ANY BENEFICIAL OWNER OR PURPORTED BENEFICIAL OWNER OF NOTES, NOTHING IN THE NOTE TRUST DEED OR THE NOTES SHALL BE INTERPRETED TO CONFER ON THE ISSUER, THE NOTE TRUSTEE OR ANY PAYING AGENT ANY RIGHT AGAINST EUROCLEAR BANK SA/NV ("**EUROCLEAR**") AND/OR CLEARSTREAM BANKING, SOCIÉTÉ ANONYME ("**CLEARSTREAM**"), TO REQUIRE THAT EUROCLEAR AND/OR CLEARSTREAM, AS THE CASE MAY BE, REVERSE OR RESCIND ANY TRADE COMPLETED IN ACCORDANCE WITH THE RULES OF EUROCLEAR AND/OR CLEARSTREAM, AS THE CASE MAY BE.

The following three paragraphs are to be included in the legend for Rule 144A Global Note Certificates only:

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR OF AN INTEREST HEREIN IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (I) THE HOLDER

IS NOT AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE, (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (B) A "PLAN" WITHIN THE MEANING OF AND SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (C) ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, THE ASSETS OF ANY SUCH "EMPLOYEE BENEFIT PLAN" OR "PLAN" BY REASON OF 29 C.F.R. 2510.3-101 OR OTHERWISE, OR (D) ANY OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), AND IS NOT PURCHASING THIS NOTE ON BEHALF OF ANY SUCH PERSON, OR (II) THE PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANY SUCH OTHER EMPLOYEE BENEFIT PLAN, ARE NOT IN VIOLATION OF ANY SUCH SIMILAR LAW).

EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE TRUST DEED TO THE TRANSFEREE.

HOWEVER, WITHOUT PREJUDICE TO THE RIGHTS OF THE ISSUER AGAINST ANY BENEFICIAL OWNER OR PURPORTED BENEFICIAL OWNER OF NOTES, NOTHING IN THE NOTE TRUST DEED OR THE NOTES SHALL BE INTERPRETED TO CONFER ON THE ISSUER, THE NOTE TRUSTEE OR ANY PAYING AGENT ANY RIGHT AGAINST THE DEPOSITORY TRUST COMPANY ("**DTC**") TO REQUIRE THAT DTC REVERSE OR RESCIND ANY TRADE COMPLETED IN ACCORDANCE WITH THE RULES OF DTC.

The following two paragraphs are to be included in the legend for Regulation S Global Note Certificates only:

ANY TRANSFERS, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, BT GLOBENET NOMINEES LIMITED, HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF BT GLOBENET NOMINEES LIMITED OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM (AND ANY PAYMENT HEREON IS MADE TO BT GLOBENET NOMINEES LIMITED).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, AND NOT IN PART, TO NOMINEES OF EUROCLEAR AND CLEARSTREAM OR TO SUCCESSORS THEREOF OR SUCH SUCCESSORS' NOMINEE AND TRANSFERS OF INTERESTS IN THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE NOTE TRUST DEED.

The following two paragraphs are to be included in the legend for Rule 144A Global Note Certificates only:

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF DTC TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE OR SUCH OTHER ENTITY AS IS REQUESTED BY DTC, ANY TRANSFERS, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. ("**CEDE**"), HAS AN INTEREST HEREIN.

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, AND NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF INTERESTS IN THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE NOTE TRUST DEED.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE NOTE TRUST DEED. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF DEUTSCHE BANK AG, LONDON BRANCH AS THE PRINCIPAL PAYING AGENT.

THE HOLDER OF THIS NOTE ACKNOWLEDGES THAT NOTWITHSTANDING ANY OTHER PROVISION OF THE NOTE TRUST DEED OR ANY OTHER TRANSACTION DOCUMENT, ALL PAYMENTS OF PRINCIPAL, INTEREST OR ANY OTHER AMOUNT TO BE MADE BY THE ISSUER IN RESPECT OF THE NOTES OR UNDER ANY TRANSACTION DOCUMENT WILL BE PAYABLE PURSUANT TO THE PRIORITY OF PAYMENTS AND ONLY FROM, AND TO THE EXTENT OF, THE SUMS PAID TO, OR NET PROCEEDS RECOVERED BY OR ON BEHALF OF, THE ISSUER IN RESPECT OF THE SECURITY (AS DEFINED IN THE SECURITY TRUST DEED AND CASH MANAGEMENT AGREEMENT, DATED 16 OCTOBER 2008 (AS AMENDED AND RESTATED FROM TIME TO TIME)), AMONG PENARTH FUNDING 1 LIMITED, PENARTH RECEIVABLES TRUSTEE LIMITED, BANK OF SCOTLAND PLC, DEUTSCHE BANK TRUST COMPANY AMERICAS AND STRUCTURED FINANCE MANAGEMENT OFFSHORE LIMITED (THE "**STDCMA**").IF THE PROCEEDS OF THE SECURITY (AS DEFINED IN THE STDCMA) ARE NOT SUFFICIENT FOR THE ISSUER TO MEET ITS OBLIGATIONS IN RESPECT OF THE NOTES AND OTHER TRANSACTION DOCUMENTS, NO OTHER ASSETS OF THE ISSUER WILL BE AVAILABLE TO MEET SUCH INSUFFICIENCY.

Initial Investors and transferees of Interests in Rule 144A Global Note Certificates

Each initial investor in, and subsequent transferee of, an interest in a Rule 144A Global Note Certificate will be deemed to have represented and agreed as follows:

(i) It (a) is a "Qualified Institutional Buyer" ("**QIB**") within the meaning of Rule 144A and is acquiring the notes in reliance on the exemption from Securities Act registration provided by Rule 144A thereunder and (b) understands the notes will bear the legend set forth above and be represented by one or more Rule 144A Global Notes Certificates. In addition, it will be deemed to have represented and agreed that it will hold and transfer in an amount of not less than, with respect to each class of notes, €100,000 (or the equivalent thereof in the specified currency) for it or for each account for which it is acting.

(ii) It understands that (a) the notes have been offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, (b) the notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and (c) if in the future it decides to offer, resell, pledge or otherwise transfer the notes, such notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of the Note Trust Deed and the legend on such notes. It acknowledges that no representation is made as to the availability of any exemption under the Securities Act or any state securities laws for resale of the notes.

(iii) In connection with the purchase of the notes: (a) the Issuer is not acting as a fiduciary or financial or investment advisor for it; (b) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer or the Dealer (in its capacity as such) or any of their agents, other than any statements in a current prospectus for such notes and any representations expressly set forth in a written agreement with such party; (c) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or the Dealer; (d) its purchase of the notes will comply with all applicable laws in any jurisdiction in which it resides or is located; (e) it is acquiring the notes as principal solely for its own account for investment and not with a view to the resale, distribution or other disposition thereof in violation of the Securities Act; and (f) it is a sophisticated investor and is purchasing the notes with a full understanding of all of the terms, conditions and risks thereof and is capable of assuming and willing to assume those risks.

(iv) Either: (i) it is not, and for so long as it holds a debt note will not be, (A) an "employee benefit plan" subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended

("**ERISA**"), (B) a "plan" subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), (C) any person or entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. 2510.3-101 (as modified by Section 3(42) of ERISA), or otherwise (each of the foregoing a "**Benefit Plan Investor**") or (D) any other employee benefit plan subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), and is not purchasing such debt note on behalf of any such person, or (ii) the purchase, holding and subsequent disposition of such debt note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of any such other employee benefit plan, is not in violation of any such Similar Law). In addition, (1) no transaction party has provided or will provide advice with respect to the investment in a debt note by the Benefit Plan Investor, (2) with respect to the investment in a debt note by the Benefit Plan Investor, the Benefit Plan Investor is represented by a fiduciary (the "**Independent Fiduciary**") that is described in 29 C.F.R. § 2510.3-21(c)(1)(i); (3) the Independent Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including without limitation the investment in a debt note by the Benefit Plan Investor; (4) the Independent Fiduciary is a "fiduciary" with respect to the Benefit Plan Investor within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, is "independent" within the meaning of 29 C.F.R. § 2510.3-21(c) (the "**Fiduciary Rule**") and is responsible for exercising independent judgment in evaluating the Benefit Plan Investor’s investment in a debt note; (5) none of the transaction parties has exercised any authority to cause the Benefit Plan Investor to invest in a debt note or to negotiate the terms of such investment; and (6) the Independent Fiduciary has been informed by the transaction parties (a) that none of the transaction parties has undertaken or will undertake to provide impartial investment advice or has given or will give advice in a fiduciary capacity in connection with the Benefit Plan Investor’s investment in a debt note, (b) of the existence and nature of the transaction parties' fees, compensation arrangements and/or financial interests in the Benefit Plan Investor's investment in a debt note, and (c) that no transaction party receives a fee or other compensation from the Benefit Plan Investor for the provision of investment advice in connection with the Benefit Plan Investor's investment in a debt note.

(v) It understands that an investment in the notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. It has had access to such financial and other information concerning the Issuer and the notes, as it deemed necessary or appropriate in order to make an informed investment decision with respect to its acquisition of the notes, including an opportunity to ask questions of and request information from the Issuer. It understands that the notes will be highly illiquid and are not suitable for short term trading. It understands that it is possible that due to the structure of the transaction and the performance of the Securitised Portfolio, payments on the notes may be deferred, reduced or eliminated entirely. The Issuer has assets limited to the Security (as defined in the STDCMA) for payment of the notes.

(vi) It acknowledges that it is its intent and that it understands it is the Issuer's intent, that for purposes of U.S. federal, state and local income taxes, the Issuer will be treated as a corporation and the notes will be treated as indebtedness of the Issuer; it agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment, except as otherwise required by any taxing authority under applicable law.

(vii) It is aware that, except as otherwise provided in the Note Trust Deed, the notes being sold to it will be represented by one or more Global Note Certificates, and that beneficial interests therein may be held only through Euroclear and Clearstream or DTC or one of their nominees, as applicable.

(viii) It understands that the Issuer, the Note Trustee, the Dealers and their counsel will rely on the accuracy and truth of the foregoing representation, and it hereby consents to such reliance.

Initial Investors and transferees of Interests in Regulation S Global Note Certificates

Each initial investor in, and subsequent transferee of, an interest in a Regulation S Global Note Certificate will be deemed to have made the representations set forth in clauses (ii), (iii), (iv), (v), (vi), (vii) and (viii) above and will be deemed to have further represented and agreed as follows:

(i) It is aware that the sale of notes to it is being made in reliance on the exemption from registration provided by Regulation S and understands that the notes offered in reliance on Regulation S will bear the legend set forth above and be represented by or one or more Regulation S Global Note Certificate. The notes so represented may not at any time be held by or on behalf of U.S. Persons as defined in Regulation S. It and each beneficial owner of the notes that it holds is not, and will not be, a U.S. Person (as defined in Regulation S) and its purchase of the notes will comply with all applicable laws in any jurisdiction in which it resides or is located.

