

# Notice of 2015 Annual General Meeting

The first Annual General Meeting of TSB Banking Group plc will be held at the offices of CMS at Cannon Place, 78 Cannon Street, London EC4N 6HL on Wednesday, 22 April 2015 at 10.30am.

TSB Banking Group plc (Registered in England and Wales Company Number 08871766)

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## **This document is important and requires your immediate attention**

If you are in any doubt as to what action you should take, you are recommended to seek your own independent financial advice from your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have recently sold or transferred all of your shares in TSB Banking Group plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so that they can pass these documents to the person who now holds the shares.

# Chairman's letter



**I am pleased to welcome you as shareholders in TSB Banking Group plc and to invite you to the first Annual General Meeting (AGM) of the Company which will be held at the offices of CMS at Cannon Place, 78 Cannon Street, London EC4N 6HL on Wednesday, 22 April 2015 at 10.30am.**

## Dear shareholder,

TSB is one of the biggest new names in UK banking and occupies a unique market position in retail banking as a UK-only values led challenger brand with the capabilities of a large established bank. In fact, TSB is not new at all; 200 years ago the Reverend Henry Duncan did something revolutionary. He created a bank for hard working local people. He believed then that a safe, straightforward bank wouldn't just help each and every saver, but would introduce wider financial stability to the community they all lived in, creating a stronger local economy. We believe everything Henry Duncan stood for then still holds true today.

Our strategy is to grow by using our strong mobile and online banking facilities, our nationwide network of branches, our full range of retail banking products, the scalability of our IT platform and an increasingly differentiated service delivered by our Partners. We want to provide great banking to more people.

### Resolutions to be put to the meeting

The Notice of Meeting is set out on pages 4 to 14 of this document and a copy of the 2014 Annual Report is enclosed together with a Form of Proxy (Form) to enable you to exercise your voting rights. An explanation of each Resolution can be found directly below the relevant Resolution.

### Election and re-election of Directors

The UK Corporate Governance Code 2012 (Code) provides that all Directors stand for annual re-election. In keeping with the Board's aim of following best corporate governance practice, all of the Executive and Non-executive Directors will retire and, with the exception of Godfrey Robson, will stand for election or re-election at the AGM. As recently announced, Godfrey will not seek re-election as a Non-executive Director at the Company's 2015 AGM and will step down from our Board at that time. Godfrey's association with TSB has spanned 14 years, having first been appointed to the Board of TSB Bank plc (Bank), then known as Lloyds TSB Scotland plc, in 2001.

The Board would like to thank Godfrey for his significant contribution to the build of TSB and to the Company's successful IPO in 2014. Godfrey has made a major contribution to the Company during his time on its Board and that of the Bank. Godfrey has provided invaluable support and insight to the Company's Board in the period since IPO and we wish him well in his future endeavours.

At the date of this circular Lloyds Banking Group plc is considered to be a controlling shareholder for the purposes of the UK Listing Rules. As such the election of the Independent Non-executive Directors (Resolutions 9–13) must be approved by both a majority of the shareholders of the Company and the independent shareholders of the Company (that is those shareholders of the Company who are entitled to vote on the election of Directors who are not controlling shareholders of the Company). Information regarding the Independent Non-executive Directors and how voting on these Resolutions will be carried out is set out on pages 9 to 12 of this circular.

#### **Voting arrangements – action to be taken**

If you cannot attend the AGM, you may appoint a proxy by completing and returning the enclosed Form. Alternatively, you may appoint a proxy electronically via [www.sharevote.co.uk](http://www.sharevote.co.uk). In order to be valid, notice of your appointment of a proxy should be completed and returned in accordance with the instructions provided on the reverse of the Form to the Company's registrar, Equiniti, as soon as possible but in any event so as to arrive no later than 10.30am on Monday, 20 April 2015.

Each of the Resolutions to be considered at the AGM will be voted on by way of a poll. This ensures that shareholders who are not able to attend the AGM, but who have appointed proxies, have their votes fully taken into account. As soon as practicable after the conclusion of the AGM, the results of the polls and the numbers of proxy votes cast for and against and the numbers of votes actively withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service and published on the Company's website ([www.tsb.co.uk](http://www.tsb.co.uk)).

#### **Recommendation**

Your Board considers that all of the Resolutions in the Notice of Meeting are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of all the proposed Resolutions.

