



TSB Bank plc

(incorporated under the laws of Scotland with registered number SC095237))

£5,000,000,000 Global Covered Bond Programme

This Supplement (the “**Supplement**”) to the Base Prospectus dated 14 September 2022 (the “**Base Prospectus**”, which definition includes the Base Prospectus and all information incorporated by reference therein), which constitutes a base prospectus in respect of all Covered Bonds for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”), constitutes a supplementary prospectus in respect of all Covered Bonds for the purposes of Article 23 of the UK Prospectus Regulation and is prepared in connection with the £5,000,000,000 Global Covered Bond Programme (together, the “**Programme**”) established by TSB Bank Plc (the “**Issuer**”) Terms defined in the Base Prospectus have the same meaning when used in this Supplement (unless otherwise defined in this Supplement).

The Issuer and TSB Covered Bonds LLP (the “**LLP**”) each accept responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and the LLP, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Base Prospectus, this Supplement and the documents incorporated by reference in the Base Prospectus may be obtained (without charge) from the Company’s website at <https://www.tsb.co.uk/investors/debt-investors/> and the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-newshome.html.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and the documents incorporated therein. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference in, the Base Prospectus, the statements in (a) above will prevail.

This Supplement has been approved by the Financial Conduct Authority (“**FCA**”), as competent authority under the UK Prospectus Regulation, as a supplement to the Base Prospectus in compliance with the UK Prospectus Regulation. The FCA only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuer and/or the LLP or of the quality of the Covered Bonds that are the subject of this Supplement.

Save as disclosed in this Supplement, no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus has arisen, or been noted, as the case may be, since the publication of the Base Prospectus.

The purpose of this Supplement is to:

- (a) incorporate by reference into the Prospectus the Issuer’s 2022 Annual Report and Accounts (as defined below), which were published via the RNS (RNS Number: 57920) on 1 February 2022;
- (b) to update the risk factor entitled “*The Group faces risks associated with its operations’ compliance with a wide range of laws and regulations*”;
- (c) to update the “*Litigation*” paragraph contained in the section headed “*General Information*”; and
- (d) to update the “*Significant or Material Change*” paragraph contained in the section headed “*General Information*” of the Issuer and its subsidiary and associated undertakings (the **Group**).

A. DOCUMENTS INCORPORATED BY REFERENCE

By virtue of this Supplement, the Issuer's Annual Report and Accounts 2022 including the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2022, together with the audited report thereon, as set out on pages 28 to 85 and 86 to 93 respectively, (the "**Issuer's 2022 Annual Report and Accounts**"), which has previously been filed with the Financial Conduct Authority shall be deemed to be incorporated in, and form part of, the Base Prospectus and supplement the section entitled "*Documents Incorporated by Reference*" on pages 16 to 17 of the Prospectus.

Any documents themselves incorporated by reference in the Issuer's Annual Report and Accounts 2022 shall not form part of the Base Prospectus.

B. AMENDMENT TO THE RISK FACTORS

The risk factor entitled "*The Group faces risks associated with its operations' compliance with a wide range of laws and regulations*" on pages 46 to 49 of the Base Prospectus is hereby deleted and replaced with the following:

"The Group faces risks associated with its operations' compliance with a wide range of laws and regulations"

The Group's operations must comply with numerous laws and regulations and, consequently, it faces risks, including but not limited to:

- continued high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians; the FCA in particular continues to focus on retail conduct risk issues, as well as conduct of business activities through its supervision activity;
- the possibility of alleged mis-selling of financial products or the mishandling of complaints, or alleged harm to customers, related to the sale or servicing of such products by or attributed to an employee of the Group may result in disciplinary action or requirements to amend sales or servicing processes, withdraw products or provide restitution to affected customers, all of which may require additional provisions;
- certain aspects of the Group's business may be determined by the relevant authorities, the Financial Ombudsman Service ("FOS") or the courts not to have been conducted in accordance with applicable local or, potentially, overseas laws or regulations or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- a potential failure of processes, systems or security may expose the Group to heightened financial crime and/or fraud risk; the PRA, the Bank of England and the FCA continue to focus on the operational resilience of firms and financial markets infrastructures;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the intellectual property of the Group (including trade marks) may not be adequately protected or enforceable, and the conduct of the Group's business may infringe the intellectual property of third parties;
- the Group may be liable for damages to third parties harmed by the conduct of its business and the Group's own business or reputation could be impacted where it has engaged a third party and there is a failure in the processes, security or systems of such third party; and
- regulatory proceedings and private litigation may arise out of regulatory investigations, enforcement actions or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions.

The Group's failure to comply with applicable laws and regulations could lead to various risks for the Group including increased provisions, substantial monetary damages and/or fines. For example, in December 2022, the Issuer was fined a total of £48.65 million by the FCA and the PRA for operational risk management and governance failures surrounding the Group's migration of its information technology system in April 2018.