(ii) If it is not a "United States person" as defined in Section 7701(a)(30) of the Code, it is not acquiring any Note as part of a plan to reduce, avoid or evade U.S. federal income taxes owed, owing or potentially owed or owing.

Settlement

All payments in respect of the Sterling notes shall be made in Sterling in same-day funds. All payments in respect of the Dollar notes shall be made in U.S. Dollars in same-day funds.

DISTRIBUTION

	Series 2018-2 A1	
	Class A 144A Note	**Class A Reg S Note**
ISIN:	US70659PAK75	XS1885682622
Common Code:	N/A	188568262
CUSIP:	70659P AK7	N/A
FISN:	PENARTH MASTER/VAR RATE ASSET BCKD	PENARTH MASTER/VAREMTN 20220918
CFI code:	DAVUFR	DTVXFR

LEGAL PROCEEDINGS

The Receivables Trustee

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Receivables Trustee is aware) during the 12 months before the date of this Drawdown Prospectus which may have, or have had in the recent past, significant effects on the Receivables Trustee's financial position or profitability.

Loan Note Issuer No. 1

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Loan Note Issuer No. 1 is aware) during the 12 months before the date of this Drawdown Prospectus which may have, or have had in the recent past, significant effects on Loan Note Issuer No. 1's financial position or profitability.

The Issuer

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Drawdown Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

FINANCIAL STATEMENTS

Since the publication of the Base Prospectus dated 12 March 2018, each of the Issuer and the Loan Note Issuer No. 1 have prepared and published their statutory financial statements for the year ending 31 December 2017 in accordance with IFRS.

There has been (i) no significant change in the financial or trading position of the Issuer and (ii) no material adverse change in the financial position or prospects of the Issuer, since 31 December 2017.

There has been (i) no significant change in the financial or trading position of the Loan Note Issuer No. 1, and (ii) no material adverse change in the financial position or prospects of the Loan Note Issuer No. 1, since 31 December 2017.

The statutory financial statements of the Issuer are included in Appendix A.

The statutory financial statements of the Loan Note Issuer No. 1 are included in Appendix B.

LISTING APPLICATION

This document comprises the Drawdown Prospectus required to list the issue of notes described herein pursuant to the Programme of the Issuer.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Drawdown Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Drawdown Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer confirms that the information relating to Bank of Scotland plc has been accurately reproduced from information provided by Bank of Scotland plc. So far as the Issuer is aware and/or is able to ascertain from information provided by Bank of Scotland plc, no facts have been omitted which would render the reproduced information materially misleading.

The Issuer confirms that the information relating to Lloyds Bank plc has been accurately reproduced from information provided by Lloyds Bank plc. So far as the Issuer is aware and/or is able to ascertain from information provided by Lloyds Bank plc, no facts have been omitted which would render the reproduced information materially misleading.

The Issuer confirms that the information relating to, respectively, Penarth Funding 1 Limited and Penarth Receivables Trustee Limited has been accurately reproduced from information provided by Penarth Funding 1 Limited and Penarth Receivables Trustee Limited, respectively. So far as the Issuer is aware and/or is able to ascertain from information provided by each of Penarth Funding 1 Limited and Penarth Receivables Trustee Limited, no facts have been omitted which would render the reproduced information materially misleading.

Where information has been sourced from any other third party, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By: ....*duly authorised*
PENARTH MASTER ISSUER PLC
per pro Intertrust Directors 1 Limited
as Director

GENERAL INFORMATION

The admission of the Programme to listing on the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange took effect on 15 March 2018. The listing of the notes on the Regulated Market of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). This Note Series is intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange and will be so admitted to listing and trading upon submission to the UK Listing Authority and the Regulated Market of the London Stock Exchange of this Drawdown Prospectus and any other information required by the UK Listing Authority and the Regulated Market of the London Stock Exchange, subject in each case to the issue of the relevant notes. Prior to official listing, dealings will be permitted by the Regulated Market of the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

APPENDIX A
FINANCIAL STATEMENTS OF THE ISSUER

Registered Number : 6615304

PENARTH MASTER ISSUER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

PENARTH MASTER ISSUER PLC
DIRECTORS AND COMPANY INFORMATION

DIRECTORS

Jeremy Richard Hugh Bradley
Intertrust Directors 1 Limited
Intertrust Directors 2 Limited

COMPANY SECRETARY

Intertrust Corporate Services Limited

REGISTERED OFFICE

35 Great St Helen's
London
EC3A 6AP

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

The directors present their Strategic Report and audited financial statements of Penarth Master Issuer plc (the "Company") for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is the investment of the proceeds of the issue of publicly listed floating rate asset-backed global loan notes, which are denominated in US Dollars and Sterling (the "Notes"), in the international capital markets. The Notes have been designated Class A, Class B, Class C or Class D in accordance with the relevant Note series to which such Notes relate. These proceeds have been invested in loans to a related undertaking. No future changes in activity are envisaged.

The activities of the Company and its immediate parent company, Penarth Asset Securitisation Holdings Limited, are conducted primarily by reference to a series of securitisation transaction documents (the "Programme Documentation"). The securitisation structure (the "Penarth Transaction") has been established as a means of raising finance for Bank of Scotland plc ("BOS"), and subsequently Lloyds Banking Group plc ("LBG"). The Programme Documentation sets out the workings of the transaction and the principal risks to the holders of the Notes. As such, these have not been reproduced in full in the financial statements. BOS and Lloyds Bank plc ("Lloyds") are also originators of the underlying credit card receivables (the "Originators").

The Company is a wholly owned subsidiary of Penarth Asset Securitisation Holdings Limited, a company registered in England and Wales. The shares of Penarth Asset Securitisation Holdings Limited are held on a discretionary trust basis by Intertrust Corporate Services Limited.

Penarth Asset Securitisation Holdings Limited holds 49,998 quarter paid £1 ordinary shares and one fully paid £1 ordinary shares. Intertrust Nominees Limited also holds one £1 fully paid ordinary share in the Company as a nominee shareholder for the benefit of Penarth Asset Securitisation Holdings Limited. These shares comprise the entire issued share capital of the Company.

As at 31 December 2017 the Penarth Asset Securitisation Holdings Limited Group (the "Group") comprised the Company, Penarth Asset Securitisation Holdings Limited, Penarth Funding 2 Limited, Penarth Receivables Trustee Limited and Penarth Funding 1 Limited.

Business Review

The results for the year are set out on page 16. The profit for the year amounted to £1,942,000 (2016: £525,000 loss). The directors do not recommend the payment of a dividend this year (2016: £nil).

As required under International Financial Reporting Standards ("IFRSs"), the profit for the year includes a fair value gain on financial instruments of £1,933,000 (2016: fair value loss £396,000) which reflects the movement in the market value of the derivatives. The Notes issued are economically hedged using derivative contracts and so gains or losses are expected to reverse in the future.

Profits on a cashflow basis are pre-determined under the Programme Documentation. Under the terms of the intercompany loans with Penarth Funding 1 Limited, the Company has the right to a profit before tax of the lesser of one-twelfth of (i) £12,000 and (ii) the aggregate of £1,200 per Series of Notes outstanding during the course of the previous 11 monthly periods from available revenue receipts per month. The profit for the year was £1,942,000 (2016 £525,000 loss).

Business Review (continued)

During the year, the Company repaid $750,000,000 (hedged at £506,141,180) of the Series 2015-1 A1, £393,000,000 of the Series 2015-2 A1 and £500,000,000 of the Series 2014-2 A1 notes on the respective scheduled redemption dates; the debt securities in issue and the loans receivable from Penarth Funding 1 Limited were decreased by the same value. On 31 July 2017, Penarth Master Issuer plc extended the scheduled redemption date of Series 2013-1 A2 from 18 November 2017 to 18 October 2021. No loan notes were issued during 2017.

Additions of further receivables to the Trust have been made during the year in line with Programme Documentation in order to support current and future issuance plans.

Since the year end, Penarth Master Issuer plc has made loan note repayments of $500,000,000 (hedged at £351,148,254) and loan note issuances of $300,000,000 (hedged at £215,594,682) and £300,000,000.

The Company will continue to issue Notes and invest the proceeds as intercompany loans to Penarth Funding 1 Limited. The directors anticipate that the Company will be profitable over its lifetime.

Key performance indicators (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the Programme Documentation and published as a monthly Investor Report. An extract of these is shown in note 11(a).

The KPIs include the excess spread on the Penarth Receivables Trust ("the Trust") assets available as the first line of credit enhancement to the Notes, the losses that have occurred and the level of arrears in the underlying credit cards, the rate of repayment of the receivables within the Trust and an analysis of the characteristics of the underlying credit cards in the Trust.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cash flows against planned cash flows. During the year, all payments were made as expected including necessary payments on the Notes in accordance with the scheduled repayment dates for the year ended 31 December 2017.

At the time of issue each series and class of Notes is assigned a credit rating which reflects the likelihood of full and timely payment to the holders of the Notes of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if the Trust's circumstances change.

Any change in the credit rating assigned to a Note would be used as an indicator as to the performance of the Company. No downgrade in credit ratings has been applied to the Company's Notes in the year under review and subsequently up to the date of approval of these financial statements.

Taxation

The Company's tax charge is based on the permanent tax regime for securitisation companies. All fair value adjustments on derivative contracts are ignored for taxation purposes as tax is assessed on the cash retained as profit in the Company.

Risk management

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise intercompany loans to Penarth Funding 1 Limited, Notes issued in the capital markets, derivatives ("swaps"), various other receivables and payables and cash and liquid resources.

The principal risks and uncertainties for the Company arise from the Company's financial instruments. These are credit risk, liquidity risk, interest rate risk and currency risk. These and other risks which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company in relation to its financial instruments and the Company's financial risk management policies is provided in note 11.

Credit risk

The intercompany loans are ultimately secured against a beneficial interest in a credit card portfolio held in the Trust for Penarth Funding 1 Limited. The performance of the credit card receivables is influenced by the economic background.

To mitigate this risk a series of subordinated loan notes is held internally within the Group to act as credit enhancement to ensure Penarth Funding 1 Limited can meet its obligations under the intercompany loan agreements to the Company.

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with Penarth Funding 1 Limited. Penarth Funding 1 Limited is only obliged to pay interest and principal to the Company to the extent that it has such amounts available to it. The Company has recourse to the other assets of Penarth Funding 1 Limited for any shortfall in receipts due under the intercompany loan agreement.

The Company has received all necessary payments on the intercompany loans with Penarth Funding 1 Limited, in accordance with the scheduled repayment dates for the year ended 31 December 2017.

Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to the relevant currency's London Interbank Offered Rate (LIBOR), and circa 90% of assets are linked to base rate.