Yours sincerely



**Will Samuel**  
Chairman

# Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting (AGM) of TSB Banking Group plc will be held on Wednesday, 22 April 2015 at 10.30am at the offices of CMS at Cannon Place, 78 Cannon Street, London EC4N 6HL to consider, and if thought fit, to pass the Resolutions set out below.

Resolutions 1–17 (inclusive) are proposed as Ordinary Resolutions. For each of these to be passed, more than

half of the votes cast must be in favour of the Resolution. Resolutions 18–20 are proposed as Special Resolutions. For each of these Resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Explanatory notes to each Resolution are included in this Notice below each Resolution. Voting on all Resolutions will be by way of a poll.

## Ordinary Resolutions

### Annual accounts

#### Resolution 1

To receive, consider and adopt the Company's Accounts and Reports for the period to 31 December 2014 (2014 Annual Report).

#### Explanation

The Directors are required to present the Company's Accounts and Reports to the meeting. These are contained in the 2014 Annual Report.

### Directors' remuneration policy

#### Resolution 2

To approve the Directors' Remuneration Policy, in the form set out on pages 59 to 67 of the 2014 Annual Report.

#### Explanation

The Directors' Remuneration Policy explains the Company's proposed policy for Directors' remuneration, including the setting of the Directors' pay and the granting of share awards. If approved by shareholders the policy will take effect immediately after the conclusion of the AGM on 22 April 2015. Any payment not in line with the approved Directors' Remuneration Policy will require a separate Ordinary Resolution to be put to a general meeting.

If the Directors' Remuneration Policy is approved and remains unchanged, it will be valid for at least one year, but no more than three years, without a new shareholder approval. If the Company wishes to change the Directors' Remuneration Policy, it will need to put the revised policy to a vote again before it can implement the new policy. If the Directors' Remuneration Policy is not approved by shareholders then, to the extent permitted by the Companies Act 2006, the Company will continue to make payments to Directors in accordance with existing contractual arrangements and will seek shareholder approval for a revised policy as soon as is practicable.

### Annual report on remuneration

#### Resolution 3

To approve the Annual Report on Remuneration, in the form set out on pages 68 to 78 of the 2014 Annual Report.

#### Explanation

This Resolution seeks shareholder approval for the Annual Report on Remuneration which is set out on pages 68 to 78 of the 2014 Annual Report. The Annual Report on Remuneration gives details of the payments and share awards made to the Directors in connection with their performance and that of the Company during the year ended 31 December 2014. Resolution 3 is an advisory Resolution and does not affect the future remuneration paid to any Director.

### Election or re-election of Directors

The UK Corporate Governance Code 2012 (Code) provides for all directors of FTSE 350 companies to be subject to re-election by the shareholders every year. In keeping with the Board's aim of following best corporate governance practice, all Directors, with the exception of Godfrey Robson, will stand for election or re-election.

The Board is satisfied with the contribution of all Directors and that each Director's performance continues to be effective and demonstrates commitment to the role. The biographies for each of the Directors seeking election or re-election can be found on pages 10 to 12 of this circular.

#### Resolutions 4–8: election or re-election of Non-independent Directors

Resolutions 4–8 (inclusive) relate to the election or re-election of Directors whom the Board considers to not be independent for the purposes of the Code. The Non-independent Directors seeking election or re-election are: Will Samuel, Paul Pester, Darren Pope, Norval Bryson and Mark Fisher.

**Chairman**

Although Will Samuel was independent on appointment as the Chairman of the Company, in accordance with the Code, he is not treated as an Independent Non-executive Director following his appointment.

**Executive Directors**

The Executive Directors, Paul Pester and Darren Pope, are not independent due to the executive nature of their roles.

**Non-independent Non-executive Directors**

Norval Bryson is currently Deputy Chairman of Scottish Widows Group Limited, which is a subsidiary of Lloyds Banking Group plc. He has served as a Non-executive Director of TSB Bank plc (formerly Lloyds TSB Scotland plc) since June 2013. Due to his relationship with the Company's controlling shareholder, and his longstanding relationship with TSB, he is not considered to be independent.

Mark Fisher was previously Chairman of TSB Bank plc and is the Lloyds Banking Group plc nominee Director on the Company's Board. Accordingly, he is not considered to be independent.

