

# **MBNA Europe Holdings Limited**

Annual report and accounts  
for the year ended 31 December 2018

## **Registered office**

Cawley House  
Chester Business Park  
Chester  
CH4 9FB

## **Registered number**

02898169

## **Current directors**

J P Metcalfe  
D J Walker  
J B West

## **Company Secretary**

A E Mulholland



## **Directors' report**

For the year ended 31 December 2018

The directors present their report and the audited financial statements of MBNA Europe Holdings Limited ("the Company") for the year ended 31 December 2018.

### **General information**

The Company is a private limited company, limited by shares, incorporated and domiciled in England and Wales (registered number: 02898169).

The principal activity of MBNA Europe Holdings Limited is that of an investment holding company. Prior to 6 December 2018, the Company had provided funding to support the activities of MBNA Limited.

On 6 December 2018, ownership of the Company was transferred from MBNA Limited to another company within Lloyds Banking Group plc ("the Group"), LBG Equity Investments Limited, as part of the Group's risk strategy to ring fence its core trading activities from those activities that it considered to be non-core activities ("the Ring Fencing Project"). This resulted in funding to support MBNA Limited's business activities being transferred to other parts of the Group.

The Company is funded entirely by other companies within the Lloyds Banking Group.

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 16 to the financial statements.

### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored and reported at a divisional level.

### **Future outlook**

The Company has ceased trading and will become dormant in the next twelve months.

The Company is part of the wider Lloyds Banking Group, and, at that level, consideration of many of the potential implications following the UK's vote to leave the European Union ("EU") has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

### **Dividends**

A dividend of £140,173,105, representing a dividend of £140,173,105 per share, was declared and paid during the year (2017: £nil).

### **Going concern**

It is the intention of the directors that the Company becomes dormant following the cessation of its principal activity during the year. Accordingly the financial statements have been prepared on a basis other than going concern.

### **Directors**

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

## Directors' report (continued)

For the year ended 31 December 2018

### Directors' indemnities

Lloyds Banking Group plc 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 or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulation.

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

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

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

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

### Directors confirmations

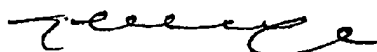
In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

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

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

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

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



J P Metcalfe  
Director

6 June 2019

## Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Interest income	3	387	504
Profit on share capital reduction in subsidiary undertakings	4	4,953	-
Other operating expenses		-	(1)
<hr/>			
<b>Profit before tax</b>		<b>5,340</b>	<b>503</b>
Taxation	8	(73)	(97)
<hr/>			
<b>Profit for the year, being total comprehensive income</b>		<b>5,267</b>	<b>406</b>

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

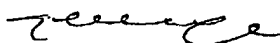
## Balance sheet

As at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>ASSETS</b>			
Cash and cash equivalents	10	192	-
Trade and other receivables	11	-	122,122
Investment in subsidiary undertakings	12	-	13,030
<b>Total assets</b>		<b>192</b>	<b>135,152</b>
<b>LIABILITIES</b>			
Borrowed funds	13	22	6
Current tax liability		170	240
<b>Total liabilities</b>		<b>192</b>	<b>246</b>
<b>EQUITY</b>			
Share capital	14	-	12,300
Retained earnings		-	122,606
<b>Total equity</b>		<b>-</b>	<b>134,906</b>
<b>Total equity and liabilities</b>		<b>192</b>	<b>135,152</b>

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

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



J P Metcalfe  
Director

6 June 2019

## Statement of changes in equity

For the year ended 31 December 2018

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>At 1 January 2017</b>	12,300	122,200	134,500
Profit for the year being total comprehensive income	-	406	406
<hr/>			
<b>At 31 December 2017</b>	<b>12,300</b>	<b>122,606</b>	<b>134,906</b>
Profit for the year being total comprehensive income	-	5,267	5,267
Share capital reduction	(12,300)	12,300	-
Dividend paid to equity holders of the Company	-	(140,173)	(140,173)
<hr/>			
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## Cash flow statement

For the year ended 31 December 2018

	2018 £'000	Restated 2017 £'000
<b>Cash flows generated from operating activities</b>		
Profit before tax	5,340	503
Adjustments for:		
Profit on share capital reduction in subsidiary undertakings	(4,953)	-
<b>Cash generated from operations</b>	<b>387</b>	<b>503</b>
Tax paid	(143)	-
<b>Net cash generated from operating activities</b>	<b>244</b>	<b>503</b>
<b>Cash flows generated from investing activities</b>		
Dividend income	17,983	-
<b>Net cash generated from investing activities</b>	<b>17,983</b>	<b>-</b>
<b>Cash flows used in financing activities</b>		
Dividends paid	(140,173)	-
Proceeds from/(Increase in) net lending to group undertakings	122,138	(503)
<b>Net cash used in financing activities</b>	<b>(18,035)</b>	<b>(503)</b>
<b>Change in Cash and cash equivalents</b>	<b>192</b>	<b>-</b>
Cash and cash equivalents at beginning of year	-	-
<b>Cash and cash equivalents at end of year</b>	<b>192</b>	<b>-</b>

The 2017 comparatives have been restated to reflect the reclassification explained in note 19.

