

NOTICE OF COVERED BONDHOLDER MEETING

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF COVERED BONDHOLDERS.

If Covered Bondholders are in any doubt about any aspect of the proposals in this notice and/or the action they should take, they are recommended to seek their own financial advice immediately from their stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (if they are in the United Kingdom) or from another appropriately authorised independent financial adviser and such other professional advisor from their own professional advisors as they deem necessary.

FURTHER INFORMATION REGARDING THE MATTERS REFERRED TO IN THIS ANNOUNCEMENT IS AVAILABLE IN THE CONSENT SOLICITATION MEMORANDUM (THE "CONSENT SOLICITATION MEMORANDUM") ISSUED BY THE ISSUER TODAY, AND ELIGIBLE COVERED BONDHOLDERS (AS DEFINED BELOW) ARE ENCOURAGED TO READ THIS ANNOUNCEMENT IN CONJUNCTION WITH THE SAME.



TSB BANK PLC

*(incorporated with limited liability in Scotland with registered number SC095237)
(LEI Number 549300XP222MV7P3CC54)*

NOTICE OF COVERED BONDHOLDER MEETING

to the holders of the

£500,000,000 Series 2017-1 Floating Rate Covered Bonds due December 2022 (ISIN: XS1729158508)

(the **Series 2017-1 Covered Bonds**, and the holders thereof, the **Covered Bondholders**) of the Issuer presently outstanding.

NOTICE IS HEREBY GIVEN that a meeting (the **Meeting**) of the Covered Bondholders of the Series 2017-1 Covered Bonds convened by the Issuer will be held by teleconference on 3 June 2020 for the purpose of considering and, if thought fit, passing the applicable resolution set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 24 February 2017 as amended, restated, modified and/or supplemented from time to time (the **Trust Deed**) made between the Issuer, the LLP and Citicorp Trustee Company Limited (the **Bond Trustee** and **Security Trustee**) as bond trustee and security trustee for the Covered Bondholders and constituting the Series 2017-1 Covered Bonds. The Meeting will commence at 10 a.m. (London time) (11 a.m. (CET)).

Capitalised terms used in this notice and not otherwise defined herein shall have the meanings given to them in the Consent Solicitation Memorandum dated 12 May 2020 (the **Consent Solicitation Memorandum**), which is available for inspection by Eligible Covered Bondholders (as defined below) on the website of the Issuer (<https://www.tsb.co.uk/investors/debt-investors>) (the **Issuer's Website**) up to and including the date of the Meeting (see "**Documents Available for Inspection**" below). In accordance with normal practice, the Bond Trustee, the Security Trustee, the Tabulation Agent and the Principal Paying Agent have not been involved in the formulation of the Covered Bondholder Proposal outlined in the Consent Solicitation Memorandum or the Extraordinary Resolution. The Bond Trustee, the Security Trustee, the Tabulation

Agent, the Solicitation Agent, the Principal Paying Agent and the LLP, express no opinion on, and make no representations as to the merits of, the Covered Bondholder Proposal outlined in the Consent Solicitation Memorandum or the Extraordinary Resolution.

None of the Bond Trustee, the Security Trustee, the Tabulation Agent, the Solicitation Agent, the Principal Paying Agent or the LLP makes any representation that all relevant information has been disclosed to Covered Bondholders in or pursuant to this Notice, the Consent Solicitation Memorandum or otherwise. None of the Bond Trustee, the Security Trustee, the Tabulation Agent, the Solicitation Agent, the Principal Paying Agent or the LLP has approved the draft amended Documents referred to in the Extraordinary Resolution set out below and the Bond Trustee recommends that Covered Bondholders arrange to inspect and review such draft amended Documents as provided below in this Notice. Accordingly, Covered Bondholders of the Series 2017-1 Covered Bonds should take their own independent legal, financial, tax or other advice on the merits and the consequences of voting in favour of the Extraordinary Resolution, including any tax consequences, and on the impact of the implementation of the Extraordinary Resolution.

None of the Bond Trustee, the Security Trustee, nor any of the Tabulation Agent, the Solicitation Agent, the Principal Paying Agent or the LLP are responsible for the accuracy, completeness, validity or correctness of the statements made in the Consent Solicitation Memorandum or omissions therefrom.

Neither this Notice nor the Consent Solicitation Memorandum constitute or form part of, and should not be construed as, an offer for sale, exchange or subscription of, or a solicitation of any offer to buy, exchange or subscribe for, any securities of the Issuer or any other entity. The distribution of the Consent Solicitation Memorandum may nonetheless be restricted by law in certain jurisdictions. Persons into whose possession the Consent Solicitation Memorandum comes are required to inform themselves about, and to observe, any such restrictions.

BACKGROUND

The UK Financial Conduct Authority (**FCA**) has confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after the end of 2021 and expects that some panel banks will cease contributing to LIBOR panels at such time. In addition, the Bank of England and the FCA announced that it has mandated a working group to promote a broad-based transition to the Sterling Overnight Index Average (**SONIA**) across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. Therefore, the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, and regulators have urged market participants to take active steps to implement the transition to SONIA and other risk-free rates ahead of this deadline.

On the basis that the Final Maturity Date (the Interest Payment Date occurring in December 2022) and the Extended Due for Payment Date (the Interest Payment Date occurring in December 2023) of the Series 2017-1 Covered Bonds fall after 2021, the Issuer has convened the Meeting for the purpose of enabling the Covered Bondholders to consider and resolve, if they think fit, to approve the Covered Bond Proposal (as further described below) by way of an Extraordinary Resolution in relation to the Series 2017-1 Covered Bonds implementing a change in Interest Basis specified in the Series 2017-1 Final Terms from LIBOR to SONIA and corresponding amendments to the Series 2017-1 Term Advance and the Series 2017-1 Covered Bond Swap Agreement.

The pricing methodology proposed for the amendment of the Margin on conversion of the Interest Basis from LIBOR to SONIA uses only market observable screen spot rates. The Pricing Date has therefore been defined as a date relative to the relevant Interest Payment Date from which the change in Interest Basis is proposed to occur. This is to ensure that the Pricing Date is set to a date that is as close as possible to the date on which the Interest Basis change becomes effective. The Pricing Date will, however, be set shortly prior to the date on which the change in Interest Basis is proposed to occur, in order to allow time for the

necessary changes to be implemented following the determination of the Adjusted Margin (as defined below).