**Resolution 4**

To re-elect Will Samuel as a Director of the Company

**Resolution 5**

To re-elect Paul Pester as a Director of the Company

**Resolution 6**

To re-elect Darren Pope as a Director of the Company

**Resolution 7**

To re-elect Norval Bryson as a Director of the Company

**Resolution 8**

To elect Mark Fisher as a Director of the Company

## Election of Independent Non-executive Directors

**Resolutions 9–13: election of Independent Non-executive Directors**

Resolutions 9–13 (inclusive) relate to the election of Philip Augar, Prof Dame Sandra Dawson, Alexandra Kinney Pritchard, Stuart Sinclair and Polly Williams, who are the Directors that the Board has determined are Independent Non-executive Directors for the purposes of the Code. Further information relating to the Independent Non-executive Directors and how voting on these Resolutions will be carried out, can be found on pages 9 to 12 of this circular.

**Resolution 9**

To elect Philip Augar as a Director of the Company

**Resolution 10**

To elect Prof Dame Sandra Dawson as a Director of the Company

**Resolution 11**

To elect Alexandra Kinney Pritchard as a Director of the Company

**Resolution 12**

To elect Stuart Sinclair as a Director of the Company

**Resolution 13**

To elect Polly Williams as a Director of the Company

## Re-appointment of External Auditor

**Resolution 14**

To re-appoint PricewaterhouseCoopers LLP as the Company's External Auditor to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company.

**Explanation**

At each meeting at which the Company's accounts are presented to its members, the Company is required to appoint an External Auditor to serve until the next such meeting. The Board, following the recommendation of the Audit Committee, proposes the re-appointment of PricewaterhouseCoopers LLP. For information of the Audit Committee's assessment of the relationship with the External Auditor please refer to pages 52 and 53 of the 2014 Annual Report.

## External Auditor remuneration

**Resolution 15**

To authorise the Directors to agree the remuneration of the External Auditor.

**Explanation**

This Resolution gives authority to the Directors to determine the External Auditor's remuneration.

## Political donations

**Resolution 16**

THAT in accordance with sections 366 and 367 of the Companies Act 2006 (Act), the Company and any company which is a subsidiary of the Company at any time during the period for which this Resolution is effective are generally and unconditionally authorised to:

- make political donations to political parties and/or independent election candidates not exceeding £100,000,
- make political donations to political organisations other than political parties not exceeding £100,000, and
- incur political expenditure not exceeding £100,000,

# Ordinary Resolutions

provided that the aggregate of (a), (b) and (c) shall not exceed £100,000. This authority will commence on the date of the passing of this Resolution and expires at the conclusion of the 2016 AGM or 30 June 2016, whichever is sooner.

For the purposes of this Resolution the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by sections 363 to 365 of the Act.

## Explanation

Under the Act, political donations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. The meaning of 'political' in the legislation can be widely interpreted and may include sponsorship, subscriptions, payment of expenses, and support for bodies representing the business community in policy review or reform.

The Company has not made any political donation in the past, and has no intention of making any political donation to a political party or incurring any political expenditure in the future. However, the Board has decided to propose Resolution 16 in order to allow the Company to continue to support the community and put forward its views to wider business and government bodies without running the risk of being in breach of the law. Resolution 16 also covers any 'political' donations or expenditure incurred by any subsidiaries of the Company and caps the amount at £100,000 in aggregate.

This authority will cover the period from the date that Resolution 16 is passed until the end of the next AGM or, if earlier, 30 June 2016.

## Authority to allot Ordinary Shares

### Resolution 17

THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (Act) to exercise all the powers of the Company to allot Ordinary Shares of £0.01 each (Ordinary Shares) in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary Shares in the Company:

- (a) up to an aggregate nominal amount of £1,666,666 (being 166,666,666 Ordinary Shares); and
- (b) up to a further aggregate nominal amount of £1,666,666 (being 166,666,666 Ordinary Shares) provided that (i) they are equity securities (within the meaning of section 560(1) of the Act) and (ii) they are offered by way of a rights issue to holders of Ordinary Shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as

may be practicable) to the respective numbers of Ordinary Shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of Ordinary Shares being represented by depositary receipts or any other matter,

provided that this authority shall expire at the end of the next AGM of the Company or, if earlier, on 30 June 2016, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require Ordinary Shares to be allotted or such rights to be granted after such expiry and the Directors shall be entitled to allot Ordinary Shares and grant rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot Ordinary Shares and grant rights be and are hereby revoked.

