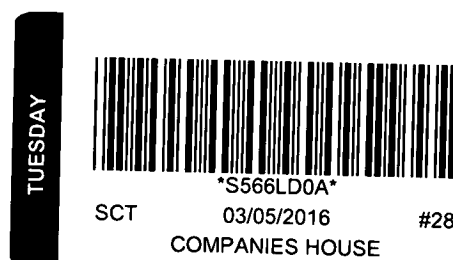


LLOYDS BANK INSURANCE SERVICES (DIRECT) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015



Member of Lloyds Banking Group plc

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COMPANY INFORMATION

Board of Directors

C J Thornton (Chairman)*

T D Shewry*

J Leiper*

* denotes executive director

Company Secretary

A D Yuille

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT
United Kingdom

Registered Office

25 Gresham Street
London
EC2V 7HN

Company Registration Number

02691627

STRATEGIC REPORT

The Directors present their Strategic Report on Lloyds Bank Insurance Services (Direct) Limited (the "Company") for the year ended 31 December 2015.

The Company forms part of the General Insurance business unit within the Lloyds Banking Group plc ("LBG") Insurance Division, focusing on providing insurance to meet our customers' needs.

Our strategy is to help our customers by:

- Being customer centric;
- Having a clear market focus; and
- Leveraging our unique LBG advantage.

As part of the LBG Insurance Division, the Company provided administration support to Lloyds Bank Insurance Services Limited but did not trade during 2015.

Result for the year

The company did not trade in the year.

Key performance indicators

The Company also forms part of LBG's Insurance Division. The development, performance and position of the Insurance Division are presented within LBG's annual report, which does not form part of this report.

Outlook

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy is subject to a number of risks. The financial risk management objectives and policies of the Company and the exposure to market, credit, financial soundness and operational risks are set out in note 5.

In addition, the Company is also exposed to financial reporting risk, in particular the risk of reputational damage, financial loss arising from the adoption of inappropriate accounting policies, ineffective controls over financial reporting and financial reporting fraud. The financial and risk management objectives and policies of the Company, in respect of financial reporting risk, are also set out in note 5.

On behalf of the Board of Directors



T D Shewry
Director
14 March 2016

DIRECTORS' REPORT**Principal activities**

Lloyds Bank Insurance Services (Direct) Limited is a company limited by shares, domiciled and incorporated in the United Kingdom. The Company's principal place of business is 1 Lovell Park Road, Leeds, LS1 1NS.

The principal activity of the Company was to provide administration services for Lloyds Bank Insurance Services Limited, the Company's immediate parent company.

Results and dividend

The Company did not trade in the year. Accordingly, no Statement of Comprehensive Income is presented within the financial statements. The financial position at 31 December 2015 is shown on the Balance Sheet on page 9. The Directors do not recommend payment of a dividend in respect of 2015 (2014: £nil).

Directors

The names of the current Directors are listed on page 3. Changes in directorships during the year and since the end of the year are as follows:

J Leiper	(Appointed 9 February 2015)
A M Parsons	(Resigned 17 March 2015)

Directors' indemnities

LBG has granted to the Directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office.

The deed indemnifies the Directors to the maximum extent permitted by law. The deed for existing Directors is available for inspection at the registered office of LBG. In addition, LBG has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Disclosure of information to auditors

In so far as each Director in office at the date the Directors' Report is approved is aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Modern Slavery

We welcome the Modern Slavery Act and will issue our first statement in 2017, setting out the steps we take to ensure that slavery and human trafficking is not taking part in any part of our business or its supply chain.

Political contributions

During the year, the Company made no political contributions (2014: £nil).

DIRECTORS' REPORT (continued)**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

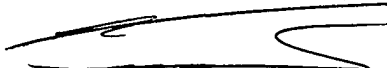
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors whose names are listed on page 3 confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Company; and
- the Strategic Report on page 4 and the Directors' Report on pages 5 and 6 include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors



T D Shewry
Director
14 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANK INSURANCE SERVICES (DIRECT) LIMITED**Report on the financial statements****Our opinion**

In our opinion, Lloyds Bank Insurance Services (Direct) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception**Adequacy of accounting records and information and explanations received**

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANK INSURANCE SERVICES (DIRECT) LIMITED (continued)**Responsibilities for the financial statements and the audit****Our responsibilities and those of the Directors**

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



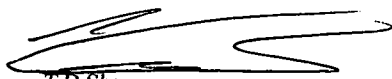
David Roper (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
14 March 2016

BALANCE SHEET AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
ASSETS			
Financial assets:			
Loans and receivables	3	69,802	69,802
Total assets		69,802	69,802
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity shareholder			
Share capital	4	2	2
Retained earnings		69,800	69,800
Total equity		69,802	69,802
Liabilities			
Current tax payable		-	-
Total liabilities		-	-
Total liabilities and equity		69,802	69,802

The notes on pages 11 to 15 form an integral part of these financial statements.