Risk management (continued)

Currency risk

The Company has issued certain Notes denominated in US Dollars ("Currency Notes"). All the Company's assets and its other liabilities are denominated in Sterling. The Company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Currency Notes. The cross currency swap provider is Wells Fargo Bank, N.A., which was rated Aa2/AA-/AA- (Long Term Moody's/S&P/Fitch) as at 31 December 2017.

Operational risks

The Company is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Programme Documentation. Intertrust Management Limited has been appointed to provide corporate services in accordance with a corporate services agreement. Other third parties who have agreed to provide services with respect to the Notes include the paying agents, issuing entity swap counterparty and the agent bank. BOS has been appointed to act as account bank and cash manager on behalf of the Company.

Business risks

The principal business risks of the Company are set out in a number of asset and non-asset trigger events in the Programme Documentation. Non-asset triggers include: Minimum Seller share below that required, Insolvency of seller (BOS), Termination of servicer (BOS) not replaced within 60 days and Minimum trust size breached. The occurrence of trigger events may lead to a different priority of payments of the Notes in accordance with established priorities. There have been no such trigger events since inception of the Programme.

On Behalf of the Board

Helena Whitaker
Intertrust Directors 1 Limited
As Director

DATE: 26 April 2018

PENARTH MASTER ISSUER PLC
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2017.

Statement of directors' responsibilities

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

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

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

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

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

Directors and directors' interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Intertrust Directors 1 ("ID1") Limited, Intertrust Directors 2 ("ID2") Limited, Jeremy Richard Hugh Bradley.

The above directors are also directors of Penarth Asset Securitisation Holdings Limited while Jeremy Richard Hugh Bradley is in addition also a director of Penarth Funding 1 Limited, Penarth Funding 2 Limited and Penarth Receivables Trustee Limited.

During the year under review, the directors did not receive any remuneration or emoluments from the Company in respect of qualifying services provided to the Company (2016: £nil).

Disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006, in the case of each director in office at the date the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the directors' report and financial statements. Jeremy Richard Hugh Bradley, ID1 Limited and ID2 Limited are also directors of other companies within the Group. None of the directors has any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest in any material contract or arrangement with the Company either during or at the end of the year.

Employees

The Company did not have any employees during the year (2016: none).

Corporate Governance

The directors have been charged with governance in accordance with the programme documentation describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The Programme Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been listed, the Company is largely exempt from the requirements of the Financial Conduct Authority Disclosure and Transparency Rules 7.1 *Audit Committees* and 7.2 *Corporate Governance Statements* (save for the rule 7.2.5 requiring descriptions of the features of the internal control and risk management systems), which would otherwise require the Company to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement. Financial risk management is detailed on page 4 of the Strategic Report.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

Statement of going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. The Company has continued to perform in line with the transaction documents. Although the Company is in a net liabilities position as at 31 December 2017, this is driven by fair value volatility on derivative contracts. This fair value volatility will reverse over the life of the derivative contracts to nil. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

The financial statements on pages 16 to 40 were approved by the Board of Directors on 26 April 2018 and signed on its behalf by

Helena Whitaker
Intertrust Directors 1 Limited
as Director

DATE: 26 April 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENARTH MASTER ISSUER PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Penarth Master Issuer plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the cash flow statement, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to those charged with governance.

BASIS FOR OPINION

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

Independence

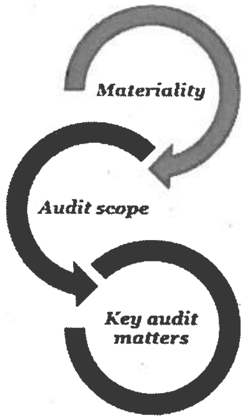
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

OUR AUDIT APPROACH

Overview



- Overall materiality: £40,920,880 (2016: £57,256,530), based on 1% of total assets.

- The Company is a special purpose vehicle that forms part of a securitisation structure, established primarily as a means of raising wholesale funding for Bank of Scotland plc ("BOS") and subsequently Lloyds Banking Group plc ("LBG") the ultimate parent undertaking. LBG manages the securitisation transaction in its role as administrator, servicer of the underlying credit card loans and cash manager.
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statements line item.
- In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at LBG as administrator and servicer, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at the administrator and adopted a controls and substantive testing approach.

Our key audit matters which involved the greatest allocation of our resources' effort comprise:

- The risk of errors in the priority of payments (the "Waterfalls") due to a lack of understanding of the transaction.
- The risk of management override of controls in order to overstate the performance of the asset pool and mask breaches of trigger events.

The scope of our audit

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006 and the underlying legal documents and agreements governing this securitisation transaction. Our tests included, but were not limited to, management inquiries, review of board meeting minutes, and review and testing where applicable of the transaction documents. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Errors in the priority of payments (the "Waterfalls") due to a lack of understanding of the transaction Due to the complexity of the securitisation structure contractual terms and the special purpose nature of the entity, the Waterfalls present a pervasive risk to the overall accounting for the entity. If the Waterfalls are incorrectly processed, there is a risk that interest expense and principal balances payable to investors are not appropriately calculated and settled, and the cash flows returned to the seller as excess spread are incorrect. While the entity is well-established with management who are experienced in calculating Waterfalls, there is also an independent 3rd party paying agent who calculates the expected payments in parallel. Due to the complexity and pervasive nature of	We understood the design of the securitisation structure through discussions with management and review of primary contractual documentation. We reviewed all investor reports and minutes of board meetings for the year to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation and calculation of the Waterfalls. We tested the design and operating effectiveness of management's Waterfalls calculation controls through: • Discussion with management and by review of Waterfalls working papers for consistency with the base prospectus; and • Inspection of supporting documentation and recalculation of relevant data points for a sample of Waterfalls in the year.

Key audit matter	*How our audit addressed the key audit matter*
the Waterfalls, this was an area of focus in our audit.	We performed substantive testing over this sample of Waterfalls to ensure no errors were made in Waterfalls preparation, including agreeing cash balances and transactions to cash account records, and agreeing cash collections balances agreed to system reports. We additionally tested key system reports to validate that pool assets were completely and accurately identified in source system to support the cash collections as presented in the Waterfalls working papers.
Risk of management override of controls in order to overstate the performance of the asset pool and mask breaches of trigger events The contractual terms of the structure include specific 'trigger events' which mandate actions by the various parties to the deal in the event that certain conditions are reached, typically relating to the performance of the securitised asset pool or payments made through the Waterfalls. The severity of breaches varies depending on the specific trigger event, but could result in accelerated repayment terms, or higher interest rates, and as such the impact on the financial statements can be pervasive and significant. Management are not incentivised via profit, as special purpose entities of this type are not profit-oriented, with profit contractually pre-determined. However as financial reporting and asset servicing are controlled by Lloyds Banking Group management, there is a risk that management by-pass controls for two reasons: • To conceal evidence that would show trigger events have occurred; and • To mask underperformance of the securitised asset pool which could result in a trigger event occurring by manually overriding system-driven asset flagging and cash flow balances. We have therefore focussed our audit procedures on risk assessment reviews to identify unusual trends, the calculation and monitoring of trigger events and the manual preparation of the Waterfalls.	We understood the design of the securitisation structure through inquiries with management and review of primary contractual documentation. We reviewed all investor reports and minutes of board meetings for the year to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation and calculation of the Waterfalls. We tested the design and operating effectiveness of management's monitoring of trigger events on a sample basis for breaches by reviewing governance documentation and minutes, and re-performing a sample of triggers. We tested the design and operating effectiveness of management's Waterfalls calculation and preparation control through: • Discussion with management and by review of waterfalls working papers for consistency with the base prospectus; and • Inspection of supporting documentation and recalculation of relevant data points for a sample of Waterfalls in the year. We performed substantive testing over this sample of Waterfalls to ensure no inappropriate manual adjustments were made in Waterfalls preparation, including agreeing cash balances and transactions to cash account records, and agreeing cash collections balances agreed to system reports.

How we tailored the audit scope

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

Materiality

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

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

Overall materiality	£40,920,880 (2016: £57,256,530).
How we determined it	1% of total assets.
Rationale for benchmark applied	The entity is a not-for-profit whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. As such total assets is considered an appropriate benchmark. Where total assets is used, if the company is a public interest entity, a rule of thumb of up to 1% can be applied. We have deemed this to be a public interest entity and have therefore applied 1% due to the fact the entity has listed debt.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £2,046,044 (2016: £2,862,827) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

REPORTING ON OTHER INFORMATION

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

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

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

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

Strategic Report and Directors' Report

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

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Lloyds Banking Group Audit Committee, we were appointed by the directors on 30 April 2010 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2009 to 31 December 2017. The audit of Lloyds Banking Group and its subsidiaries was tendered in 2014 and we were re-appointed with effect from 1 January 2016. There will be a mandatory rotation of Lloyds Banking Group for the 2021 audit.

Jessica Miller (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2018

PENARTH MASTER ISSUER PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Interest receivable and similar income	2	42,638	54,395
Interest payable and similar charges	3	(42,638)	(54,539)
Net interest income / (expense)		-	(144)
Fair value gain / (loss)	4	1,933	(396)
Income from group undertaking	5	11	12
Profit / (loss) before tax		1,944	(528)
Taxation	6	(2)	3
Profit / (loss) for the year and total comprehensive income / (expense)		1,942	(525)

The profit/(loss) shown above is derived from continuing operations. The Company operates a single business and all of the Company's activities are in the UK.

There was no income or expense recognised directly in equity in the current year or preceding year.

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

PENARTH MASTER ISSUER PLC
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Assets			
Loans to related company	7	4,072,939	5,471,947
Derivative assets	8	19,089	253,655
Cash and cash equivalents		60	51
Total assets		4,092,088	5,725,653
Equity and liabilities			
Debt securities in issue	9	4,092,108	5,727,615
Tax liability		2	2
Total liabilities		4,092,110	5,727,617
Share capital	10	13	13
Accumulated losses		(35)	(1,977)
Total equity		(22)	(1,964)
Total equity and liabilities		4,092,088	5,725,653

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

The financial statements on pages 16 to 40 were approved by the board of directors on 26 April 2018.

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Helena Whitaker
Intertrust Directors 1 Limited
as Director

PENARTH MASTER ISSUER PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2017	13	(1,977)	(1,964)
Profit for the year and total comprehensive income	-	1,942	1,942
Balance at 31 December 2017	13	(35)	(22)

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2016	13	(1,452)	(1,439)
Loss for the year and total comprehensive expense	-	(525)	(525)
Balance at 31 December 2016	13	(1,977)	(1,964)

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

PENARTH MASTER ISSUER PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £'000	2016 £'000
Operating activities		
Income received from related company	42,515	54,814
Interest paid to note holders	(42,504)	(54,945)
Tax paid	(2)	(5)
Net cash flows generated from / (used in) operating activities	9	(136)
Investing activities		
New principal issued as loan to related company	-	(351,148)
Principal receipts from loan to related company	1,399,141	150,000
Net cash flows generated from / (used in) investing activities	1,399,141	(201,148)
Financing activities		
New debt securities issued	-	351,148
Principal repayments on debt securities in issue	(1,399,141)	(150,000)
Net cash flows (used in) / generated from financing activities	(1,399,141)	201,148
Net increase / (decrease) in cash and cash equivalents		
Increase / (decrease) in cash and cash equivalents	9	(136)
Cash and cash equivalents at start of year	51	187
Cash and cash equivalents at end of year	60	51

The cash flow statement is presented using the direct method.