## Explanation

The Investment Association (IA) guidelines on Directors' authority to allot Ordinary Shares state that IA members will regard as routine Resolutions seeking authority to allot Ordinary Shares representing up to two-thirds of the Company's issued share capital, provided that any amount in excess of one-third of the Company's issued share capital is only used to allot Ordinary Shares pursuant to a fully pre-emptive rights issue. In light of these guidelines, the Board considers it appropriate that Directors be granted authority to allot Ordinary Shares in the capital of the Company up to a maximum nominal amount of £3,333,332, representing the IA guideline limit of approximately two-thirds of the Company's issued ordinary share capital as at 20 February 2015 (the latest practicable date prior to publication of this notice). Of this amount, a nominal amount of £1,666,666, representing approximately one-third of the Company's issued ordinary share capital, can only be allotted pursuant to a rights issue.

These authorities will expire at the earlier of 30 June 2016 and the conclusion of the Company's next AGM. It is the intention of the Directors to seek renewal of each of these authorities every year.

The Directors have no present intention of allotting new Ordinary Shares. However, the Directors consider it appropriate to maintain the flexibility that this authority provides. The Company in any event has entered into certain lock-up arrangements in connection with the underwriting agreement for the Company's IPO, by which it has agreed subject to certain exceptions not to offer or issue Ordinary Shares for a period of 365 days from 25 June 2014, being the date of the Company's Admission to the London Stock Exchange.

# Special Resolutions

## Authority to dis-apply pre-emption rights

### Resolution 18

THAT the Directors be and they are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 (Act) to allot equity securities (within the meaning of section 560 of the Act) for cash either pursuant to the authority conferred by Resolution 17 above or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 17 above by way of rights issue only) in favour of the holders of Ordinary Shares of £0.01 each (Ordinary Shares) on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of Ordinary Shares being represented by depositary receipts or any other matter; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) of this Resolution 18) to any person or persons of equity securities up to an aggregate nominal amount of £250,000 (being 25,000,000 Ordinary Shares),

and shall expire upon the expiry of the general authority conferred by Resolution 17 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

### Explanation

Resolution 18 gives the Directors authority to allot Ordinary Shares in the capital of the Company, pursuant to the authority granted under Resolution 17 above, for cash without complying with the pre-emption rights in the Act in certain circumstances. In line with the IA guidelines described in relation to Resolution 17 above and with the Pre-emption Group's Statement of Principles, this authority will permit the Directors to allot:

- Ordinary Shares up to a nominal amount of £3,333,332, representing two-thirds of the issued share capital of the Company as at 20 February 2015 (the latest practicable date prior to publication of this notice), pursuant to an offer to existing shareholders on a pre-emptive basis, with one-third being available for any offer on a pre-emptive basis (that is including a rights issue or open offer) and one-third being available only in connection with a rights issue, in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors may decide; and
- Ordinary Shares up to a maximum nominal value of £250,000, representing 5% of the issued share capital of the Company as at 20 February 2015 (the latest practicable date prior to publication of this notice) otherwise than in connection with a pre-emptive offer to existing shareholders.

It is the Directors' intention to adhere to the provisions of the Pre-emption Group's Statement of Principles not to allot shares on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company over a three year rolling period, without prior consultation with shareholders.

These authorities will expire at the earlier of 30 June 2016 or the conclusion of the Company's next AGM. It is the intention of the Directors to seek to renew this authority every year.

## Authority to purchase own shares

### Resolution 19

THAT the Company be generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 (Act) to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of £0.01 each (Ordinary Shares) in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:

- (a) the maximum number of Ordinary Shares which may be purchased is 49,950,000;
- (b) the minimum price, exclusive of any expenses, which may be paid for each Ordinary Share is £0.01; and
- (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to the higher of:

## Special Resolutions

- i. 105% of the average closing price of an Ordinary Share, as derived from the London Stock Exchange Daily Official List for the five business days prior to the day on which such share is contracted to be purchased; and
- ii. an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 19 will be carried out, as stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation (No. 2273/2003),

such authority to expire on the date of the next AGM of the Company or on 30 June 2016, whichever is the earlier, but, in each case, save that the Company may, before such expiry, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

### Explanation

This Resolution would, if passed, authorise the Company to make market purchases of up to 49,950,000 of its own Ordinary Shares, representing just under 10% of the Company's issued ordinary share capital as at 20 February 2015. The Resolution specifies the minimum and maximum prices at which the Ordinary Shares may be bought under this authority.

This authority will expire at the conclusion of the Company's next AGM or on 30 June 2016, whichever is the earlier. It is the intention of the Directors to seek to renew this authority every year.