Copies of the draft Amended and Restated Series 2017-1 Final Terms, the Supplemental Trust Deed, the Intercompany Loan Agreement Supplement, the Supplemental Agency Agreement and the Series 2017-1 Swap Amendment Agreement (together the **Amendment Documents**), as referred to in the Extraordinary Resolution above, have been reviewed by Moody's Investors Service Limited (**Moody's**). Moody's have, based on the information provided to them, raised no comments in respect of the draft Amendment Documents.

COVERED BONDHOLDER PROPOSAL

Pursuant to the above, the Issuer has convened a Meeting by the above notice to request that Covered Bondholders of the Series 2017-1 Covered Bonds consider and agree by Extraordinary Resolution to the matters contained in the Extraordinary Resolution set out below.

The Issuer, under the Covered Bondholder Proposal, is requesting that the Covered Bondholders of the Series 2017-1 Covered Bonds consider and if thought fit, approve the Extraordinary Resolution. If approved by the Covered Bondholders of the Series 2017-1 Covered Bonds, the Extraordinary Resolution will be binding on all holders of Series 2017-1 Covered Bonds, including those Covered Bondholders who do not vote in favour of the Extraordinary Resolution or who do not vote in connection with the Extraordinary Resolution.

In order to implement the change in Interest Basis applicable to the Series 2017-1 Covered Bonds from 'LIBOR' to 'SONIA':

- (a) The Rate of Interest for the Series 2017-1 Covered Bonds from and including the Effective Date (with the first Interest Amount based on such new Rate of Interest being paid on the Interest Payment Date occurring after the Effective Date) will continue to be a floating rate and will be SONIA plus a Margin as specified in the Amended and Restated Series 2017-1 Final Terms (the Adjusted Margin). The detailed provisions relating to the calculation of Compounded Daily SONIA are set out in Annex A to the Notice.
- (b) The Adjusted Margin shall be the sum of (i) the LIBOR vs SONIA Interpolated Basis, (ii) the current margin in respect of the Series 2017-1 Covered Bonds (i.e. 0.24 per cent.), and (iii) in the case of the Consent Conditions being satisfied at an adjourned Meeting, a forward adjustment spread to be determined by the Solicitation Agent at its sole discretion (the Forward Adjustment Spread) at the same time that the LIBOR vs SONIA Interpolated Basis is determined on the Pricing Date and announced in conjunction with the publication of the LIBOR vs SONIA Interpolated Basis (and which would be specified in the notice of any such adjourned Meeting (to the extent that the Consent Solicitation has not otherwise been terminated)). The detailed provisions relating to the adjustment of the Margin and the calculation of the LIBOR vs SONIA Interpolated Basis by the Solicitation Agent are set out in Annex B to the Notice.
- (c) The Series 2017-1 Term Advance is amended to reflect the change in Interest Basis applicable to the relevant Series 2017-Covered Bonds from LIBOR to Compounded Daily SONIA.

The Adjusted Margin and the LIBOR vs SONIA Interpolated Basis will be announced to Covered Bondholders in accordance with Condition 13 (Notices) as soon as practicable following the Pricing Time on the Pricing Date (being 3 June 2020, except where there is an adjournment of the Meeting, in which case the Pricing Date will be specified in the notice of the adjourned Meeting (to the extent that the Consent Solicitation has not otherwise been terminated)).

For the avoidance of doubt, the reference rate applicable to the Series 2017-1 Covered Bonds up to but excluding the Effective Date will continue to be LIBOR and the interest payment made on the Effective Date will not be affected by the pricing methodology described herein.

If there is an adjourned Meeting and to the extent that the Consent Solicitation is not otherwise terminated, the LIBOR vs SONIA Interpolated Basis and/or the Adjusted Margin may be different to the amounts which would be calculated if the Extraordinary Resolution was passed (and the Eligibility Condition was satisfied) at the initial Meeting. In particular, the new Adjusted Margin will be the sum of (i) the LIBOR vs SONIA Interpolated Basis, (ii) 0.24 per cent. and (iii) in the case of the Consent Conditions being satisfied at an adjourned meeting, a Forward Adjustment Spread to be determined by the Solicitation Agent at its sole discretion. The Forward Adjustment Spread will be determined at the same time that the LIBOR vs SONIA Interpolated Basis is determined on the Pricing Date and announced in conjunction with the publication of the LIBOR vs SONIA Interpolated Basis.

It is also proposed, that the Covered Bond Swap in respect of the Series 2017-1 Covered Bonds will be amended and restated to provide a hedge against the possible variances between Compounded Daily SONIA payable under the Series 2017-1 Covered Bonds and LIBOR payable under the Interest Rate Swap Agreement.

The Extraordinary Resolution, if passed, constitutes (amongst others) a direction by the Covered Bondholders of the Series 2017-1 Covered Bonds to the Bond Trustee and the Security Trustee to consent to and to concur in the amendments to the Final Terms, the Conditions of the Series 2017-1 Covered Bonds, the Series 2017-1 Term Advance, the Series 2017-1 Covered Bond Swap Agreement and the Agency Agreement to implement relevant changes to the Series 2017-1 Covered Bonds and the Series 2017-1 Covered Bond Swap Agreement in order to change the Interest Basis from 'LIBOR' to 'SONIA', as more fully set out in the Amended and Restated Series 2017-1 Final Terms and the Series 2017-1 Covered Bond Swap Amendment Agreement, together with the corresponding amendments as more fully set out in the other Amendment Documents and as may be necessary to give effect thereto, the **Covered Bondholder Proposal**.

The Covered Bondholder Proposal is being put to Covered Bondholders for the reasons set out in the Consent Solicitation Memorandum.

Covered Bondholders are referred to the Consent Solicitation Memorandum which provides further background to the Covered Bond Proposals and the reasons therefor.

CONSENT SOLICITATION

Covered Bondholders are further given notice that the Issuer has invited holders of the Series 2017-1 Covered Bonds (such invitation a **Consent Solicitation**) to consent to the approval, by Extraordinary Resolution at the Meeting, of the modification of the Conditions relating to the Series 2017-1 Covered Bonds as described in paragraph 1 of the Extraordinary Resolution as set out below, all as further described in the Consent Solicitation Memorandum (as defined in paragraph 10 of the Extraordinary Resolution set out below).