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is a public limited company domiciled and incorporated in England and Wales.

(a) Basis of preparation

The financial statements for the year ended 31 December 2017 have been prepared using the going concern basis and in accordance with IFRSs and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board of Directors and signed on its behalf by ID1 Limited. All accounting policies have been consistently applied in the financial statements.

There are no new or amended accounting standards that have required a change to accounting policies for the 2017 financial year.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 13.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006 as applicable to companies using IFRSs. The financial statements are presented in sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis (except that derivative financial instruments are stated at their fair value).

(b) Interest income and interest payable

Interest receivable and similar income and interest payable and similar charges have been calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses.

(c) Accrued interest

Accrued interest has been incorporated within the loans to related company and within the outstanding balance of debt securities in issue on the Balance Sheet. A split between principal and accrued interest can be found in note 7 and note 9 respectively.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Taxation

Current tax which is payable on taxable profits is recognised as an expense or credit in the period in which the profits or losses arise.

Tax on the profit or loss for the year is recognised in the Statement of Comprehensive Income within Taxation and comprises only current tax. No provision for deferred tax is required under IAS 12 "Income Taxes" as no timing differences have arisen which would result in deferred tax on assets and liabilities.

(e) Financial instruments

The Company's financial instruments comprise intercompany loans to Penarth Funding 1 Limited, Notes issued in the capital markets, derivatives ("swaps"), other receivables and payables and cash and liquid resources. The main purpose of these financial instruments is to raise finance for BOS and LBG. These financial instruments are classified in accordance with the principles of IAS 39 as described below.

(e)(i) Loans to related company

Loans to related company comprise intercompany loans to Penarth Funding 1 Limited, classified as "loans and receivables". The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method.

(e)(ii) Derivative financial instruments

Derivative financial instruments comprise foreign currency swaps held with external counterparties. All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the income statement.

The fair value of derivative contracts is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current exchange rates.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(e)(iii) Cash and cash equivalents

The Company holds a transaction bank account. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory balances with banks and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

(e)(iv) Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the intercompany loans to related company have become impaired.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger an impairment as long as they do not exceed the credit enhancement granted by the Originators. If there is objective evidence that an impairment loss has been incurred, an allowance account is established which is calculated as the difference between the balance sheet carrying value of the intercompany loan asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at that loan's original effective interest rate.

(e)(v) Debt securities in issue

Debt securities in issue are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(e)(vi) Foreign currency translation

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

(g) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

(g)(i) Effective interest rate method

In calculating the effective interest rate of financial instruments the Company takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

For the purpose of the effective yield calculation, it has been assumed, based on the payment experience to date, that the average expected life of the Notes issued by the Company will end at the scheduled redemption date (unless specified earlier in the Programme Documentation, in which case the earlier date will be used). This may not be the case in practice.

(g)(ii) Fair value calculations

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Fair value is based where available on quoted market prices and upon cash flow models which use, wherever possible, independently sourced market parameters such as interest rate yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Critical accounting estimates and judgements (continued)

(g)(iii) Impairment of intercompany loans

The Company's accounting policy for losses arising on the intercompany loans classified as loans and receivables is described in note 1(e)(iv). The allowance for impairment losses on loans and receivables is management's best estimate of losses incurred in the portfolio at the balance sheet date. Impairment allowances are established to recognise incurred impairment losses in the Company's loan portfolios carried at amortised cost. In determining whether impairment has occurred at the balance sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

At 31 December 2017, impairment allowances against the intercompany loans totalled £nil (2016: £nil).

(h) Dividends

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

(i) Income from group undertaking

Under the terms of the intercompany loan agreement with Penarth Funding 1 Limited, the Company has the right to receive a fee for the provision of the intercompany loans. This fee includes an amount equal to £100 per month, per loan note in issuance from available revenue receipts per month, subject to a maximum fee of £1,000 in any calendar month.

(j) Capital disclosures

The Company is not subject to externally imposed capital requirements in the current and prior year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

(k) Going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. Although the Company is in a net liabilities position as at 31 December 2017, this is driven by fair value volatility on derivative contracts. This fair value will reverse over the life of the derivative contracts to nil. For this reason the directors continue to adopt the going concern basis in preparing the financial statements as per the Directors Report.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Interest receivable from loans to related company	42,620	54,391
Bank interest receivable	18	4
	42,638	54,395

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Interest payable on debt securities in issue	42,638	54,539

4. FAIR VALUE LOSS

	2017 £'000	2016 £'000
Gain / (Loss) on retranslation of US$ loan notes to Sterling	236,499	(243,548)
Fair value movement on US$ currency swap	(234,566)	243,152
Fair value gain / (loss)	1,933	(396)

Movements have arisen on the fair value of currency swaps and the revaluation of loan notes into Sterling using exchange rates as at the Balance Sheet date.

5. INCOME FROM GROUP UNDERTAKING

	2017 £'000	2016 £'000
Fee from Penarth Funding 1 Limited	11	12

This fee is not included in determining the effective interest rate arising on the intercompany loans that are held at amortised cost.

The Company has no employees (2016: nil). The Corporate Services Provider fees are paid and borne by Penarth Funding 1 Limited.

There are no fees payable to the auditors and their associates for services other than the statutory audit. The audit fees for the Company are paid for by Penarth Funding 1 Limited. The fee for the current year was £12,000 (2016: £12,000).

6. TAX ON PROFIT / (LOSS)

	2017 £'000	2016 £'000
a) Analysis of charge / (credit) for the year		
UK corporation tax		
- Current tax on taxable profit for the year	2	2
- Adjustments in respect of prior years	-	(5)
Current tax charge / (credit) for the year	2	(3)

Corporation tax is calculated at a rate of 19.25% (2016: 20.00%) of the taxable profit for the year.

6. TAX ON PROFIT / (LOSS) (CONTINUED)

b) Factors affecting the tax credit for the year

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

	2017 £'000	2016 £'000
Profit / (Loss) before tax	1,944	(528)
Profit / (Loss) before tax thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	374	(106)
Factors affecting charge:		
Non-taxable items	(372)	108
Adjustments in respect of prior years	-	(5)
Total tax charge / (credit) in the Statement of comprehensive income	2	(3)

The effective tax rate for the year is 0.1% (2016: 0.6%).

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

The Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

7. LOANS TO RELATED COMPANY

	2017 £'000	2016 £'000
Non-current - amounts due after one year		
Principal	3,720,000	2,771,148
Current - amounts due within one year		
Principal	351,147	2,699,141
Interest	1,792	1,658
	4,072,939	5,471,947

7. LOANS TO RELATED COMPANY (CONTINUED)

The intercompany loans to Penarth Funding 1 Limited are all denominated in Sterling and are at variable rates of interest, based on LIBOR for one month Sterling deposits. Such loans have ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Group.

Penarth Funding 1 Limited's ability to pay amounts due on the intercompany loans will depend mainly upon it receiving sufficient revenue receipts and principal from the credit card portfolio and amounts available in any applicable reserve funds. In the case of a shortfall, holders of the Notes may, subject to what other sources of funds are available to the Company, receive less than the full interest and/or principal than would otherwise be due on the Notes. The repayment of the intercompany loans will coincide with the repayment of the Notes.

8. DERIVATIVE ASSETS

The principal derivatives used by the Company are exchange rate contracts (foreign currency swaps).

Currency swaps generally involve the exchange of interest payment obligations denominated in different currencies.

The principal amount of the contract does not represent the Company's real exposure to credit risk which is limited to the current cost of replacing contracts with a positive value to the Company should the counterparty default. To reduce credit risk the Company only deals with highly rated counterparties and uses credit enhancement techniques such as collateralisation, where security is provided against the exposure. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate (see note 4).

The notional principal amount and fair value of instruments entered into was:

Exchange rate contracts:	**2017** **£'000**	**2016** **£'000**
Notional principal amount	351,148	1,250,289
Fair value		
Assets	19,089	253,655

9. DEBT SECURITIES IN ISSUE

	2017 £'000	2016 £'000
Non-current - amounts due after one year		
Principal		
GBP – priced against 1 month GBP LIBOR Weighted average margin +0.67% (2016: +0.63%)	3,720,000	2,420,000
USD – priced against 1 month USD LIBOR Weighted average margin +0.55% (2016: +0.45%)	-	407,027
	3,720,000	2,827,027
Current - amounts due within one year		
Principal		
GBP – priced against 1 month GBP LIBOR Weighted average margin +0.67% (2016: +0.63%)	-	1,800,000
USD – priced against 1 month USD LIBOR Weighted average margin +0.55% (2016: +0.45%)	370,316	1,098,930
	370,316	2,898,930
Interest		
Interest payable on debt securities	1,792	1,658
	4,092,108	5,727,615

Debt securities in issue at 31 December 2017 comprise the floating rate Notes issued by the Company in connection with the securitisation of credit cards originated within BOS and Lloyds and are shown net of exchange rate adjustments. For more information about the Company's exposure to risk, see note 11. There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the current or prior year.

10. SHARE CAPITAL

	2017 £	2016 £
Authorised		
50,000 (2016: 50,000) Ordinary shares of £1 each	50,000	50,000
Allotted and paid up		
Issued Share capital comprises:		
2 (2016: 2) ordinary shares of £1 each (fully paid)	2	2
49,998 (2016: 49,998) ordinary shares of £1 each (one quarter paid)	12,500	12,500
	12,502	12,502

11. MANAGEMENT OF RISK

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. However, considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks and therefore there is minimal sensitivity to risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The directors do not consider there to be a capital management risk as adequate solvency and capital levels are maintained.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction. In addition, derivative contracts are entered into as part of the securitisation transaction to hedge all currency risk arising in the transaction including the obligations under the Notes.

The derivative counterparties are selected as highly rated, regulated financial institutions and this reduces the risk of default and loss for the Company. Additional protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

11(a) Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company. The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with Penarth Funding 1 Limited. The primary credit risk of the Company therefore relates to the default on the intercompany loan with Penarth Funding 1 Limited. The primary credit risk of Penarth Funding 1 Limited relates to the credit risk associated with the securitised pool of credit cards originated within BOS and Lloyds.

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The likelihood of defaults in the credit card pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in that of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the credit card pool.