The Directors have no present intention of exercising the authority granted by this Resolution, but the authority provides the flexibility to allow them to do so in future. The Directors would not exercise the authority unless they believed that the expected effect would promote the success of the Company for the benefit of its shareholders as a whole. Ordinary Shares purchased would be effected by a purchase in the market. Any Ordinary Shares purchased in this way would be cancelled, unless the Directors determined that they were to be held as treasury shares, and the number of Ordinary Shares in issue would be reduced accordingly. The Company currently has no Ordinary Shares held in treasury.

Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares while they are held in treasury and no voting rights attach to treasury shares.

On 20 February 2015 (the latest practicable date prior to the publication of this notice), the total number of options to subscribe for Ordinary Shares in the Company amounted to 6,198,694. This represented 1.24% of the Company's issued ordinary share capital (excluding treasury shares) on that date. If this authority to purchase shares was exercised in full the options would represent 1.38% of the issued ordinary share capital (excluding treasury shares) as at 20 February 2015. The Company does not have any outstanding share warrants or shares held in treasury as at 20 February 2015.

## Notice of general meetings held on not less than 14 clear days notice

### Resolution 20

THAT a general meeting, other than an AGM, may be called on not less than 14 clear days' notice.

### Explanation

Under UK Company Law, a general meeting, other than an AGM may be called on 14 clear days' notice with shareholder approval; otherwise 20 clear days' notice is required. In order to preserve this flexibility, Resolution 20 seeks the necessary shareholder approval, which will be effective until the Company's next AGM, when it is intended that a similar Resolution will be proposed.

In order to be able to call a general meeting on less than 21 clear days' notice, the Company must also make a means of electronic voting available to all shareholders for that meeting. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the competitive business advantage of the Company for the benefit of shareholders as a whole.

By order of the Board



**Susan Crichton**  
Company Secretary  
24 February 2015

TSB Banking Group plc  
Registered office – 20 Gresham Street, London EC2V 7JE

# Additional information about the Independent Non-executive Directors seeking election

In accordance with the new requirements under the UK Listing Authority's Listing Rules (Rules 9.2.2ER and 9.2.2FR), which apply to companies with a controlling shareholder, the Company is required to provide certain information in relation to the proposed election of Philip Augar, Prof Dame Sandra Dawson, Alexandra Kinney Pritchard, Stuart Sinclair and Polly Williams, being the Independent Non-executive Directors. This information is set out below.

## Independence

The Nomination Committee considers the independence of the Independent Non-executive Directors at least annually. When doing so the Committee takes into account whether the Directors remain independent in character and judgement, and whether there are any relationships or circumstances that are likely to affect, or could appear to affect, the Director's judgement.

Each Independent Non-executive Director has not:

- been an employee of the Company or Group within the last five years;
- had a material business relationship with the Company within the last three years;
- received additional remuneration from the Company apart from a Director's fee;
- had or does not have close family ties with any of the Company's advisers, Directors or senior employees;
- held or does not hold cross-Directorships or have significant links with other Directors;
- represented a significant shareholder; or
- served on the Board for more than nine years from the date of their first election.

## Relationships, transactions or arrangements

The Company has received confirmation from each of the Independent Non-executive Directors who are seeking election that there is no existing or previous relationship, transaction or arrangement that they have or have had with the Company, its Directors, any controlling shareholder or any associate of a controlling shareholder.

## Effectiveness

The Independent Non-executive Directors bring a wide range of experience and expertise to the Group's affairs, and provide significant input to the Board's discussions. The Board considers that each of the Independent Non-executive Directors continues to make a valued contribution through their experience, expertise and background.

## Selection process

All the Independent Non-executive Directors were appointed to the Board prior to the Company's listing and before the formation of the Nomination Committee. As noted in the 2014 Annual Report Korn Ferry Whitehead Mann was engaged to assist with the recruitment of the Board.

The Nomination Committee will lead the Board appointment process for future appointments of new Directors by establishing appropriate selection criteria and recommending

suitable candidates to the Board. In identifying candidates, the Nomination Committee would consider the balance of skills, knowledge, experience and diversity required on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. Candidates will be invited to interview based on merit and against objective criteria and with due regard for the benefits of diversity.

## Voting on Resolutions 9–13

Under the Listing Rules, because Lloyds Banking Group plc is currently a controlling shareholder of the Company (that is a person or group of people acting together who exercise or control more than 30% of the voting rights of the Company), the election or re-election of any Independent Non-executive Director by shareholders must be approved by a majority vote of both:

- (a) the shareholders of the Company; and
- (b) the independent shareholders of the Company (that is the shareholders of the Company entitled to vote on the election of Directors who are not controlling shareholders of the Company).