The Consent Solicitation Memorandum and any other documents or materials relating to the Consent Solicitation are only for distribution or to be made available to persons who are (i) located and resident outside the United States, its territories and possessions and who are not U.S. persons (as defined in Regulation S under the Securities Act) or acting for the account or benefit of any U.S. person, (ii) eligible

counterparties or professional clients (each as defined in Directive 2014/65/EU (as amended or superseded) (**MiFID II**)) and, if applicable and acting on a non-discretionary basis, who is acting on behalf of a beneficial owner that is also an eligible counterparty or a professional client, in each case in respect of the Series 2017-1 Covered Bonds and (iii) otherwise a person to whom the Consent Solicitation can be lawfully made and that may lawfully participate in the Consent Solicitation (all such persons **Eligible Covered Bondholders**).

Subject to the restrictions described in the previous paragraph, Eligible Covered Bondholders may obtain from the date of this Notice a copy of the Consent Solicitation Memorandum from the Tabulation Agent, the contact details for which are set out below. In order to receive a copy of the Consent Solicitation Memorandum, a Covered Bondholder will be required to provide confirmation as to his or her status as an Eligible Covered Bondholder.

**EXTRAORDINARY RESOLUTION
IN RESPECT OF THE £500,000,000 SERIES 2017-1 FLOATING RATE COVERED BONDS DUE
DECEMBER 2022**

"THAT this Meeting of the holders (together, the **Series 2017-1 Covered Bondholders**) of the presently outstanding £500,000,000 Series 2017-1 Floating Rate Covered Bonds due December 2022 (the **Series 2017-1 Covered Bonds**) of TSB Bank plc (the **Issuer**), constituted by the trust deed dated 24 February 2017 as amended, restated, modified and/or supplemented from time to time (the **Trust Deed**) made between the Issuer, the LLP and Citicorp Trustee Company Limited (the **Bond Trustee** and the **Security Trustee**) as bond trustee and security trustee for, *inter alios*, the Series 2017-1 Covered Bondholders:

1. (subject to paragraph 9 of this Extraordinary Resolution) assents to the modification of:
 - (a) the terms and conditions of the Series 2017-1 Covered Bonds (the **Conditions**) (together with corresponding modifications to the Series 2017-1 Term Advance), as set out in Schedule 1 to the Trust Deed and as completed by the Final Terms applicable to the Series 2017-1 Covered Bonds dated 6 December 2017, as any of the same may from time to time be modified or amended and restated in accordance with the Trust Deed, in order that the Rate of Interest for the Series 2017-1 Covered Bonds from and including 7 June 2020 (with the first Interest Amount based on such new Rate of Interest being paid on the Interest Payment Date falling after the Effective Date) will continue to be a floating rate and will be SONIA plus an Adjusted Margin to be calculated as more fully set out in Annex B to this Notice (Margin Adjustment) and in the Amended and Restated Series 2017-1 Final Terms (as defined in paragraph 2 below);
 - (b) the Series 2017-1 Covered Bond Swap, as set out the Series 2017-1 Covered Bond Swap Amendment Agreement (as defined in paragraph 2 below) in order to provide a hedge against the possible variances between Compounded Daily SONIA payable under the Series 2017-1 Covered Bonds and LIBOR payable under the Interest Rate Swap Agreement; and
 - (c) the Agency Agreement, as set in the Supplemental Agency Agreement (as defined in paragraph 2 below) in order to facilitate the calculation of Compounded Daily SONIA by the Principal Paying Agent.
2. (subject to paragraph 9 of this Extraordinary Resolution) authorises, directs, requests and empowers:
 - (a) (i) the Issuer and the LLP to execute an amended and restated final terms in respect of the Series 2017-1 Covered Bonds (the **Amended and Restated Series 2017-1 Final Terms**) to change the Interest Basis applicable to the Series 2017-1 Covered Bonds from 'LIBOR' to 'SONIA' and to implement a corresponding amendment to the

Series 2017-1 Term Advance incorporating the terms of the Final Terms (as amended);

- (ii) the Issuer, the LLP, the Bond Trustee and the Security Trustee to execute a deed supplemental to the Trust Deed which annexes the form of the Amended and Restated Series 2017-1 Final Terms and the amendment to Condition 4.2(b)(ii) (*Screen Rate Determination for Floating Rate Covered Bonds*) to include Compounded Daily SONIA as an Interest Basis in the Conditions applicable to the Series 2017-1 Covered Bonds (the **Supplemental Trust Deed**); and
- (iii) the Issuer, the Cash Manager, the LLP and the Security Trustee to execute a supplement to the Intercompany Loan Agreement which amends the terms of the Series 2017-1 Term Advance (the **Intercompany Loan Agreement Supplement**);
- (iv) the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Exchange Agent, the Transfer Agent, and the Registrar; and (b) the Issuer to authorise direct, empower and request the Principal Paying Agent, the Exchange Agent, the Transfer Agent, and the Registrar to execute a supplement to the agency agreement to include a new Clause 9.2(f) for the purposes of determining Compounded Daily SONIA (the **Supplemental Agency Agreement**); and
- (v) the LLP, the Covered Bond Swap Provider and the Security Trustee to execute the amendment agreement which amends and restates the confirmation in respect of the Series 2017-1 Covered Bonds (the **Series 2017-1 Swap Amendment Agreement**),

in each case to effect the modifications referred to in paragraph 1 of this Extraordinary Resolution, in the form or substantially in the form of the drafts attached to this Extraordinary Resolution and for the purpose of identification signed by the chairman thereof, with such amendments thereto (if any) as the Bond Trustee shall require or agree to; and

- (b) the Issuer, the Bond Trustee and the Security Trustee to execute and to do all such deeds, instruments, acts and things as may be necessary, desirable or expedient in its sole opinion to carry out and to give effect to this Extraordinary Resolution and the implementation of the modifications referred to in paragraph 1 of this Extraordinary Resolution;