To mitigate this risk, credit enhancement is provided to the transaction within Penarth Funding 1 Limited in the form of excess spread and subordinated loan notes. Penarth Funding 1 Limited's share of the income on the credit card pool is expected to exceed the interest payable on the loan from the Company, related expenses and charge offs. This excess income (excess spread) is available to make good any reduction in the principal balance of the credit card pool as a result of defaults by customers. An example of this excess spread calculated by reference to KPIs (Yield, Losses) and other measures is shown below along with monthly payment rate KPI and relevant definitions:

	% for Dec 2017	% for Dec 2016
Yield (defined as the gross yield rate)	12.93	19.33
Losses (defined as the charge off rate)	(1.84)	(1.99)
Expenses (defined as the expense rate)	(2.16)	(1.83)
Excess spread (defined as the excess available funds rate)	8.93	15.51
Monthly payment rate	21.52	22.35

Definition	Numerator	Denominator
Gross yield rate	Interest, fees, insurance, post charge off recoveries, interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance
Charge off rate	Principal balances charged off during the month (recoveries excluded)	Beginning of period principal receivables balance
Expense rate	Interest on notes, servicing fee paid by investor, other sundry structural costs	Investor share of principal receivables
Excess available funds rate	Yield rate less charge off rate less expense rate	
Monthly payment rate	All customer payments received (principal and revenue), interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance

The Company has a concentration of risk in the Originators. The underlying credit card assets of the securitisation are all in the UK market. The nature of the credit card portfolio means that there is no significant counterparty credit risk in relation to the underlying credit card pool.

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

In the event that a swap counterparty is downgraded by a rating agency below the rating(s) specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with sufficient rating, or taking such other action as it may agree with the relevant rating agency.

	Counterparty	**Long Term Rating as at 31 Dec 2017** (Moody's / S&P/ Fitch)	**Long Term Rating as at date of approval of financial statements** (Moody's / S&P/ Fitch)
Bank account provider	Bank of Scotland plc	Aa3/A/A+	Aa3/A/A+
Currency swap provider	Wells Fargo Bank, NA	Aa2/AA-/AA-	Aa2 /AA-/AA-

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

	2017 £'000	2016 £'000
Assets held at amortised cost		
Loans to related company	4,072,939	5,471,947
Cash and cash equivalents	60	51
Assets held at fair value		
Derivative assets	19,089	253,655
	4,092,088	5,725,653

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The Company meets its obligation on the Notes issued from the cash flows it receives from Penarth Funding 1 Limited. These represent the only recourse for the Company. As a consequence, the credit quality of the credit card receivables indicates the capacity of the Company to service its payments, although the credit cards remain on the balance sheets of BOS and Lloyds and the structure of the securitisation provides for other credit enhancements.

Securitised credit card assets

Securitised credit card receivables can be analysed according to the rating systems used by the Company and Originators when assessing customers and counterparties. The total credit card trust portfolio balance against which intercompany loans are ultimately secured has been analysed below. This balance has also been used in part as security against other issuances made by the Group.

For the purposes of the Company's disclosures regarding credit quality, securitised credit card receivables subject to credit risk have been analysed as follows:

	2017 £'000	2016 £'000
Neither past due nor impaired	7,560,648	7,469,389
Past due but not impaired	97,307	92,621
Impaired	1,286,233	1,338,049
	8,944,188	8,900,059

Securitised credit card receivables which are past due but not impaired, as disclosed in the monthly 'Public' Investor Report available on www.lloydsbankinggroup.com, are shown below:

	2017 £'000	2016 £'000
1-30 days	74,166	69,062
31-60 days	23,141	23,559
	97,307	92,621

A financial asset is 'past due' if a counterparty has failed to make a payment when contractually due. Impaired loans are those which are two months or more in arrears (or certain cases where the borrower is bankrupt or is in possession).

The number and value of credit card receivables currently in arrears will have a bearing on the receipt of cash by the Company. As at 31 December 2017 17,245 accounts were in arrears by two or more months which represented 0.56% of the credit card pool (2016: 19,308 accounts, 0.63%).

11. MANAGEMENT OF RISK (CONTINUED)

11(b) Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to the relevant currency's London Interbank Offered Rate (LIBOR), and circa 90% of assets are linked to base rate.

11(c) Foreign currency risk

The Company's assets are denominated in sterling. However, during the year, the Company had Notes denominated in Sterling and also US Dollars on a floating rate basis. It is therefore exposed to currency risk as the value of the Notes will fluctuate due to changes in foreign currency exchange rates and in US LIBOR rates.

The Company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Currency Notes.

The effect of currency movements has no bearing on the results of the Company due to the use of the swaps, however, the Company is exposed to a small amount of volatility on the margin on the cross currency swap which is shown below. This is a fair value adjustment which will reverse over the life of the swap to nil. All interest received on the intercompany loans is paid to the paying agent and the swap provider covers any movement on exchange rates to the Note holders.

11. MANAGEMENT OF RISK (CONTINUED)

11(c) Foreign currency risk (continued)

The Company's elimination of foreign currency risk is as follows:

2017	US Dollar £'000	Sterling £'000	Total £'000
Debt securities in issue	351,148	3,720,000	4,071,148
Derivatives			
Net fair value of cross currency contracts	19,089	-	19,089
Notional cross currency at contracted rate	(19,168)	-	(19,168)
Cumulative mark to market volatility	(79)	-	(79)

2016	US Dollar £'000	Sterling £'000	Total £'000
Debt securities in issue	1,250,289	4,220,000	5,470,289
Derivatives			
Net fair value of cross currency contracts	253,655	-	253,655
Notional cross currency at contracted rate	(255,667)	-	(255,667)
Cumulative mark to market volatility	(2,012)	-	(2,012)
Mark to market volatility 2017	1,933	-	1,933

11. MANAGEMENT OF RISK (CONTINUED)

11(d) Liquidity risk

The Company's ability to meet payments on the Notes as they fall due is dependent on the timely receipt of funds under the intercompany loan agreement with Penarth Funding 1 Limited which may be delayed due to the level of repayment on the underlying credit card portfolio. If insufficient funds are received by Penarth Funding 1 Limited to repay the intercompany loans, then the Notes may not be paid in full and a part of the Notes may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds are available in accordance with the relevant priority of payments as set out in the Programme Documentation. Variations in the rate of prepayment of principal on the loans may affect each series and class of Notes differently.

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the step-up date as defined in the Programme Documentation (unless it is known that a Note will be repaid prior to this date when the earlier date will be used). The step-up date is the earliest date on which the Company could be required to repay the liability and commercially the most likely.

It is anticipated that the interest and principal received on the intercompany loans will be sufficient to allow repayment of the Notes by the step-up date and thereby avoid the increase in the interest rate margin payable on the Notes.

2017	Carrying Value	Contractual repayment value	<1 Month	1-3 Months	3 Months – 1 Year	1-5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Principal						
Notes in issue	4,090,316	4,071,148	-	351,148	-	3,720,000
Interest payable						
Interest payable on Notes in issue	1,792	177,138	3,696	7,548	33,488	132,406
	4,092,108	4,248,286	3,696	358,696	33,488	3,852,406

2016	Carrying Value	Contractual repayment value	<1 Month	1-3 Months	3 Months – 1 Year	1-5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Principal						
Notes in issue	5,725,957	5,470,289	-	506,141	2,193,000	2,771,148
Interest payable						
Interest payable on Notes in issue	1,658	108,334	3,553	7,071	26,578	71,132
	5,727,615	5,578,623	3,553	513,212	2,219,578	2,842,280

11. MANAGEMENT OF RISK (CONTINUED)

11(e) Fair values

(i) Definition of fair value levels

Per IFRS 13 "Fair Value Measurement" the different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(ii) Financial instruments held at amortised cost

Loans to related company

Loans to related company are recognised on an amortised cost basis. The fair value of these variable rate loans is considered to be a close approximation to fair value due to their short term nature. The loans to related company are all denominated in Sterling and are at variable rates of interest, based on LIBOR for three-month Sterling deposits. These loans have ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Group.

Debt securities in issue

The fair value as at 31 December 2017 was £4,040,730,000 (2016: £5,691,069,000).

The Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions. However, notes held within LBG cannot be valued in this way using observable inputs. For this reason, in accordance with IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair Value Measurement", the debt securities in issue are considered to be Level 3 in the Fair Value Hierarchy.

(iii) Derivatives

The Company has currency swaps in place to hedge the future liability to make payments in USD of principal and interest on the USD denominated loan notes in issue (principal value of $500,000,000, hedged at £351,148,000).

The swaps which have been purchased to hedge currency risks arising on the Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions, and by using valuation techniques including discounted cash flow and options pricing models. The valuation method is consistent with commonly used market techniques. For this reason, in accordance with IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair Value Measurement", the derivatives are considered to be Level 2 in the Fair Value Hierarchy. The change in fair value that has been calculated using this valuation technique has been recognised in the statement of comprehensive income for the year ended 31 December 2017.

The fair value of the swaps is expected to unwind to £nil over the life of the Notes and is recorded in the balance sheet as an asset of £19,089,000 (2016: £253,655,000).

12. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties as part of the Company's normal business.

The related parties are BOS, LBG, Lloyds and Intertrust Corporate Services Limited by virtue of their various roles and inputs into securitisation arrangements to which the Company is a party.

BOS provides cash management services defined under the Programme Documentation. Fees for these services are paid on behalf of the Company by Penarth Funding 1 Limited, a company which is part of the Penarth Asset Securitisation Holdings Limited Group, which amounted to £45,132,000 in the year (2016: £53,405,000).

Intertrust Management Limited provides corporate services pursuant to a corporate services agreement with the Company and was paid £12,675 for services provided in the year (2016: £21,966). These fees are paid on behalf of the Company by Penarth Funding 1 Limited.

During the year, the Company undertook the following transactions with BOS (the "Parent") and other related parties within LBG:

	Parent	**Other related parties**	**Parent**	**Other related parties**
At 31 December or for the year then ended	**2017**	**2017**	**2016**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable and similar income				
Interest on loans to related company	-	42,620	-	54,391
Bank Interest	18	-	4	-
Interest payable and similar charges				
Interest payable on Notes held by LBG and subsidiary undertakings	-	26,013	-	29,452
Income from Group undertaking	-	11	-	12
Assets				
Loans to related company	-	4,071,147	-	5,470,289
Interest receivable on loans to related company	-	1,792	-	1,658
Cash and cash equivalents	60	-	51	-
Liabilities				
Notes held by LBG and subsidiary undertakings	-	2,520,000	-	2,520,000
Interest payable on Notes held by LBG and subsidiary undertakings	-	1,195	-	903

The key management personnel during the year were the directors, as set out in the Directors' Report.

13. FUTURE ACCOUNTING PRONOUNCEMENTS

The following pronouncements are not applicable for the year ending 31 December 2017 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company.

With the exception of certain minor amendments to other accounting standards mentioned below, as at 26 April 2018 these pronouncements have been endorsed by the EU.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The Company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods.