The financial statements on pages 9 to 15 were approved by the Board on 14 March 2016.



T D Shewry
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £	Retained earnings £	Total equity £
Balance as at 1 January 2014 and 31 December 2014	2	69,800	69,802
Balance as at 31 December 2015	2	69,800	69,802

The notes on pages 11 to 15 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies

The accounting policies adopted in the preparation of the financial statements, which have been consistently applied to all periods presented in these financial statements unless stated otherwise, are set out below.

(a) Basis of preparation

The financial statements of the Company have been prepared:

- (1) in accordance with the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the Standards and Interpretations ("SICs") and International Financial Reporting Interpretations ("IFRICs") issued by its International Financial Reporting Interpretations Committee, as endorsed by the European Union;
- (2) in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS; and
- (3) under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, as set out in the relevant accounting policies.

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

In accordance with IAS 1 "Presentation of Financial Statements", assets and liabilities in the Balance Sheet are presented in accordance with management's estimated order of liquidity. Analysis of the assets and liabilities of the Company into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

Standards and interpretations effective in 2015

There are no standards, amendments to or interpretations of published standards, which would be expected to have a material impact on the Company.

There are no standards and interpretations in issue which have not been adopted early that would be expected to have a material impact on the Company.

(b) Financial assets

The Company categorises all its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are classified as 'Financial assets: Loans and receivables' in the Balance Sheet. All loans and receivables are initially recognised at fair value and subsequently at amortised cost less any provision for impairment.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not designated as fair value through profit or loss at initial recognition.

Loans and receivables are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, subject to impairment. With the exception of certain long-term loans made to related parties, in practice the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within loans and receivables.

A charge for impairment in respect of loans and receivables would be made in the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. The impairment charge would be recognised through operating expenses in that part of the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

(d) Impairment

Financial assets

The carrying value of all financial assets held at amortised cost is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

(e) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2. Auditors' remuneration

The auditors' remuneration has been borne by Lloyds Bank Insurance Services Limited, the Company's immediate parent company and was £nil in 2015 (2014: £nil).

3. Loans and receivables

	2015 £	2014 £
Loans and receivables:		
- due from immediate parent undertaking (Note 6)	69,802	69,802
Total	69,802	69,802

All loans and receivables are considered to be recoverable less than one year after the reporting date.

4. Share capital

	2015 £	2014 £
Ordinary shares		
At 1 January and 31 December		
Issued and fully paid – 2 shares of £1 each	2	2
Total	2	2

Allotted, called up and fully paid ordinary shares of £1 each totalled 2 (2014: 2).

The ordinary shares of £1 each carry the right to receive dividends proposed by the Directors and the right to vote at general meetings. Upon winding up, the ordinary shares carry the right to a return of capital together with any surplus in retained earnings or less any accumulated deficits.

5. Risk management

The Company is managed as part of the LBG Insurance Division, as such risk is managed across all of the Insurance Division companies and not at the individual company level. The Company's activities expose it to a variety of risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5. Risk management (continued)**(a) Governance framework**

The Company is part of LBG, which has established a risk management function with responsibility for implementing the LBG risk management framework within the Company.

Responsibility for the setting and management of risk and risk policy resides with the Board of each Company. The Board manages risks in line with LBG and Insurance risk policies. The Board has delegated operational implementation to the Insurance Risk Committee.

(b) Risk appetite

Risk appetite is the amount and type of risk that the Board is prepared to seek, accept or tolerate and is fully aligned to LBG Insurance Strategy. The Board has defined the methodology for the management of risk appetite and approved a set of risk appetite statements that cover financial risks, operational risks, people and risk culture, conduct risks and regulatory risks. The risk appetite statements set limits for exposures to the key risks faced by the business. Risk Appetite is set at a LBG Insurance Division level.