3. discharges and exonerates each of the Bond Trustee and the Security Trustee from all liability for which they may have become or may become responsible under the Trust Deed or the Series 2017-1 Covered Bonds or any Transaction Document or any document related thereto in respect of any act or omission in connection with the passing of this Extraordinary Resolution or its implementation, the modifications referred to in paragraph 1 of this Extraordinary Resolution or the implementation of those modifications or the executing of any deeds, agreements, documents or instructions, the performance of any acts, matters or things to be done to carry out and give effect to the matters contemplated in the Amended and Restated Series 2017-1 Final Terms, the Supplemental Trust Deed, the Intercompany Loan Agreement Supplement, the Supplemental Agency Agreement and the Series 2017-1 Swap Amendment Agreement, the Notice or this Extraordinary Resolution;
4. irrevocably waives any claim that the Series 2017-1 Covered Bondholders may have against the Bond Trustee and / or the Security Trustee arising as a result of any loss or damage which the Series 2017-1 Covered Bondholders may suffer or incur as a result of the Bond Trustee and/or Security Trustee acting upon this Extraordinary Resolution (including but not limited to circumstances where it is subsequently found that this Extraordinary Resolution is not valid or binding on the holders) and the Series 2017-1 Covered Bondholders further confirm that the Series 2017-1 Covered Bondholders will not seek to hold the Bond Trustee and/or Security Trustee liable for any such loss or damage;

5. expressly agrees and undertakes to indemnify and hold harmless the Bond Trustee and/or Security Trustee from and against all losses, liabilities, damages, costs, charges and expenses which may be suffered or incurred by them as a result of any claims (whether or not successful, compromised or settled), actions, demands or proceedings brought against the Bond Trustee and/or the Security Trustee and against all losses, costs, charges or expenses (including legal fees) which the Bond Trustee and/or Security Trustee may suffer or incur which in any case arise as a result of the Bond Trustee and/or Security Trustee acting in accordance with the Extraordinary Resolution and the Trust Deed;
6. (subject to paragraph 9 of this Extraordinary Resolution) sanctions and assents to every abrogation, modification, compromise or arrangement in respect of the rights of the Series 2017-1 Covered Bondholders appertaining to the Series 2017-1 Covered Bonds against the Issuer, whether or not such rights arise under the Conditions, the Trust Deed or any other Transaction Document involved in, resulting from or to be effected by the amendments referred to in paragraph 1 of this Extraordinary Resolution and their implementation;
7. waives any and all requirements, restrictions and conditions precedent set forth in the Transaction Documents on any person, in implementing the Amended and Restated Series 2017-1 Final Terms, the Supplemental Trust Deed, the Intercompany Loan Agreement Supplement, the Series 2017-1 Swap Amendment Agreement, the Supplemental Agency Agreement, this Extraordinary Resolution and the Covered Bond Proposal;
8. discharges and exonerates each of the Issuer and the LLP from all liability for which it may have become or may become responsible under the Trust Deed, the Series 2017-1 Covered Bonds or any Transaction Document or any document related thereto in respect of any act or omission in connection with the passing of this Extraordinary Resolution or the executing of any deeds, agreements, documents or instructions, the performance of any acts, matters or things to be done to carry out and give effect to the matters contemplated in the Amended and Restated Series 2017-1 Final Terms, the Supplemental Trust Deed, the Intercompany Loan Agreement Supplement, the Supplemental Agency Agreement and the Series 2017-1 Swap Amendment Agreement, the Notice or this Extraordinary Resolution;
9. declares that the implementation of this Extraordinary Resolution shall be conditional on:
 - (a) the passing of this Extraordinary Resolution; and
 - (b) the quorum required for, and the requisite majority of votes cast at, this Meeting being satisfied by Eligible Series 2017-1 Covered Bondholders, irrespective of any participation at this Meeting by Ineligible Series 2017-1 Covered Bondholders and that, in the event that the Extraordinary Resolution is passed at this Meeting but such condition is not satisfied, the Covered Bondholders hereby adjourn this Meeting and the chairman of this Meeting is hereby authorised, directed, requested and empowered to adjourn this Meeting for such period being not less than 14 clear days nor more than 24 clear days, and to such place as may be appointed by the chairman of this Meeting and approved by the Bond Trustee, for the purpose of reconsidering resolutions 1 to 11 of this Extraordinary Resolution with the exception of resolution 9(b) of this Extraordinary Resolution. At any such adjournment of this Meeting, one or more persons present holding Definitive Covered Bonds or voting certificates or being proxies or representatives and holding or representing in aggregate not less than one-third of the Principal Amount Outstanding of the Series 2017-1 Covered Bonds shall form a quorum and shall have the power to pass such Extraordinary Resolution, and this condition set out in this paragraph 9(b) will be satisfied if the quorum required for, and the requisite majority of votes cast at, such adjourned Meeting are satisfied by Eligible Series 2017-1 Covered Bondholders irrespective of any participation at the adjourned Meeting by Ineligible Series 2017-1 Covered Bondholders;

10. acknowledges that, if the Consent Solicitation is terminated by the Issuer prior to the date of this Meeting in accordance with the terms of the Consent Solicitation Memorandum, even in the event that this Extraordinary Resolution is passed at this Meeting, the amendments set out in paragraph 1 and 2 of this Extraordinary Resolution shall not be effective, as such amendments are conditional on the Consent Solicitation not having been terminated;
11. acknowledges that the following terms, as used in this Extraordinary Resolution, shall have the meanings given below:

Consent Solicitation means the invitation by the Issuer to all Eligible Series 2017-1 Covered Bondholders to consent to the modification of the Conditions relating to the Series 2017-1 Covered Bonds as described in the Consent Solicitation Memorandum and as the same may be amended in accordance with its terms;

Consent Solicitation Memorandum means the consent solicitation memorandum dated 12 May 2020 prepared by the Issuer in relation to the Consent Solicitation;

Eligible Series 2017-1 Covered Bondholder or **Eligible Covered Bondholder** means each Series 2017-1 Covered Bondholder who is (a) located and resident outside the United States, its territories and possessions and not a U.S. person (as defined in Regulation S under the Securities Act), (b) an eligible counterparty or a professional client (each as defined in MiFID II) and, if applicable and acting on a non-discretionary basis, who is acting on behalf of a beneficial owner that is also an eligible counterparty or a professional client, in each case in respect of the Series 2017-1 Covered Bonds and (c) otherwise a person to whom the Consent Solicitation can be lawfully made and that may lawfully participate in the Consent Solicitation;

Ineligible Series 2017-1 Covered Bondholder or **Ineligible Covered Bondholder** means each Series 2017-1 Covered Bondholder who is not a person to whom the Consent Solicitation is being made, on the basis that such Series 2017-1 Covered Bondholder is either (i) a U.S. person and/or located or resident in the United States, its territories and possessions and/or (ii) is not an eligible counterparty or a professional client (each as defined in MiFID II) and, if applicable and acting on a non-discretionary basis, who is not acting on behalf of a beneficial owner that is also an eligible counterparty or a professional client and/or (iii) a person to whom the Consent Solicitation cannot otherwise be lawfully made; and

Securities Act means the U.S. Securities Act of 1933, as amended; and

12. agrees that capitalised terms in this document where not defined herein shall have the meanings given to them in the Consent Solicitation Memorandum (a copy of which is available for inspection as referred to in the Notice)."