Classification and measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Impairment

IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

The Company has conducted an analysis of these changes and does not consider there to be any significant impact of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for annual periods beginning on or after 1 January 2018. The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The Company's current accounting policy is materially consistent with the requirements of IFRS 15 and, accordingly, no transition adjustments are required.

13. FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2018 (including IFRS 2 Share-based Payment and IAS 40 Investment Property) and effective 1 January 2019 (including IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Company.

14. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of Penarth Asset Securitisation Holdings Limited, a company registered in England and Wales. The shares of Penarth Asset Securitisation Holdings Limited are held by Intertrust Corporate Services Limited, who holds the share capital on a discretionary trust basis for the benefit of certain charities.

The immediate parent undertaking is Penarth Asset Securitisation Holdings Limited. The ultimate controlling party is LBG a public limited company incorporated in the United Kingdom. LBG is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2017. BOS is the parent undertaking of the smallest of such group of undertakings. The consolidated financial statements of BOS and LBG are available from Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

APPENDIX B
FINANCIAL STATEMENTS OF LOAN NOTE ISSUER NO. 1

Registered Number : 101459

PENARTH FUNDING 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

PENARTH FUNDING 1 LIMITED
DIRECTORS AND COMPANY INFORMATION

DIRECTORS

Jeremy Richard Hugh Bradley
Intertrust Directors (Jersey) Limited
Intertrust Directors 2 (Jersey) Limited

COMPANY SECRETARY

Intertrust Offshore Limited

REGISTERED OFFICE

44 Esplanade
St Helier
Jersey
JE4 9WG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

PENARTH FUNDING 1 LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic Report and audited financial statements for Penarth Funding 1 Limited (the "Company") for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is to acquire an interest in a portfolio of credit card receivables and to enter into financial arrangements with its related parties. No future changes in activity are envisaged.

The activities of the Company and the Penarth Asset Securitisation Holdings Limited Group (see below) are conducted primarily by reference to a series of securitisation transaction documents (the "Programme Documentation"). The securitisation structure (the "Penarth Transaction") has been established as a means of raising finance for Bank of Scotland plc ("BOS") and subsequently Lloyds Banking Group plc ("LBG"). The Programme Documentation sets out the workings of the Penarth Transaction and the principal risks to the holders of the asset backed loan notes (the "Notes") issued by Penarth Master Issuer plc. As such, these have not been reproduced in full in the financial statements.

The Company invests in the beneficial interests of the assets (the "Trust") held by Penarth Receivables Trustee Limited. These assets comprise credit card receivables originated by BOS and Lloyds Bank plc ("Lloyds"). The Company receives a share of income from the Trust in proportion to its share of the credit card assets of the Trust.

As at 31 December 2017 the Penarth Asset Securitisation Holdings Limited Group (the "Group") comprised Penarth Master Issuer plc, Penarth Asset Securitisation Holdings Limited, Penarth Funding 2 Limited, Penarth Receivables Trustee Limited and the Company.

Business Review

The results for the year are set out on page 11. The profit for the year and total comprehensive income amounted to £1,000 (2016: £1,000). The directors do not recommend the payment of a dividend (2016: £nil).

Profits on a cash flow basis are pre-determined by the Programme Documentation. Under the terms of the Penarth Transaction the Company retains the right to a profit before tax of up to £1,000 from available revenue receipts from the beneficial interest in the Trust. Cash flows in excess of this accrue to BOS. BOS and Lloyds are the originators of the underlying credit card receivables (the "Originators"). BOS (the "Originator") holds the servicing relationship on behalf of the Originators, having purchased designated credit card receivables from Lloyds.

During the year, the Penarth Master Issuer plc repaid $750,000,000 (hedged at £506,141,180) of the Series 2015-1 A1, £393,000,000 of the Series 2015-2 A1 and £500,000,000 of the Series 2014-2 A1 notes on the respective scheduled redemption dates; the deemed loan to originator and the loans payable to Penarth Master Issuer plc were decreased by the same value. On 31 July 2017, Penarth Master Issuer plc extended the scheduled redemption date of Series 2013-1 A2 from 18 November 2017 to 18 October 2021. No loan notes were issued during 2017.

Additions of further receivables to the Trust have been made during the year in line with Programme Documentation in order to support current and future issuance plans.

Since the year end, Penarth Master Issuer plc has made loan note repayments of $500,000,000 (hedged at £351,148,254) and loan note issuances of $300,000,000 (hedged at £215,594,682) and £300,000,000; the deemed loan to originator and the loans payable to Penarth Master Issuer plc were decreased/increased by the same values.

Key performance indicators (KPIs)

A defined set of KPIs for the Penarth Transaction are set out in the Programme Documentation and published as a monthly Investor Report. An extract of these is shown in note 8(a).

KPIs include the yield on the Trust available as the first line of credit enhancement to the Notes, the losses that have occurred and the level of arrears in the underlying credit card receivables, the rate of repayment of the loans within the Trust and an analysis of the characteristics of the underlying credit card receivables in the Trust.

The KPI used by management in assessing the performance of the Company is the monitoring of actual cash flows against planned cash flows.

At the time of issue each series and class of the Notes in issue and attached to an intercompany loan is assigned a credit rating which reflects the likelihood of full and timely payment to the holders of the Notes of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if the Trust's circumstances change.

Any change in the credit rating assigned to a Note would be used as an indicator as to the performance of the intercompany loan attached to that Note and therefore the Company. No downgrade in credit ratings has been applied to the Notes in the year presented and subsequently up to the date of approval of these financial statements.

The Company has made all necessary payments on the intercompany loans in accordance with the scheduled repayment dates for the years ended 31 December 2017 and 31 December 2016.

Taxation

The Company's tax charge is based on the Jersey tax regime. The Company is subject to zero per cent standard income tax.

Risk management

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise a deemed loan to originator in which the Company has a beneficial interest, cash and liquid resources, loans from Penarth Master Issuer plc and various other receivables and payables.

The principal risks and uncertainties for the Company arise from the Company's financial instruments. These are credit risk, liquidity risk and interest rate risk. These and other risks (operational and business) which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company in relation to its financial instruments and the Company's financial risk management policies is provided in note 8.

Risk management (continued)

Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company.

The ability of the Company to meet its obligations to make principal and interest payments on the intercompany loan from Penarth Master Issuer plc and to meet its operating and administrative expenses, is dependent on funds being received on the underlying credit card receivables by the borrowers. The primary credit risk of the Company therefore relates to the credit risk associated with the securitised pool of credit cards originated within BOS and Lloyds.

In terms of arrears management, the Company has engaged BOS as servicer (the "Servicer") of the receivables in the portfolio to help reduce the risk of loss. The Servicer is required to monitor repayments on the receivables in accordance with its usual credit policies and for ensuring credit card receivables in the Trust meet the eligibility criteria set out in the Programme Documentation. The intercompany loans from Penarth Master Issuer plc are ultimately secured against a beneficial interest in a credit card portfolio held in trust.

The likelihood of defaults in the credit card pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or that of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the credit card pool.

To mitigate this risk, credit enhancement is provided to the Company in the form of excess revenue receipts ("Excess Spread") and a series of subordinated loan notes that are held internally within the Penarth Transaction. The Company has made all necessary payments on the intercompany loans in accordance with the scheduled repayment dates for the year ended 31 December 2017.

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the intercompany loans and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the credit card receivables which underlay the deemed loan to the Originator. To the extent that the income on the deemed loan does not provide sufficient funds to recover the Company's investment in the credit card portfolio, the Company has no claim on the assets of the Originator.

The Company will seek to accumulate funds from its share of the Trust over a specified period as set out in the Programme Documentation in order to repay the intercompany loans to Penarth Master Issuer plc in accordance with the expected maturity dates. If sufficient revenue funds are unavailable, the interest is capitalised.

If insufficient funds are received by the Company to repay the intercompany loans, these loans may not be paid in full and a part may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds are available in accordance with the relevant priority of payments as set out in the Programme Documentation.

All amounts were paid during the financial year.

Risk management (continued)

Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the Notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth Transaction, the interest rates on the Notes are linked to the relevant currency's London Interbank Offered Rate (LIBOR), and all assets are at floating rate being credit card receivables. No interest rate swap has been applied to mitigate the mismatch in profiles as management are able to re-price the assets at their discretion and hence mitigate the interest rate risk arising.

Operational risk

The Company is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Programme Documentation. Intertrust Offshore Limited has been appointed to provide corporate services in accordance with a corporate services agreement. The Company is bound by each intercompany agreement to make payments to meet the third party expenses of the Group. Lloyds has been appointed to act as account bank and cash manager on behalf of the Company.

Business risks

The principal business risks of the programme are set out in a number of asset and non-asset trigger events in the Programme Documentation (Non-asset triggers include: minimum seller share below that required, insolvency of the seller (BOS), termination of the Servicer not replaced within 60 days and minimum size trust breached). The occurrence of trigger events may lead to a different priority of payments of the Notes in accordance with established priorities. There have been no such trigger events since inception of the Penarth Transaction.

By order of the board

....

Intertrust Offshore Limited
Company Secretary

Registered Office
44 Esplanade
St Helier
Jersey
JE4 9WG

DATE: 26 April 2018

PENARTH FUNDING 1 LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2017.

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Jersey law and IFRSs, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 (Jersey) Law, 1991 as amended ("Law"). 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.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors and directors' interests

The directors who served during the year and/or up to the date of signing the financial statements are shown on page 1.

Jeremy Richard Hugh Bradley is also director of Penarth Asset Securitisation Holdings Limited, Penarth Receivables Trustee Limited, Penarth Funding 2 Limited and Penarth Master Issuer plc. Intertrust Directors (Jersey) Limited and Intertrust Directors 2 (Jersey) Limited are also directors of Penarth Receivables Trustee Limited and Penarth Funding 2 Limited.

During the year under review, the directors did not receive any remuneration or emoluments from the Company in respect of qualifying services provided to the Company (2016: £nil).

Disclosure of information to auditors

In accordance with the Law, in the case of each director in office at the date the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of Jeremy Richard Hugh Bradley, Intertrust Directors (Jersey) Limited and Intertrust Directors 2 (Jersey) Limited. Enhanced indemnities are provided to the directors by Intertrust Offshore Limited against liabilities and associated costs which they could incur in the course of their duties to the Company. These indemnity provisions remain in force at the date of this report.

Employees

The Company did not have any employees during the year (2016: none).

Corporate Governance

The directors have been charged with governance in accordance with the programme documentation describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

Statement of going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements on pages 15 to 30 were approved by the Board of Directors on 26 April 2018 and signed on its behalf by:

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Intertrust Offshore Limited
Company Secretary

Registered Office
44 Esplanade
St Helier
Jersey
JE4 9WG

DATE: 26 April 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Penarth Funding 1 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31st December 2017; the Statement of comprehensive income, the Cash flow statement, and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- proper 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.

We have no exceptions to report arising from this responsibility.