(c) Financial risks

The Company is exposed to financial risk through its financial assets and financial liabilities.

1) Market risk

The Company was not exposed to market risk as it does not hold investments or cash.

2) Credit risk

Credit risk is the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the failure of the party with the Company has contracted to meet its obligations. Loans and receivables are considered not to carry significant credit risk as they are due from a parent undertaking.

3) Financial soundness risk

Financial soundness risk covers the risk of financial failure, reputational loss or loss of earnings and/or value arising from a lack of liquidity, funding or capital and/or the inappropriate recording, reporting or disclosure of financial and taxation information.

(i) Financial, tax and disclosure risks

The Company is exposed to the risk that policies and procedures are not sufficient to maintain adequate books and records to support statutory and tax reporting and to prevent and detect financial reporting fraud.

The Company has developed procedures to ensure that compliance with both current and potential future requirements are understood and that policies are aligned to its risk appetite. The Company maintains a system of internal controls, consistently applied, providing reasonable assurance that transactions are recorded and undertaken in accordance with delegated authorities that permit the preparation and disclosure of financial statements and tax returns in accordance with IFRSs, statutory and regulatory requirements.

The Company undertakes a programme of work designed to support an annual assessment of the effectiveness of internal controls over financial reporting, to identify tax liabilities and to assess emerging legislation and regulation.

(ii) Liquidity risk

The main objective of the Company's liquidity risk policy is to ensure that all funds within the Company that serve to fulfil liabilities are available in sufficiently liquid form to settle liabilities as and when they fall due. The Company considers liquidity risk to be minimal as it does not hold any liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5. Risk management (continued)

3) Financial soundness risk (continued)

(iii) Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital. £69,800 (2014: £69,800) represents the amount available for dividend distribution to the equity shareholders of the Company.

(d) Operational risk

The Company considers operational risk to be minimal as any exposure would be with the parent company only.

6. Related-party transactions

(a) Ultimate parent and shareholding

The Company's immediate parent company is Lloyds Bank Insurance Services Limited, a Company registered in the United Kingdom.

The parent undertaking which is the parent undertaking of the smallest group to consolidate these financial statements is Lloyds Bank plc. Copies of the consolidated annual report and accounts of Lloyds Bank plc may be obtained from Insurance Secretariat, 69 Morrison Street, Edinburgh EH3 8YF.

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

(b) Transactions and balances with related parties

The Company has entered into transactions with related parties in the normal course of business during the year

Relationship	2015			
	Income	Expenses	Payable at	Receivable at
	during period	during period	period end	period end
	£m	£m	£m	£m
Parent (Note 3)	-	-	-	69,802

Relationship	2014			
	Income	Expenses	Payable at	Receivable at
	during period	during period	period end	period end
	£m	£m	£m	£m
Parent (Note 3)	-	-	-	69,802

Change to IAS 24 Related Party Disclosures (Key Management Personnel)

The amendment to IAS 24 clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transaction the amounts incurred for the service paid or payable to the management entity that provides the key management personnel services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

6. Related-party transactions (continued)

(b) Transactions and balances with related parties (continued)

Transactions between the Company and key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's Directors.

There were no transactions in the normal course of business that were material to key management or the Company.

Key management compensation

Key management compensation has been borne by Lloyds Bank Insurance Services Limited, the Company's immediate parent company.

The parent company's share of the emoluments of the Directors in respect of the director's services to the Company was £nil (2014: £nil).

HM Treasury

In January 2009, the UK government through HM Treasury became a related party of the Company following its subscription for ordinary shares issued under a placing and open offer. As at 31 December 2015, HM Treasury held an interest of 9.1 percent (2014: 24.8 percent) in the Group's ordinary share capital, with its interest having fallen below 20 per cent on 11 May 2015. As a consequence of HM Treasury no longer being considered to have a significant influence, it ceased to be a related party of the Group for IAS 24 purposes at that date.

There were no material transactions between the Company and HM Treasury during the year (2014: none) that were not made in the ordinary course of business or that are unusual in their nature or conditions. In addition, the Company have entered into transactions with HM Treasury on an arm's length basis including, but not exclusively in relation to, the payment of corporation tax, employment tax, and value added tax.