INELIGIBLE COVERED BONDHOLDERS

Submission of Ineligible Holder Instructions

In respect of any Series 2017-1 Covered Bonds held through Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), the submission of Ineligible Holder Instructions will be deemed to have occurred upon receipt by the Tabulation Agent from Euroclear or Clearstream, Luxembourg, as applicable, of a valid instruction (an **Ineligible Holder Instruction**) submitted in accordance with the requirements of Euroclear or Clearstream, Luxembourg, as applicable. Each such Ineligible Holder Instruction must specify, among other things, the aggregate principal amount of the Series 2017-1 Covered Bonds of the Series 2017-1 Covered Bonds to which such Ineligible Holder Instruction relates, the securities account number at Euroclear or Clearstream, Luxembourg, as applicable, in which the Series 2017-1 Covered Bonds are held and whether the Ineligible Covered Bondholder wishes to instruct the

Principal Paying Agent to appoint one or more representatives of the Tabulation Agent to attend (via teleconference) the Meeting (and any adjourned such Meeting) and vote in favour of or against the Extraordinary Resolution. The receipt of such Ineligible Holder Instruction by Euroclear or Clearstream, Luxembourg, as applicable, will be acknowledged in accordance with the standard practices of Euroclear or Clearstream, Luxembourg, as applicable, and will result in the blocking of the Series 2017-1 Covered Bonds in the relevant Ineligible Covered Bondholder's account with Euroclear or Clearstream, Luxembourg, as applicable, so that no transfers may be effected in relation to the Series 2017-1 Covered Bonds until the earlier of (i) the date on which the relevant Ineligible Holder Instruction is validly revoked (including their automatic revocation on the termination of the Consent Solicitation) and (ii) the conclusion of the Meeting (or, if applicable, any adjourned Meeting).

Only Direct Participants (as defined under "*Voting and Quorum*" below) may submit Ineligible Holder Instructions. Each beneficial owner of Series 2017-1 Covered Bonds who is an Ineligible Covered Bondholder and is not a Direct Participant, must arrange for the Direct Participant through which such beneficial owner of Series 2017-1 Covered Bonds who is an Ineligible Covered Bondholder holds its Series 2017-1 Covered Bonds to submit an Ineligible Holder Instruction on its behalf to Euroclear or Clearstream, Luxembourg, as applicable, before the deadlines specified by the relevant clearing system.

By delivering, or arranging for the delivery on its behalf, of an Ineligible Holder Instruction in accordance with the procedures described below, a Covered Bondholder shall be deemed to agree, undertake, acknowledge and represent to the Issuer, the Tabulation Agent and the Solicitation Agent that at (i) the time of submission of such Ineligible Holder Instruction, (ii) the Expiration Date and (iii) the time of the Meeting and at the time of the adjourned Meeting (and if a Covered Bondholder is unable to make any such acknowledgement or give any such representation or warranty, such Covered Bondholder or Direct Participant should contact the Tabulation Agent immediately):

- (a) It is an Ineligible Covered Bondholder.
- (b) It is not a person or entity (a **Person**) (A) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://eeas.europa.eu/headquarters/headquarters-homepage_en/8442/Consolidated%20list%20of%20sanctions); or (B) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of their inclusion in: (i) the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the SSI List), (ii) Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended from time to time including by Council Regulation No. 960/2014 and Council Regulation (EU) No 1290/2014 and Council Regulation (EU) No 2015/1797 (the **EU Annexes**), or (iii) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes. For these purposes **Sanctions Authority** means each of: (i) the United States government; (ii) the United Nations; (iii) the European Union (or any of its member states or the United Kingdom); (iv) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (v) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury, the United States Department of State, the United States Department of Commerce and Her Majesty's Treasury.
- (c) It is assuming all the risks inherent in participating in the Consent Solicitation and has undertaken all the appropriate analyses of the implications of the Consent Solicitation without reliance on the

Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Solicitation Agent or the Tabulation Agent.

- (d) It has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent deemed necessary, and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the documentation) based upon its own judgment and upon any advice from such advisers as deemed necessary and not upon any view expressed by the Issuer, the Solicitation Agent, the Tabulation Agent, the Principal Paying Agent, the Security Trustee and the Bond Trustee or any of their respective directors, officers, employees, agents or affiliates.
- (e) It has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any vote in relation to the Extraordinary Resolution, in any jurisdiction and that it has not taken or omitted to take any action in breach of the representations or which will or may result in the Issuer, the LLP, the Solicitation Agent, the Tabulation Agent or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with any votes in relation to the Covered Bond Proposal.
- (f) It has full power and authority to vote in the Meeting (or any such adjourned Meeting).
- (g) Each Ineligible Holder Instruction is made on the terms and conditions set out in this notice and therein.
- (h) Each Ineligible Holder Instruction is being submitted in compliance with the applicable laws or regulations of the jurisdiction in which the Covered Bondholder is located or in which it is resident or located and no registration, approval or filing with any regulatory authority of such jurisdiction is required in connection with each such Ineligible Holder Instruction.
- (i) It holds and will hold, until the earlier of (i) the date on which its Ineligible Holder Instruction is validly revoked, in the limited circumstances in which such revocation is permitted in accordance with the terms of the Consent Solicitation and (ii) conclusion of the Meeting or (if applicable) any adjourned Meeting, as the case may be, the Series 2017-1 Covered Bonds the subject of the Ineligible Holder Instruction, in the relevant Clearing System and, if it holds its Series 2017-1 Covered Bonds through Euroclear, or Clearstream in accordance with the requirements of the relevant Clearing System and by the deadline required by the relevant Clearing System, it has submitted, or has caused to be submitted, an Ineligible Holder Instruction to the relevant Clearing System, as the case may be, to authorise the blocking of such Series 2017-1 Covered Bonds with effect on and from the date thereof so that no transfers of such Series 2017-1 Covered Bonds may be effected until the occurrence of any of the events listed in (i) or (ii) above.
- (j) It acknowledges that none of the Issuer, the Bond Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent, the Principal Paying Agent and/or the LLP or any of their respective affiliates, directors, officers, employees or agents has made any recommendation as to whether to vote on the Extraordinary Resolution and it represents that it has made its own decision with regard to voting on the Extraordinary Resolution based on any independent legal, financial, tax or other advice that it has deemed necessary to seek.
- (k) It acknowledges that all authority conferred or agreed to be conferred pursuant to these acknowledgements, representations, warranties and undertakings and every obligation of the Covered Bondholder offering to vote on the Extraordinary Resolution shall to the extent permitted by applicable law be binding upon the successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives of the Covered Bondholder voting on the Extraordinary Resolution and