Jessica Miller

Jessica Miller
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
26 April 2018

PENARTH FUNDING 1 LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Interest receivable and similar income	2	45,381	57,840
Interest payable and similar charges	3	(44,745)	(57,454)
Net interest income		636	386
Operating expenses	4	(635)	(385)
Profit before tax		1	1
Taxation		-	-
Profit for the year and total comprehensive income		1	1

The profit shown above is derived from continuing operations. The Company operates as a single business and all of the Company's activities are in Jersey.

There was no income or expense recognised directly in equity in the current year or preceding year.

The accompanying notes on pages 15 to 30 are an integral part of the financial statements.

PENARTH FUNDING 1 LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Assets			
Deemed loan to originator	5	4,062,585	5,447,014
Cash and cash equivalents		8,308	20,761
Total assets		4,070,893	5,467,775
Equity and liabilities			
Loans from related company	6	4,070,883	5,467,766
Total liabilities		4,070,883	5,467,766
Share capital	7	-	-
Retained earnings		10	9
Total equity		10	9
Total equity and liabilities		4,073,893	5,467,775

The accompanying notes on pages 15 to 30 are an integral part of the financial statements.

The directors approved the financial statements on 26 April 2018.

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Intertrust Directors (Jersey) Limited
Director

PENARTH FUNDING 1 LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	-	9	9
Profit for the year and total comprehensive income	-	1	1
Balance at 31 December 2017	-	10	10

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	-	8	8
Profit for the year and total comprehensive income	-	1	1
Balance at 31 December 2016	-	9	9

The accompanying notes on pages 15 to 30 are an integral part of the financial statements.

PENARTH FUNDING 1 LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £'000	2016 £'000
Operating activities		
Interest received on Deemed loan to originator	91,269	77,034
Bank Interest received	174	123
Operating expenses paid	(638)	(368)
Payment to related companies	(42,527)	(54,969)
Net cash generated from operating activities	48,278	21,820
Investing activities		
Payments to group company related to setting up of reserves for future repayments	(60,731)	(3,375)
Receipts from originator	1,399,141	150,000
Payments to originator to increase share in securitised assets	-	(351,148)
Net cash generated from / (used in) investing activities	1,338,410	(204,523)
Financing activities		
Increase in loans from related companies	-	351,148
Repayment of loans from related companies	(1,399,141)	(150,000)
Issue costs	-	(1,159)
Net cash (used in) / generated from financing activities	(1,399,141)	199,989
Net (decrease) / increase in cash and cash equivalents		
(Decrease) / increase in cash and cash equivalents	(12,453)	17,286
Cash and cash equivalents at start of year	20,761	3,475
Cash and cash equivalents at end of year	8,308	20,761

The cash flow statement is presented using the direct method.

The accompanying notes on pages 15 to 30 are an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Penarth Funding 1 Limited is a limited company incorporated and domiciled in Jersey.

(a) Basis of preparation

The financial statements for the year ended 31 December 2017 have been prepared in accordance with IFRSs and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union and with Companies (Jersey) Law 1991. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements were approved by the Board of Directors and signed on its behalf by Intertrust Offshore Limited.

The financial statements have been prepared using the going concern basis. Accounting policies are prepared in accordance with Companies (Jersey) Law 1991 requirements and have been applied consistently. The directors have reviewed the expected future cash flows and believe they are adequate to meet the anticipated payments due in accordance with the Programme Documentation.

There are no new or amended accounting standards that have required a change to accounting policies for the 2017 financial year.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 10.

The financial statements are presented in Sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis and on a going concern basis.

(b) Interest receivable and payable

Interest receivable and similar income and interest payable and similar charges have been calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses.

(c) Accrued interest

Accrued interest has been incorporated within the deemed loan to originator and within the outstanding balance of the loan from related company on the balance sheet. A split between principal on the loans and accrued interest can be found in note 6.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Taxation

Current tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

The Company's tax charge is based on the Jersey tax regime. The Company is subject to zero per cent standard income tax.

(e) Financial instruments

The Company's financial instruments comprise a deemed loan to originator, cash and liquid resources, loans from related company and other receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for BOS. These financial instruments are classified in accordance with the principles of IAS 39 as described below.

(e)(i) Deemed loan to originator

Under IFRSs, as adopted by the European Union, 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 is a sale transaction from a legal perspective. The directors of the Company have concluded that the Originators have retained substantially all the risks and rewards of the pool of credit card receivables and as a consequence, the Company does not recognise the credit card receivables on its balance sheet but rather a deemed loan to originator, where recourse to the Originator is limited to the cash flows from the credit card receivables and any additional credit enhancement provided by the Originator.

The initial amount of the deemed loan to originator corresponds to the consideration paid by the Company for the credit card receivables less the subordinated loan granted by BOS. The Company recognises principal and interest cash flows from the underlying pool of credit card receivables only to the extent that it is entitled to retain such cash flows. Cash flows attributable to the Originator are not recognised by the Company.

The deemed loan to originator is classified within loans and receivables and is stated at amortised cost. Where cash has been accumulated by the Company to fund the future repayment of its intercompany loans, the Company's share of the interest arising on the beneficial interest in the credit card portfolio is adjusted.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) (ii) Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the deemed loan to originator has become impaired.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger an impairment as long as they do not exceed the credit enhancement granted by the Originator.

If there is objective evidence that an impairment loss has been incurred, an allowance account is established which is calculated as the difference between the balance sheet carrying value of the deemed loan asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at that loan's original effective interest rate.

(e)(iii) Cash and cash equivalents

The Company holds deposits with the provider of a guaranteed investment contract bank account and a transaction bank account with the same provider. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory balances with central banks and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

These bank accounts are classified within loans and receivables in accordance with IAS 39 and income is being recorded using the effective interest method.

(e)(iv) Loans from related companies

The loans from related companies are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, these loans are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(f) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Critical Accounting Estimates and Judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

Effective Interest Rate Method

In calculating the effective interest rate of financial instruments the Company takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

For the purpose of the effective yield calculation, it has been assumed that the average expected life of the intercompany loans will follow the life of the Notes issued by Penarth Master Issuer plc and will end at the Scheduled Redemption Date (unless specified earlier in the Programme Documentation when the earlier date will be used), based on the payment experience to date. This may not be the case in practice.

Fair Value Calculations

All assets and liabilities are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

Impairment of deemed loan

The Company's accounting policy for losses arising on the deemed loan classified as loans and receivables is described in note 1(e)(ii). The allowance for impairment losses on loans and receivables is management's best estimate of losses incurred in the portfolio at the balance sheet date. Impairment allowances are established to recognise incurred impairment losses in the Company's loan portfolios carried at amortised cost. In determining whether impairment has occurred at the balance sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

At 31 December 2017, impairment allowances against the deemed loan totalled £nil (2016: £nil).

(h) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are paid. During the year a dividend of £nil was paid (2016: £nil).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Capital disclosures

The Company is not subject to externally imposed capital requirements in the current and prior year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Interest receivable on deemed loan	45,207	57,717
Bank interest receivable	174	123
	45,381	57,840

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Interest on loans from related companies	42,620	54,391
Amortisation of issue costs	2,125	3,063
	44,745	57,454

4. OPERATING EXPENSES

	2017 £'000	2016 £'000
Administration charges	635	385

The Company has no employees (2016: nil).

The audit fee for the Company in the current year is £12,000 (2016: £12,000). The audit fees for Penarth Master Issuer plc, Penarth Receivables Trustee Limited and Penarth Asset Securitisation Holdings Limited are borne by the Company. The total audit fee for the Group is £26,500 (2016: £26,500).

5. DEEMED LOAN TO ORIGINATOR

	2017 £'000	2016 £'000
Current - amounts due within one year		
Principal	4,060,793	5,445,356
Interest	1,792	1,658
TOTAL	4,062,585	5,447,014

The credit card portfolio, which is accounted for as a deemed loan to originator, is held on trust for the Company and the Originators of the credit card receivables by the Trust. Credit cards in the pool have to fulfil certain criteria listed in the Programme Documentation. If they fail to do so they are removed from the pool and the pool is replenished.

6. LOANS FROM RELATED COMPANY

	2017 £'000	2016 £'000
Non current - amounts due after one year		
Principal:		
Loans from related company	3,720,000	2,771,148
Deferred issue costs	(1,068)	(2,055)
Current - amounts due within one year		
Principal:		
Loans from related company	351,147	2,699,141
Deferred issue costs	(988)	(2,126)
Interest payable to related party	1,792	1,658
	4,070,883	5,467,766

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see note 8.

Interest and principal payable relate to the amounts due to Penarth Master Issuer plc under the intercompany loan agreements and are aligned to the proceeds of the Notes in issue.

Interest payable on the intercompany loan agreements is based on Sterling one month LIBOR plus a margin as set out in the Programme Documentation.

6. LOANS FROM RELATED COMPANY (CONTINUED)

The final repayment date of each intercompany loan will be the final maturity date of the corresponding class of the Notes. Payments are made in accordance with the prescribed timetable set out in the legal agreements.

There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the year or the previous year.

7. SHARE CAPITAL

	2017 £	2016 £
Authorised 10,000 (2016: 10,000) ordinary shares of £1 each	10,000	10,000
Allotted and fully paid up 2 (2016: 2) ordinary shares of £1 each	2	2

8. MANAGEMENT OF RISK

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and market risk. However, considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks and therefore there is minimal sensitivity to risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The directors do not consider a capital management risk to exist, as adequate solvency and capital levels are maintained.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the Penarth Transaction. The Company's activities and the role of each party to the Penarth Transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the Penarth Transaction, and as such is required by the rating agencies.

8(a) Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company.

The ability of the Company to meet its obligations to make principal and interest payments on the intercompany loan from Penarth Master Issuer plc and to meet its operating and administrative expenses, is dependent on funds being received on the deemed loan. The primary credit risk of the Company therefore relates to the credit risk associated with the securitised pool of credit cards originated within BOS and Lloyds. The likelihood of defaults in the credit card pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in the health of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the credit card pool.

8. MANAGEMENT OF RISK (CONTINUED)

8(a) Credit risk (continued)

To mitigate this risk, credit enhancement is provided to the transaction within the Company in the form of excess spread and subordinated loan notes. The Company's share of the income on the credit card pool is expected to exceed the interest payable on the intercompany loans from Penarth Master Issuer plc, related expenses and charge offs. This excess income in the form of the Excess Spread is available to make good any reduction in the principal balance of the credit card pool as a result of defaults by customers. An example of this excess spread calculated by reference to KPIs (Yield, Losses) and other measures is shown below along with monthly payment rate KPI and relevant definitions:

	% for Dec 2017	% for Dec 2016
Yield (defined as the gross yield rate)	12.93	19.33
Losses (defined as the charge off rate)	(1.84)	(1.99)
Expenses (defined as the expense rate)	(2.16)	(1.83)
Excess spread (defined as the excess available funds rate)	8.93	15.51
Monthly payment rate	21.52	22.35

Definition	Numerator	Denominator
Gross yield rate	Interest, fees, insurance, post charge off recoveries, interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance
Charge off rate	Principal balances charged off during the month (recoveries excluded)	Beginning of period principal receivables balance
Expense rate	Interest on notes, servicing fee paid by investor, other sundry structural costs	Investor share of principal receivables
Excess available funds rate	Yield rate less charge off rate less expense rate	
Monthly payment rate	All customer payments received (principal and revenue), interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance

The Company has a concentration of risk in the Originators. The underlying credit card assets of the Penarth Transaction are all in the UK market. The nature of the credit card portfolio means there is no significant counterparty credit risk in relation to the underlying credit card pool.