Resolutions 9–13 are therefore being proposed as Ordinary Resolutions which all shareholders may vote on. In addition the Company will separately count the number of votes cast by independent shareholders in favour of the Resolution (as a proportion of the total votes of independent shareholders cast on the Resolution) to determine whether the second threshold referred to in (b) above has been met. The Company will announce the results of the Resolutions on this basis as well as announcing the results of the Ordinary Resolutions of all shareholders.

Under the Listing Rules, if a Resolution to elect or re-elect an Independent Non-executive Director is not approved by a majority vote of both the shareholders as a whole and the independent shareholders of the Company at the AGM, a further Resolution may be put forward to be approved by the shareholders as a whole at a meeting which must be held more than 90 days after but within 120 days of the first vote. Accordingly, if any of Resolutions 9–13 are not approved by a majority vote of the Company's independent shareholders at the AGM, the relevant Director(s) will be treated as having been elected only for the period from the date of the AGM until the earlier of (i) the close of any general meeting of the Company, convened for a date more than 90 days after the AGM but within 120 days of the AGM, to consider a further Resolution to re-elect him or her; (ii) the date which is 120 days after the AGM and (iii) the date of any announcement by the Board that it does not intend to hold a second vote. In the event that the Director's re-election is approved by a majority vote of all shareholders at a second meeting, the Director will then be re-elected until the next AGM. Further information about these Directors is set out on pages 11 to 12 of this circular.

# Directors' biographies

## Will Samuel

**Role:** Chairman

### Skills and background

Will was appointed as Non-executive Chairman on 7 March 2014 bringing a wealth of experience of the banking sector and regulatory environment. He held senior leadership roles at Schroders plc and Schroder Salomon Smith Barney before joining Lazard & Co firstly as Vice Chairman and then Senior Advisor. Will was appointed as Senior Advisor to the Financial Services Authority (FSA) in 2012 and subsequently Senior Advisor to the Prudential Regulation Authority (PRA) before stepping down on appointment to TSB. Former Non-executive Director positions include Chairman of HP Bulmer plc, Deputy Chairman of Inchcape plc and Non-executive Director of the Edinburgh Investment Trust plc.

### Current external appointments

- Chairman of Howden Joinery Group plc
- Chairman of Ecclesiastical Insurance Group plc

### Committee Membership:

- Nomination Committee (Chair)

## Paul Pester

**Role:** Chief Executive Officer

### Skills and background

Paul was appointed as an Executive Director of the Company on 31 January 2014. Having joined Lloyds Banking Group in 2010 he was appointed Chief Executive Officer of the Verde programme in 2011 through which he led the development and establishment of the new TSB within Lloyds Banking Group. In 2013, Paul was appointed as Chief Executive Officer of TSB Bank plc and led the launch of the bank, its separation from Lloyds Banking Group and listing on the London Stock Exchange.

Prior to this Paul spent six years as the Group Chief Executive Officer at Virgin Money and two years working at Santander UK where he led the acquisition of Bradford & Bingley and the subsequent integration of Abbey, Alliance & Leicester and Bradford & Bingley to create a single UK business. His early career was spent in management consultancy, principally at McKinsey & Company.

## Darren Pope

**Role:** Chief Financial Officer

### Skills and background

Darren was appointed as an Executive Director of the Company on 31 January 2014. He joined Lloyds TSB in 2005 as Finance Director for the mortgage division where he was responsible for Europe's largest mortgage books on the acquisition of HBOS. It was from here that Darren was appointed to Project Verde where he led all aspects of the programme before moving in to the Chief Financial Officer role in 2011.

Darren started his career at Prudential plc where he led the development of the Prudential Bank which subsequently became Egg. As one of the founders of Egg, Darren served as the internet credit card and savings provider's UK Finance Director following its 2000 IPO.

## Norval Bryson

**Role:** Non-executive Director

### Skills and background

Norval joined the Board as a Non-executive Director on 31 January 2014. He is an actuary and currently Deputy Chairman of Scottish Widows Group Limited, a Trustee of the Church of Scotland Investors Trust and Deputy Chairman of St Columba's Hospice in Edinburgh. He has served as a Non-executive Director of TSB Bank plc (formerly Lloyds TSB Scotland plc) since June 2013 and also previously worked at the Scottish Provident Institution where he held various senior leadership positions including Deputy Group Managing Director and Group Finance Director.