shall not be affected by, and shall survive, the death or incapacity of the Covered Bondholder voting on the Extraordinary Resolution, as the case may be.

- (l) The Series 2017-1 Covered Bonds, and the guarantee thereof, have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States, its territories or possessions or to, or for the account or benefit of, U.S. persons, unless an exemption from the registration requirements of the Securities Act is available (terms used in this and the following paragraph that are, unless otherwise specified, defined in Regulation S are used as defined in Regulation S).
- (m) None of the Issuer, the Solicitation Agent, the Tabulation Agent, the Principal Paying Agent, the Security Trustee and the Bond Trustee or any of their respective directors, officers, employees, agents or affiliates has given (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of the Consent Solicitation.
- (n) None of the Issuer, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Solicitation Agent or the Tabulation Agent is acting as a fiduciary or financial or investment adviser for it.
- (o) The terms and conditions of the Consent Solicitation shall be deemed to be incorporated in, and form a part of, the Ineligible Holder Instruction which shall be read and construed accordingly and that the information given by or on behalf of such Covered Bondholder in the Ineligible Holder Instruction is true and will be true in all respects at the time of the Meeting (or any adjourned Meeting).
- (p) It acknowledges that the Solicitation Agent may (but is not obliged to) submit Consent Instructions for its own account as well as on behalf of other Beneficial Owners of the Series 2017-1 Covered Bonds.
- (q) No information has been provided to it by the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Solicitation Agent or the Tabulation Agent, or any of their respective directors or employees, with regard to the tax consequences for Covered Bondholders arising from the participation in the Consent Solicitation, the implementation of any Extraordinary Resolution, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Consent Solicitation, and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Solicitation Agent or the Tabulation Agent, or any of their respective directors or employees, or any other person in respect of such taxes and payments.

If the relevant Ineligible Covered Bondholder is unable to give any of the representations and warranties described above, such Ineligible Covered Bondholder should contact the Tabulation Agent.

Each Ineligible Covered Bondholder submitting an Ineligible Holder Instruction in accordance with its terms shall be deemed to have agreed to indemnify the Issuer, the LLP, the Solicitation Agent, the Tabulation Agent, the Principal Paying Agent, the Bond Trustee, the Security Trustee and any of their respective affiliates, directors, officers, employees or agents against all and any losses, costs, fees, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of any breach of any of the terms of, or any of the representations, warranties and/or undertakings given pursuant to, such vote by such Covered Bondholder.

REQUIREMENTS OF U.S. SECURITIES LAWS

If an Extraordinary Resolution is passed and implemented in respect of any Series, the Amended and Restated Series 2017-1 Final Terms relating to the Series 2017-1 Covered Bonds will contain a statement that, until the expiry of the period of 40 days after the date of the Amended and Restated Series 2017-1 Final Terms, sales of the Series 2017-1 Covered Bonds may not be made in the United States or to U.S. persons unless made outside the United States, its territories and possessions pursuant to Rules 903 and 904 of Regulation S.

*Covered Bondholders who have submitted and not revoked (in the limited circumstances in which revocation is permitted) a valid Consent Instruction or Ineligible Holder Instruction in respect of the Extraordinary Resolution which is received by the Tabulation Agent by 4 p.m. (London time) (5 p.m. (CET)) on 29 May 2020 (the **Expiration Deadline**), by which they will have given instructions for the appointment of one or more representatives of the Tabulation Agent by the Principal Paying Agent as their proxy to vote in favour of or against (as specified in the Consent Instruction or Ineligible Holder Instruction) the Extraordinary Resolution at the Meeting (or any adjourned such Meeting), need take no further action to be represented at the Meeting (or any such adjourned Meeting).*

GENERAL INFORMATION

The attention of Covered Bondholders is particularly drawn to the quorum required for the Covered Bondholders Meetings and for any adjourned Meeting which is set out in paragraphs 1, 2, 3, 4 and 5 of "Voting and Quorum" below. Having regard to such requirements, Covered Bondholders are strongly urged either to attend (via teleconference) the Meeting or to take steps to be represented at the Meeting, as referred to below, as soon as possible.

VOTING AND QUORUM

1. The provisions governing the convening and holding of the Meeting are set out in Schedule 4 (*Provisions for Meetings of Covered Bondholders*) to the Trust Deed, a copy of which is available for inspection by the Covered Bondholders on the Issuer's Website up to and including the date of the Meeting and at the Meeting.

All of the Series 2017-1 Covered Bonds are represented by a global Covered Bond and are held by a common depositary or common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). For the purpose of the Meeting, a **Covered Bondholder** shall mean each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular Principal Amount Outstanding of the Series 2017-1 Covered Bonds.

A Covered Bondholder wishing to attend (via teleconference) the Meeting must provide the Tabulation Agent with a valid voting certificate issued by the Principal Paying Agent relating to the Series 2017-1 Covered Bond(s) in respect of which it wishes to vote. Covered Bondholders wishing to attend the teleconference may obtain dial-in details from the Tabulation Agent using the notice details set out in the Consent Solicitation Memorandum, upon the Tabulation Agent being satisfied that any Covered Bondholder requesting the same has provided evidence of their holdings of the Series 2017-1 Covered Bonds.