8. MANAGEMENT OF RISK (CONTINUED)

8(a) Credit risk (continued)

An impairment charge on the deemed loan will only be considered when all the Excess Spread available has been utilised to cover the credit card losses. Until that point, any specific credit card losses will be netted against the credit card interest from the Trust, with a corresponding adjustment to deferred consideration. Therefore, there is no effect on the overall yield on the deemed loan to originator. The directors consider that the Company's share of credit card receivables in the Trust will be sufficient to recover the full amount of this deemed loan.

To the extent that the income on the deemed loan does not provide sufficient funds to recover the Company's investment in the credit card portfolio, the Company has no claim on the assets of BOS and Lloyds.

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes and by association the intercompany loans, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached, including the posting of collateral or the replacement of a swap counterparty.

	Counterparty	Long Term Rating as at 31 Dec 2017 (Moody's/S&P/Fitch)	Long Term Rating as at date of approval of financial statements Moody's/S&P/Fitch)
Bank account provider	Lloyds Bank plc	Aa3 / A / A+	Aa3 / A / A+

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

	2017 £'000	2016 £'000
Assets held at amortised cost:		
Deemed loan to originator	4,062,585	5,447,014
Cash and cash equivalents	8,308	20,761
	4,070,893	5,467,775

8. MANAGEMENT OF RISK (CONTINUED)

8(a) Credit risk (continued)

The Company meets its obligation on the intercompany loan from Penarth Master Issuer plc. These represent the only recourse for the Company. As a consequence, the credit quality of the credit card receivables indicates the capacity of the Company to service its payments, although the credit cards remain on the balance sheet of BOS and Lloyds and the structure of the Penarth Transaction provides for other credit enhancements.

Securitised credit card assets

Securitised credit card receivables can be analysed according to the rating systems used by the Company and the Originators when assessing customers and counterparties. The full credit card trust portfolio balance against which the intercompany loans are ultimately secured has been analysed below.

For the purposes of the Company's disclosures regarding credit quality, securitised credit card receivables subject to credit risk have been analysed as follows:

	2017 £'000	2016 £'000
Neither past due nor impaired	7,560,648	7,469,389
Past due but not impaired	97,307	92,621
Impaired	1,286,233	1,338,049
	8,944,188	8,900,059

Securitised credit card receivables which are not impaired:

	2017 £'000	2016 £'000
1-30 days	74,166	69,062
31-60 days	23,141	23,559
	97,307	92,621

A financial asset is 'past due' if a counterparty has failed to make a payment when contractually due. Impaired receivables are those which are two months or more in arrears (or certain cases where the borrower is bankrupt or is in possession).

8. MANAGEMENT OF RISK (CONTINUED)

8(a) Credit risk (continued)

The number and value of receivables currently in arrears will have a bearing on the receipt of cash by the Company. Key indicators are as follows:

As at 31 December 2017 17,245 accounts were in arrears by two or more months which represented 0.56% of the credit card pool (2016: 19,308 accounts, 0.63%).

Cash relating to principal receipts on credit cards is held within the Company prior to the Note repayments. The amount of cash held for this purpose as at 31 December 2017 was £nil (2016: £nil).

8(b) Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the Notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth Transaction, the interest rates on the Notes are linked to the relevant currency's London Interbank Offered Rate (LIBOR), and all assets are at floating rate. No interest rate swap has been applied to mitigate the mismatch in profiles as LBG is able to re-price the assets at their discretion and hence mitigate the interest rate risk arising.

8(c) Liquidity risk

The Company's ability to meet payments on the intercompany loans and its other expenses as they fall due is dependent on the timely receipt of funds from the deemed loan to originator which may be delayed due to the level of repayment on the underlying credit card portfolio.

The Company will seek to accumulate funds from its share of the Trust over a specified period as set out in the Programme Documentation in order to repay the intercompany loans to Penarth Master Issuer plc in accordance with the expected maturity dates. If sufficient revenue funds are unavailable, the interest is capitalised.

If insufficient funds are received by the Company to repay the intercompany loans, these loans may not be paid in full and a part may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds are available in accordance with the relevant priority of payments as set out in the Programme Documentation.

Having met all necessary payments as prescribed in accordance with the priority of payments the Company returns any surplus cash flows to BOS and Lloyds.

8. MANAGEMENT OF RISK (CONTINUED)

8(c) Liquidity risk (continued)

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the scheduled redemption date as defined in the Programme Documentation (unless it is known that a Note will be repaid prior to this date and subsequently the intercompany loans when the earlier date will be used). The scheduled redemption date is the earliest date on which the Company could be required to repay the liability and commercially the most likely.

It is anticipated that the interest and principal received on the deemed loan will be sufficient to allow repayment of the intercompany loans by the scheduled redemption date and thereby avoid the increase in the interest rate margin payable on the intercompany loans.

2017	**Carrying Value**	**Contractual repayment value**	**<1 Month**	**1-3 Months**	**3 Months – 1 Year**	**1-5 Years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Principal						
Loans from related company	4,071,147	4,071,148	-	351,148	-	3,720,000
Interest payable						
Interest payable on Loans from related company	1,792	177,138	3,696	7,548	33,488	132,406
	4,072,939	4,248,286	3,696	358,696	33,488	3,852,406

2016	**Carrying Value**	**Contractual repayment value**	**<1 Month**	**1-3 Months**	**3 Months – 1 Year**	**1-5 Years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Principal						
Loans from related company	5,470,289	5,470,289	-	506,141	2,193,000	2,771,148
Interest payable						
Interest payable on Loans from related company	1,658	108,334	3,553	7,071	26,578	71,132
	5,471,947	5,578,623	3,553	513,212	2,219,578	2,842,280

8. MANAGEMENT OF RISK (CONTINUED)

8(d) Fair values

(i) Financial instruments held at amortised cost

Deemed loan to originator

The carrying value of the variable rate loans is assumed to be their fair value. The deemed loan to originator is denominated in Sterling and is at variable rates of interest, based on LIBOR for three-month Sterling deposits. Therefore these loans are considered to be a close approximation to fair value. This loan has ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Group.

(ii) Loan from related company

The carrying value of the variable rate loans is assumed to be their fair value. The fair value and amortised cost as at 31 December 2017 was £4,069,091,000 (2016: £5,471,947,000).

9. RELATED PARTY TRANSACTIONS

The Company is a structured entity with three directors. Two of the Company's three directors are wholly-owned subsidiaries of Intertrust Offshore Limited. The third director is an employee of LBG (the parent undertaking of BOS, the asset pool administrator). A number of transactions are entered into with related parties as part of the Company's normal business.

The related parties are BOS, LBG, Receivables Trustee, Intertrust Offshore Limited, Lloyds Bank plc, Penarth Master Issuer plc by virtue of their various roles and inputs into securitisation arrangements to which the Company is a party.

BOS provides cash management services defined under the Programme Documentation. Fees for these services are paid by the Company on behalf of Master Issuer plc, which amounted to £45,132,000 in the year (2016: £53,405,000).

The Company pays a corporate services fee to Intertrust Offshore Limited in connection with its provision of corporate administration services. The fees payable to Intertrust Offshore Limited for providing their corporate administration and director services amounted to £23,015 (2016: £10,562).

9. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, the Company undertook the following transactions with BOS (the "Parent") and other related parties within LBG:

	Parent	Other related parties	Parent	Other related parties
At 31 December or for the year then ended	**2017**	**2017**	**2016**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable and similar income				
Interest receivable on deemed loan	45,207	-	57,717	-
Bank interest receivable	-	174	-	123
Interest payable and similar charges				
Interest on loans from related companies	-	42,620	-	54,391
Assets				
Deemed loan to originator - principal	4,060,793	-	5,445,356	-
Deemed loan to originator - interest	1,792	-	1,658	-
Cash and cash equivalents	-	8,308	-	20,761
Liabilities				
Amounts owed to related companies	-	4,069,091	-	5,466,108
Interest payable to related companies	-	1,792	-	1,658

Intertrust Offshore Limited holds 2 fully paid £1 ordinary shares in the Company on a discretionary trust basis. These shares are the entire issued share capital of the Company.

10. FUTURE ACCOUNTING PRONOUNCEMENTS

The following pronouncements are not applicable for the year ending 31 December 2017 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company.

With the exception of certain minor amendments to other accounting standards mentioned below, as at 26 April 2018 these pronouncements have been endorsed by the EU.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The Company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods.

Classification and measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Impairment

IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

The Company has conducted an analysis of these changes and does not consider there to be any significant impact of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for annual periods beginning on or after 1 January 2018. The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The Company's current accounting policy is materially consistent with the requirements of IFRS 15 and, accordingly, no transition adjustments are required.

10. FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2018 (including IFRS 2 Share-based Payment and IAS 40 Investment Property) and effective 1 January 2019 (including IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Company.

11. PARENT UNDERTAKING AND CONTROLLING PARTY

The shares of the Company are held on a discretionary trust basis by Intertrust Offshore Limited.

The ultimate parent undertaking and controlling party is LBG, a public limited company incorporated in the United Kingdom. LBG is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2017. BOS was the parent undertaking of the smallest of such group of undertakings. The consolidated financial statements of LBG and BOS are available from Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

INDEX OF DEFINED TERMS

ISSUER

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35 Great St. Helen's
London EC3A 6AP
United Kingdom
(Tel: +44 (0)207 398 6300)

TRANSFEROR, TRANSFEROR BENEFICIARY, SERVICER AND CASH MANAGER

Bank of Scotland plc
The Mound
Edinburgh 1EH1 1YZ
United Kingdom

LOAN NOTE ISSUER NO.1

Penarth Funding 1 Limited
44 Esplanade
St. Helier
Jersey JE4 9WG

RECEIVABLES TRUSTEE

Penarth Receivables Trustee Limited
44 Esplanade
St. Helier
Jersey JE4 9WG

PRINCIPAL PAYING AGENT, CALCULATION AGENT AND AGENT BANK

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

SWAP COUNTERPARTY

Wells Fargo Securities International Limited
1 Plantation Place
30 Fenchurch Street
London EC3M 3BD
United Kingdom

NOTE TRUSTEE, SECURITY TRUSTEE, U.S. PAYING AGENT AND REGISTRAR

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