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

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies

#### 1.1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

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

- (i) IFRS 9 'Financial Instruments': Annual improvement to IFRSs (issued December 2016) - Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.
- (ii) IFRS 15 'Revenue from Contracts with customers': Replaces IAS 18 Revenue and IAS 11 Construction Contracts. Establishes principles for reporting useful information about the nature, amount and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The application of these pronouncements have not had any impact for amounts recognised in these financial statements.

There are no new pronouncements relevant to the Company requiring adoption.

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

The financial statements have been prepared on a basis other than going concern, as detailed in the Directors' report and under the historical cost convention. The change to basis of preparation from going concern to a basis other than going concern has not had any impact for amounts recognised in these financial statements.

#### 1.2 Income recognition

##### Dividend income

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

##### Income and expense from financial instruments

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.



## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.3 Financial assets and liabilities

Financial assets comprise Cash and cash equivalents and Amounts due from Group undertakings. Financial liabilities comprise Borrowed funds.

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

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

#### 1.4 Dividends paid

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

#### 1.5 Cash and cash equivalents

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

#### 1.6 Taxation

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

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

#### 1.7 Investments

##### Investment in subsidiary undertakings

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

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

Where circumstances indicate a provision for impairment is no longer required an amount equal to the excess of the asset's recoverable amount above its carrying value, but not exceeding the provision for impairment, is recognised as a credit in the Statement of comprehensive income.

### 2. Critical accounting estimates and judgements in applying accounting policies

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

In the course of preparing these financial statements, no critical judgements have been made in the process of applying the company's accounting policies, other than those involving estimations which are disclosed separately below.

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

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 2. Critical accounting estimates and judgements in applying accounting policies (continued)

#### Impairment of investments

Where the recoverable amount of the Company's investments in subsidiary undertakings is considered to be less than the carrying value an impairment charge is recognised equal to the difference between the carrying value and the recoverable amount.

### 3. Interest income

	2018 £'000	2017 £'000
Interest receivable (see note 15)	387	504

### 4. Profit on share capital reduction in subsidiary undertakings

Share capital reduction in subsidiary undertakings resulted in profit on share capital reduction of £4,953,657 (2017: £nil). Further details can be found in note 12.

### 5. Staff costs

The Company did not have any employees during the year (2017: nil) and incurred no staff costs (2017: £nil).

### 6. Auditors' remuneration

Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements were £4,000 (2017: £4,000). These were borne by the parent company.

### 7. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2017: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 15).

### 8. Taxation

	2018 £'000	2017 £'000
<b>a) Analysis of charge for the year</b>		
UK corporation tax:		
- Current tax on taxable profit for the year	73	97
<b>Current tax charge</b>	<b>73</b>	<b>97</b>

Corporation tax is calculated at a rate of 19.00% (2017: 19.25%) of the taxable profit for the year.

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 8. Taxation (continued)

#### b) Factors affecting the tax charge for the year

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

	2018 £'000	2017 £'000
Profit before tax	5,340	503
Tax charge thereon at UK corporation tax rate of 19.00% (2017: 19.25%)	1,015	97
Factors affecting charge:		
- Other differences leading to an increase / (decrease)	(942)	-
<b>Tax charge on profit on ordinary activities</b>	<b>73</b>	<b>97</b>

### 9. Dividends

During the year a dividend of £140,173,105 (2017: £nil) was paid to MBNA Limited.

### 10. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank (see note 15)	192	-

### 11. Trade and other receivables

	2018 £'000	2017 £'000
Amounts due from group undertakings (see note 15)	-	122,122

Amounts due from group undertakings were settled in year by MBNA Limited.

### 12. Investment in subsidiary undertakings

	2018 £'000	2017 £'000
<b>Cost</b>		
Cost brought forward	243,681	243,681
Disposals	(243,681)	-
<b>Cost at 31 December</b>	<b>-</b>	<b>243,681</b>
<b>Provision for impairment</b>		
Provision brought forward	(230,651)	(230,651)
Disposals	230,651	-
<b>Provision at 31 December</b>	<b>-</b>	<b>(230,651)</b>
<b>Carrying value of investments at 31 December</b>	<b>-</b>	<b>13,030</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 12. Investment in subsidiary undertakings (continued)

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

During the year the Company completed a review of its investment in subsidiaries, leading to a capital reduction within both subsidiaries. The total carrying value of investment reduced to £60 (2017: £13,030,000).