### Current external appointments

- Deputy Chairman of Scottish Widows Group Limited
- Trustee of the Church of Scotland Investors Trust
- Deputy Chairman of St Columba's Hospice in Edinburgh
- Chairman, University of St Andrews Staff and Life Assurance Scheme
- Chairman, Scottish Widows Retirement Benefits Scheme

## Mark Fisher

**Role:** Non-executive Director

### Skills and background

Mark was appointed as a Non-executive Director at TSB on 27 June 2014 and was Chairman of TSB Bank plc until 13 February 2014. He is the Lloyds Banking Group nominee Director. He was Lloyds Banking Group Director of Group Operations where his responsibilities included running the Verde Programme, the programme establishing TSB as an independent business. He was also responsible for Group Integration and Group Simplification as well as being the Group's Executive Sponsor for disability.

Prior to joining Lloyds Banking Group, Mark was Chief Executive Officer of ABN AMRO and was appointed as Chairman of the Managing Board in November 2007. He also held leadership positions at RBS and NatWest.

### Current external appointments

– None

## Philip Augar

**Role:** Independent Non-executive Director

### Skills and background

Philip joined the Board as an Independent Non-executive Director on 16 May 2014. He is a Member of KPMG's Public Interest Committee and has held a variety of Non-executive positions including Board Member at the Home Office and the Department for Education and adviser on the banking crisis to the Scottish Parliament. He is also a member of the advisory board of New City Agenda. During his 20 year career in the City, he led NatWest's global equity and fixed income division and was Group Managing Director at Schroders with responsibility for the securities business. He has written several books and many articles on the City and related issues.

### Current external appointments

- KPMG's Public Interest Committee
- Advisory Board, New City Agenda

### Committee Membership

- Risk Committee
- Remuneration Committee
- Nomination Committee

## Prof Dame Sandra Dawson

**Role:** Independent Non-executive Director, Senior Independent Director

### Skills and background

Dame Sandra joined the Board on 16 May 2014. She brings a wealth of experience and knowledge gained through a broad range of activities, including research, education and financial services in commercial, public and charitable bodies. Former Non-executive Directorships include Barclays Bank plc, JP Morgan Fleming Claverhouse Investment Trust plc, the Financial Services Authority and Oxfam.

Dame Sandra was KPMG Professor of Management Studies at Cambridge Judge Business School from 1995 to 2013, Director of the School from 1995 to 2006 and Master of Sidney Sussex College Cambridge from 1999 to 2009. She was previously at Imperial College, University of London ultimately as Professor of Organisational Behaviour.

### Current external appointments

- Non-executive Director, Winton Capital Group
- Non-executive Director and Remuneration Committee Chair, DRS Data and Research Services plc
- Trustee/Non-executive Director, Institute for Government, Social Science Research Council USA and American University of Sharjah
- Member of the UK-India Round Table

### Committee Membership

- Remuneration Committee (Chair)
- Nomination Committee

## Alexandra Kinney Pritchard (Sandy Kinney)

**Role:** Independent Non-executive Director

### Skills and background

Sandy was appointed to the Board on 16 May 2014. She has had a distinguished career across the financial services industry. Prior to joining TSB she has been a Non-executive Director at Irish Life and Permanent TSB, Skipton Building Society and the Financial Services Compensation Scheme (FSCS). Sandy is an Accountant and was previously a Senior Partner at PricewaterhouseCoopers LLP (Head of European Strategic Performance Improvement).

### Current external appointments

- Non-executive Director, Findel plc
- Non-executive Director, MBNA Limited

### Committee Membership

- Risk Committee (Chair)
- Audit Committee

# Directors' biographies

## Stuart Sinclair

**Role:** Independent Non-executive Director

### Skills and background

Stuart was appointed to the Board on 16 May 2014. During his career he has gained significant experience in financial services in the UK and overseas having held senior leadership positions in several financial services companies including as Chairman of GE Capital Bank (UK), Chief Executive Officer of Tesco Personal Finance, Director of Virgin Direct and Director of Retail Banking at Royal Bank of Scotland.

### Current external appointments

- Senior Independent Non-executive Director at Swinton Insurance
- Senior Independent Non-executive Director, QBE Europe
- Non-executive Director, Provident Financial plc
- Non-executive Director, Vitality UK
- Council Member, Royal Institute of International Affairs (Chatham House).

### Committee Membership

- Audit Committee
- Risk Committee
- Nomination Committee

## Polly Williams

**Role:** Independent Non-executive Director

### Skills and background

Polly was appointed to the Board on 16 May 2014. She is a chartered accountant and former Partner at KPMG LLP. She resigned from her partnership in 2003 and has held a number of Non-executive Directorship roles, including at Worldspreads Group plc, APS Financial Limited and Z Group plc.