Any Covered Bondholder who wishes to vote in respect of the Extraordinary Resolution but does not wish to attend (via teleconference) the Meeting should: (i) in the case of a beneficial owner whose Series 2017-1 Covered Bonds are held in book-entry form by a custodian, request such beneficial owner's custodian to vote on the Extraordinary Resolution in accordance with the procedures set out in *Section 4 – Procedures in connection with the Consent Solicitation* of the Consent Solicitation Memorandum, or (ii) in the case of a Covered Bondholder whose Series 2017-1 Covered Bonds are held in book-entry form directly in the relevant Clearing System, vote on the Extraordinary Resolution in accordance with the procedures set out in *Section 4 – Procedures in connection with the Consent Solicitation* of the Consent Solicitation Memorandum.

Covered Bondholders should note that the timings and procedures set out below reflect the requirements for Covered Bondholders' meetings set out in the Trust Deed, but that the Clearing Systems and the relevant intermediaries may have their own additional requirements as to timings and procedures for voting on the Extraordinary Resolution. Accordingly, Covered Bondholders wishing to vote in respect of the Extraordinary Resolution are strongly urged either to contact their

custodian (in the case of a beneficial owner whose Series 2017-1 Covered Bonds are held in book-entry form by a custodian) or the relevant Clearing System (in the case of a Covered Bondholder whose Series 2017-1 Covered Bonds are held in book-entry form directly in the relevant Clearing System), as soon as possible.

2. The quorum at any Meeting for passing an Extraordinary Resolution which constitutes a Series Reserved Matter shall (subject as provided below) be one or more persons present holding or representing Series 2017-1 Covered Bonds or voting certificates or being proxies or representatives and holding or representing in aggregate not less than two-thirds of the Principal Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding. If a quorum is not present within 30 minutes after the time fixed for a Meeting, the Meeting will be adjourned for such period being not less than 14 days nor more than 24 days, and to such place as may be appointed by the chairman of the meeting and approved by the Bond Trustee. In addition, in the event that the quorum required for, and the requisite majority of votes cast at, the Meeting is satisfied but the Eligibility Condition in respect of such Meeting is not satisfied, the chairman of the Meeting and the Bond Trustee will adjourn the Meeting for such period being not less than 14 days nor more than 24 days, and to such place as may be appointed by the chairman of the Meeting and approved by the Bond Trustee. The Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Covered Bondholders of the Series 2017-1 Covered Bonds). At any adjourned Meeting, one or more persons present holding Definitive Covered Bonds or voting certificates or being proxies or representatives and holding or representing in aggregate not less than one-third of the Principal Amount Outstanding of the Series 2017-1 Covered Bonds shall (subject as provided below) form a quorum and shall have the power to pass the Extraordinary Resolution.
3. To be passed at the Meeting, the Extraordinary Resolution requires (a) a majority in favour consisting of at least 75 per cent. of the votes cast; or (b) a resolution in writing signed by or on behalf of Covered Bondholders holding not less than 75 per cent. in Principal Amount Outstanding of the Series 2017-1 Covered Bonds, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Covered Bondholders. The question submitted to the Meeting shall be decided by a poll demanded by the chairman of the Meeting, the Issuer, the LLP, the Bond Trustee or by one or more persons present holding Definitive Covered Bonds or a voting certificate or being a proxy or representative and representing or holding in the aggregate not less than one-fiftieth of the Principal Amount Outstanding of the Series 2017-1 Covered Bonds. A declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
4. The implementation of the Consent Solicitation and the Extraordinary Resolution will be conditional on:
 - (a) the passing of the Extraordinary Resolution; and
 - (b) the quorum required for, and the requisite majority of votes cast at, the Meeting being satisfied by Eligible Covered Bondholders, irrespective of any participation at the Meeting by Ineligible Covered Bondholders (including the satisfaction of such condition at an adjourned Meeting) (the Eligibility Condition),(together, the **Consent Conditions**).
5. If passed, the Extraordinary Resolution will be binding upon all the Covered Bondholders of the Series 2017-1 Covered Bonds and upon all Receiptholders and Couponholders of the Series 2017-1 Covered Bonds whether or not present or voting at the Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of items (a) to (b) below (together, the **Covered Bondholder Information**) will be available from the date of this Notice, for inspection on the Issuer's Website up to and including the date of the Meeting and at the Meeting.

- (a) this Notice; and
- (b) the current drafts of each Amended and Restated Series 2017-1 Final Terms, the Supplemental Trust Deed, the Supplemental Agency Agreement, the Intercompany Loan Agreement Supplement and the Series 2017-1 Swap Amendment Agreement, each as referred to in the Extraordinary Resolution set out above (the **Amendment Documents**).

This Notice should be read in conjunction with the Covered Bondholder Information.

The Covered Bondholder Information may be supplemented from time to time. Existing Covered Bondholders should note that the Amendment Documents may be subject to amendment. Should such amendments be made, blacklined copies (showing the changes from the originally available Amendment Documents) and clean versions will be available for inspection on the Issuer's Website.

Existing Covered Bondholders will be informed of amendments to the Amendment Documents by announcements released on the regulatory news service of the London Stock Exchange and via the relevant Clearing Systems.

CONTACT INFORMATION

Further information relating to the Proposed Amendments can be obtained from the Solicitation Agent directly:

Lloyds Bank Corporate Markets plc
10 Gresham Street
London EC2V 7AE
United Kingdom

Telephone number: +44 20 7158 1719/1726
Attention: Liability Management Group
Email: liability.management@lloydsbanking.com

The address of the Principal Paying Agent, the Tabulation Agent, the Security Trustee and the Bond Trustee are set out below:

Bond Trustee and Security Trustee

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Fax: +44 (0)20 7500 5877
Attention: Agency and Trust

Tabulation Agent

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom

Telephone number: +44 20 7704 0880
Email: tsb@lucid-is.com

Principal Paying Agent

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

Fax: + 44 (0) 20 7508 3875
Attention: Agency and Trust - SFS Operations

Covered Bondholders whose Series 2017-1 Covered Bonds are held by Euroclear or Clearstream, Luxembourg should contact the Tabulation Agent at the address details above for further information on how to vote at the Meeting.