Also, during 2020, management and the FCA commenced a skilled person review of support treatments offered to some customers who are, or were, in arrears and being serviced by the Issuer's collections and recoveries department which has identified potentially impacted customers over a period from 2013 to 2020 who may have suffered either financial loss or distress and inconvenience. While the review is not yet complete, the assessment of the potential cost of customer redress, including compensatory interest, and related operational costs was refined during 2022. The remaining costs of redress that are yet to be incurred are estimated to lie within a range of £66.5 million to £68.4 million. A provision of £69.4 million is carried and is expected to be largely utilised over the next 12 months, partially offset by a recoverable amount of £2.3 million.). The key judgements to which the estimate is sensitive, and which are the primary drivers of the £1.9 million range in estimated cost, relate to estimates of the degree to which previously applied fees and charges have been already refunded resulting in a reduction in estimated costs. The FCA investigation into the potential conduct related matters in the Issuer's collection and recoveries department is continuing. It is not, however, currently possible to conclude if any regulatory penalty will be levied, or the timing of any potential penalty, and therefore no costs for an estimated regulatory penalty have been recognised in the 2022 financial statements of the Group.

More broadly, the Group may be subject to other complaints and threatened or actual legal proceedings brought by customers that may lead to customer redress obligations, other penalties and injunctive relief, civil or private litigation arising out of a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions on the Group's business. For example, the Group is currently managing certain customer complaints, court claims and an application for a group litigation order in relation to the case management of those claims, relating to the portfolio of ex-Northern Rock residential mortgages (and linked unsecured loans) acquired from Cerberus Capital Management group (the "**Whistletree Portfolio**"). The Group intends to defend the claims and the application for a group litigation order rigorously. In addition, following an FCA request for the Group to carry out an internal review into the fair treatment of customers in the Whistletree Portfolio, the Group has identified that a provision of £7 million is required for rectifying customers where they potentially experienced barriers to completing a product transfer or to completing such transfer on a timely basis.

Provisions included within the published financial statements of the Group for ongoing legal or regulatory matters have been recognised, in accordance with UK IAS 37 ("**Provisions, Contingent Liabilities and Contingent Assets**"), as the best estimate of the expenditure required to settle the obligation as at the reporting date. Such estimates may be material, difficult to quantify and uncertain. Amounts which the Group is eventually liable to pay may be materially different to the amount of provisions set aside to cover such risks, or existing provisions may need to be materially increased to cover such risk or in response to changing circumstances.

Provisions have not been taken where no obligation has been established, whether associated with a known or potential future litigation (including as a result of claims management activity), regulatory or FOS matter. Accordingly, an adverse decision in any such matters could result in significant losses to the Group which have not been provided for. Such losses would have an adverse impact on the Group's business, financial condition and results of operations.

Due to the Lloyds Separation, the Group is also subject to the risk of potential customer complaints, claims, regulatory actions and/or losses in relation to historic breaches or alleged breaches of applicable laws or regulation from prior to the Lloyds Separation. At the time of the Lloyds Separation, Lloyds Banking Group provided an indemnity in respect of such claims (the "**Conduct Indemnity**"). Whilst the Conduct Indemnity has not expired, claims by the Group under the indemnity are subject to certain conditions including but not limited

to an obligation for the Group to mitigate any potential losses that might fall within the scope of the Conduct Indemnity. The Conduct Indemnity does not cover any complaints, claims, or regulatory actions and/or losses in relation to historic breaches or alleged breaches of applicable laws or regulation arising in respect of the Whistletree Portfolio. The obligation to mitigate becomes increasingly relevant as more time elapses from the date of the Lloyds Separation and the date of any claim. Consequently, the Group is subject to the increasing risk that historic claims, complaints or regulatory action which arise from relevant acts or omissions prior to the Lloyds Separation, may not be covered by the Conduct Indemnity.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes that it has no liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Group does not believe that it is legally compelled to do so. Failure to manage these risks adequately could materially affect the Group, both financially and in terms of its reputation.

All of the above risks, should they materialise, could have a negative effect on the Group's reputation and the confidence of its customers in the Group, as well as taking a significant amount of management time and resources away from the implementation of the Group's strategy and could have an adverse impact on the Group's business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds."

C. LITIGATION STATEMENT

The wording "the risk factor entitled "*The Group faces risks associated with its operations' compliance with a wide range of laws and regulations*" on pages 48 to 50 of this Base Prospectus" in paragraph 1 of the section headed "Litigation" on page 278 of the Base Prospectus shall be deleted and replaced with "the risk factor entitled "*The Group faces risks associated with its operations' compliance with a wide range of laws and regulations*" on pages 46 to 49 of this Base Prospectus" and such wording shall be deemed to be reference to such risk factor as amended by this Supplement.

D. SIGNIFICANT OR MATERIAL CHANGE

The first paragraph in the under the section headed "*Significant or Material Change*" on page 278 of the Base Prospectus shall be deemed deleted and replaced with the following:

"There has been no significant change in the financial performance and financial position of the Group since 31 December 2022, the date to which the Issuer's last published audited financial information (as set out in the Issuer's 2022 Annual Report and Accounts) was prepared. There has been no material adverse change in the prospects of the Group since 31 December 2022, the date to which the Issuer's last published audited financial information (as set out in the Issuer's 2022 Annual Report and Accounts) was prepared."