### Current external appointments

- Chairman, National Counties Building Society
- Non-executive Director, Daiwa Capital Markets Europe Ltd
- Non-executive Director, Scotiabank Ireland Limited
- Trustee of the Guide Dogs for the Blind Association

### Committee Membership

- Audit Committee (Chair)
- Risk Committee
- Remuneration Committee

# Administrative notes in connection with the AGM

## 1. Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00pm on Monday, 20 April 2015 (or, if the AGM is adjourned, at 6.00pm on the day two days (excluding non-working days) prior to the adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the AGM or adjourned meeting.

## 2. Appointment of proxies

Members who are entitled to attend and vote at the meeting are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes. All proxy appointments must be received no later than 10.30am on Monday, 20 April 2015, or, 48 hours (excluding non-working days) before the time of any adjournment of the AGM.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different Ordinary Shares. If a member wishes to appoint more than one proxy, they should contact the Registrar by telephone on 0871 384 2825 (UK only – calls to this number cost 8p per minute plus network extras) or +44 121 415 0830 (from outside the UK). Lines open 8.30am to 5.30pm, Monday to Friday.

To be valid, a Form of Proxy must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA. If you do not have a Form of Proxy and believe that you should have one, or you require additional Forms of Proxy, please contact the Registrar using the address or telephone numbers above.

A proxy can also be appointed online at: [www.sharevote.co.uk](http://www.sharevote.co.uk) by following the on-screen instructions. Shareholders will need to identify themselves with the voting ID, task ID and shareholder reference number printed on the hard copy Form of Proxy.

The appointment of a proxy will not prevent a member from attending the AGM and voting in person if they wish. A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in this note and should read note 7.

To change your proxy instructions you may return a new proxy appointment using the methods detailed in these notes. Where you have appointed a proxy using the hard copy Form of Proxy and would like to change the instructions using another hard copy Form of Proxy, please contact Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

## 3. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar ID RA19 no later than 48 hours (excluding non-working days) before the time of the AGM or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions.

It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member, or Sponsored Member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

# Administrative notes in connection with the AGM

## 4. Appointment of proxy by joint holders

In accordance with the Company's Articles of Association, in the case of joint holders, where more than one of the joint holders appoints one or more proxies, only the appointment submitted by the most senior holder will be accepted. Seniority shall be determined by the order in which the names of the joint holders stand in the Company's register of members in respect of the joint holding.

## 5. Corporate representatives

In accordance with the Companies Act 2006 (Act), any corporation which is a member can appoint one or more corporate representatives to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different Ordinary Shares.

## 6. Votes to be taken by a poll

At the AGM all votes on the Resolutions will be taken by a poll rather than on a show of hands. As soon as practicable following the conclusion of the AGM the results of the poll votes and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service and published on the Company's website ([www.tsb.co.uk](http://www.tsb.co.uk)). Poll cards will be issued on registration to those attending the AGM.

## 7. Nominated persons

A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act (Nominated Person). The rights to appoint a proxy cannot be exercised by a Nominated Person; they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

## 8. Website giving information regarding the AGM

Information regarding the AGM, including information required by section 311A of the Act, and a copy of this notice of AGM is available from the Investor Relations section at [www.tsb.co.uk/investors](http://www.tsb.co.uk/investors)

## 9. External Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company meeting the threshold requirements in section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the external audit of the Company's accounts (including the External Auditor's report and the conduct of the External Audit) that are to be laid before the AGM; or (b) any circumstance connected with the External Auditors of the Company ceasing to hold office since the

previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's External Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

## 10. Voting rights

As at 20 February 2015 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 500,000,000 Ordinary Shares of £0.01 each, carrying one vote each. No shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 20 February 2015 was 500,000,000 votes.

## 11. Further questions and communication

Under section 319A of the Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the meeting unless answering the question would interfere unduly with the operation of the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Members who have any queries about the AGM should contact the Company Secretary at [companysecretary@tsb.co.uk](mailto:companysecretary@tsb.co.uk).

Members may not use any electronic address or fax number provided in this notice or in any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

## 12. Documents available for inspection

The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice until the conclusion of the AGM and on the date of the AGM at the location of the meeting from 10.00am until the conclusion of the AGM:

- 12.1 copies of all Contracts of Service under which Directors are employed by the Company or any of its subsidiary undertakings; and
- 12.2 copies of the Letters of Appointment of the Non-executive Directors of the Company.