The subsidiary undertakings at 31 December 2018 and 31 December 2017, listed below:

Subsidiary undertakings	Company interest	Principal activities	Registered Address
MBNA Europe Finance Limited	100.00%	Financing	Gategny Court PO Box 140 Gategny Esplanade St Peter Port Guernsey GY1 3HQ
MBNA Receivables Limited	100.00%	Financing	26 New Street St Helier Jersey JE2 3RA

### 13. Borrowed funds

	2018 £'000	2017 £'000
Amounts due to group undertakings (see note 15)	22	6

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

### 14. Share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid 1 ordinary shares of £1 each	-	12,300

During the year the company reduced its share capital from 12,300,002 shares to 1. Reduction in share capital was authorised by the board of MBNA Europe Holdings Limited.

### 15. Related party transactions

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

	2018 £'000	2017 £'000
Amounts due from group undertakings		
MBNA Limited	-	122,122
Total Amounts due from group undertakings (see note 11)	-	122,122

## Notes to the financial statements (continued)

For the year ended 31 December 2018

<b>15. Related party transactions (continued)</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts due to group undertakings</b>		
MBNA Receivables Limited	22	-
MBNA Limited	-	6
MBNA Europe Finance Limited	-	-
<b>Total Amounts due to group undertakings (see note 13)</b>	<b>22</b>	<b>6</b>
<b>Cash and cash equivalents held with group undertakings</b>		
Lloyds Bank plc (see note 10)	192	-
<b>Interest income</b>		
MBNA Limited (see note 3)	387	504
<b>Dividend Received</b>		
MBNA Europe Finance Limited	902	-
MBNA Receivables Limited	17,081	-
<b>Total Dividend Received</b>	<b>17,983</b>	<b>-</b>
<b>Dividend Paid</b>		
MBNA Limited (See note 9)	140,173	-

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and LBG Equity Investments Limited. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

## 16. Financial risk management

The Company's operations expose it to credit risk, liquidity risk and interest rate risk; it is not exposed to any significant business risk, market risk or foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by LBG Equity Investments Limited, and the ultimate parent, Lloyds Banking Group plc. Interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Retail Division's credit committee and credit functions. A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

### 16.1 Credit risk

#### Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The directors consider the credit risk associated with the amount due from parent undertaking to be negligible.

### 16.2 Liquidity risk

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

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

### 16.3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company.

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 17. Capital disclosures

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

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

### 18. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

### 19. Reclassification of comparatives

The 2017 comparatives have been restated in the Cash flow statement to bring the presentation into line for consistency with the presentation of other entity financial statements in the Retail Division. The Retail Division is a portfolio of businesses and operates in a number of specialist markets providing both consumer lending and contract hire to personal and corporate customers. The two items that have been restated are discussed in detail below.

The first restatement relates to movements in Amounts due from group undertakings, which were previously reflected within Cash used in operating activities. To bring the presentation into line with other Retail Division entity financial statements, the movement of £503,000 is now shown within the same line as movements in Amounts owed to group undertakings, under Cash generated from financing activities, to reflect the cash flow on the net lending to group undertakings for the Company.

The second restatement relates to the adjustment within Cash used in operating activities to add back the interest income and to reflect the cash flow within Cash generated from financing activities. Interest income from group undertakings is reflected within operating activities for other Retail Division companies, which means no adjustment to add back the interest income is made in the 2017 comparatives, compared to an adjustment of £504,000 which was recognised in the 2017 financial statements, resulting in Interest income now being reflected within Cash generated from operating activities rather than Cash generated from financing activities.

The reclassifications have had £nil impact on the profit before or after tax, £nil impact on net assets and have increased Cash used in operating activities as previously reported by £1,007,000 and reduced Cash generated in financing activities as previously reported by the same amount.

### 20. Ultimate parent undertaking and controlling party

The immediate parent company is LBG Equity Investments Limited (Incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

Until 6 December 2018, the Company's immediate parent undertaking was MBNA Limited. Full ownership and control of the Company was transferred to LBG Equity Investments Limited.

## **Independent auditors' report to the member of MBNA Europe Holdings Limited**

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, MBNA Europe Holdings Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit and cash flows 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.

We have audited the financial statements, included within the Annual report and accounts for the year ended 31 December 2018 (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; 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.

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#### **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.

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#### **Emphasis of matter - financial statements prepared on a basis other than going concern**

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

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#### **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 Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on these 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.

#### *Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2018 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 Directors' report.

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

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

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

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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](http://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 member 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.

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### 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.

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#### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Daniel Brydon (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

6 June 2019