ANNOUNCEMENTS

If the Issuer is required to make an announcement relating to matters set out in this Notice, any such announcement will be made as soon as is reasonably practicable in accordance with all applicable rules and regulations via notices to the Clearing Systems for communication to Covered Bondholders and an announcement released on the regulatory news service of the London Stock Exchange.

This Notice is given by:
TSB BANK PLC

Dated 12 May 2020

ANNEX A

COMPOUNDED DAILY SONIA

SONIA

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the applicable Final Terms as being SONIA, the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as indicated in the applicable Final Terms) the Margin.

Compounded Daily SONIA means the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) as at the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

d is the number of calendar days in the relevant Interest Period;

d₀ is the number of London Banking Days in the relevant Interest Period;

i is a series of whole numbers from one to d₀, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period;

London Banking Day or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

n_i, for any day "i", means the number of calendar days from and including such day "i" up to but excluding the following London Banking Day;

Observation Period means the period from and including the date falling "p" London Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

p means for any Interest Period, the number of London Banking Days included in the Observation Period, as specified in the applicable Final Terms;

the **SONIA reference rate**, in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if

the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following such London Banking Day); and

SONIA_{i-pLBD} means, in respect of any London Banking Day falling in the relevant Observation Period, the SONIA reference rate for the London Banking Day falling “p” London Banking Days prior to the relevant London Banking Day “i”.

If, in respect of any London Banking Day in the relevant Observation Period, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England’s Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), but without prejudice to Condition 14.3 (Additional Right of Modification and Waiver), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 9, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

ANNEX B

MARGIN ADJUSTMENT

Rationale for the Proposal

The pricing methodology proposed for the amendment of the Margin on conversion of the Interest Basis from LIBOR to SONIA uses only market observable screen spot rates.

The date from which the proposed change in reference rate is to occur will be the Effective Date (which shall be 8 June 2020 in the case of the Consent Conditions being satisfied at the initial Meeting) , except where there is an adjournment of the Meeting, in which case the Effective Date will be the first Interest Payment Date following the satisfaction of the Consent Conditions.

The determination of the relevant market observable screen spot rates will take place at or around 2 p.m. London time (the **Pricing Time**) on 3 June 2020 (the **Pricing Date**, except where there is an adjournment of the Meeting, in which case the Pricing Date will be specified in the notice of the adjourned Meeting). This is to ensure that the Pricing Date is as close as possible to the Effective Date whilst allowing sufficient time for the necessary changes to be implemented following the determination of the Adjusted Margin.

For the avoidance of doubt, the reference rate applicable to the Series 2017-1 Covered Bonds up to but excluding the Effective Date will continue to be LIBOR.

If there is an adjourned Meeting, the LIBOR vs SONIA Interpolated Basis and/or the Adjusted Margin may be different to the amounts which would be calculated if the Extraordinary Resolution was passed (and the Eligibility Condition was satisfied) at the initial Meeting. In particular, the new Adjusted Margin will be the sum of (i) LIBOR vs SONIA Interpolated Basis, (ii) 0.24 per cent. and (iii) in the case of the Consent Conditions being satisfied at an adjourned meeting, a forward adjustment spread to be determined by the Solicitation Agent at its sole discretion (the **Forward Adjustment Spread**). The Forward Adjustment Spread will be determined at the same time that the LIBOR vs SONIA Interpolated Basis is determined on the Pricing Date and announced in conjunction with the publication of the LIBOR vs SONIA Interpolated Basis.

Notwithstanding the provisions for determining a Forward Adjustment Spread in a connection with an adjourned Meeting, if the initial Meeting is adjourned for want of quorum, the Issuer may still elect to terminate the Consent Solicitation prior to the adjourned Meeting with the result that the Covered Bond Proposal (including with respect to the determination of any Forward Adjustment Spread) is not adopted (as implementation of the Extraordinary Resolution is conditional on the Consent Solicitation not having been terminated) (see *Section 5 "Amendment and Termination"* of the Consent Solicitation Memorandum).

The Margin Adjustment

The Rate of Interest for the Bonds to be determined on the Pricing Date and effective on the Effective Date will be equal to Compounded Daily SONIA plus the Margin, as adjusted as follows (the **Adjusted Margin**):

- A. the sum of 0.24 per cent. (the **Margin**); *plus*
- B. the LIBOR vs SONIA Interpolated Basis, and
- C. in the case of the Consent Conditions being satisfied at the adjourned Meeting, the Forward Adjustment Spread,

where:

B. LIBOR vs SONIA Interpolated Basis is a number of basis points rounded to the nearest 0.1 basis points (with 0.05 basis points rounded upwards) as calculated by the Solicitation Agent on the Pricing Date by means of linear interpolation to the Final Maturity Date of the 2 Year LIBOR vs SONIA Basis v the 3 Year LIBOR vs SONIA Basis, as follows:

On the Pricing Date the Solicitation Agent will determine:

- (a) the 2 Year LIBOR vs SONIA Basis (as quoted on the Bloomberg page ICAB21 at or around the Pricing Time, or such other page as may replace it on that information service, or on such similar or replacement service as may be determined by the Solicitation Agent); and
- (b) the 3 Year LIBOR vs SONIA Basis (as quoted on the Bloomberg page ICAB21 at or around the Pricing Time or such other page as may replace it on that information service, or on such similar or replacement service as may be determined by the Solicitation Agent).

Thereafter the Solicitation Agent will calculate the linear interpolation for the LIBOR vs SONIA Interpolated Basis to the Final Maturity Date of the Bonds by:

- (i) subtracting (a) above from (b) above and multiplying the result of such subtraction by the Maturity Weight (and rounding the result of such multiplication to the nearest 0.1 basis points, with 0.05 basis points rounded upwards); and
- (ii) adding (a) to the result calculated in accordance with sub-paragraph (i),

For the purposes of this calculation:

Maturity Weight means the amount, expressed as a percentage, calculated by dividing the actual number of days from (and including) the date falling exactly 2 years after the Pricing Date to (but excluding) the Final Maturity Date of the Bonds by 365.

The Adjusted Margin and the LIBOR vs SONIA Interpolated Basis will be announced to Covered Bondholders in accordance with Condition 13 (*Notices*) as soon as practicable following the Pricing Time on the Pricing Date.

The detailed provisions relating to the calculation of Compounded Daily SONIA are set out in the Amendment Documents.