

This document constitutes the pricing statement relating to the Offer described in the prospectus published by TSB Banking Group plc (the **"Company"**) on 9 June 2014 (the **"Prospectus"**). This pricing statement has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (**"FCA"**) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (**"FSMA"**). This document must be read in conjunction with the Prospectus. Capitalised terms used in this document and not defined herein have the same meaning as given to them in the Prospectus. Investors should not subscribe for or purchase any Ordinary Shares on the basis of this document alone and should refer to the information in the Prospectus, in particular the section entitled Part II: *"Risk Factors"* set out on pages 15 to 37 of the Prospectus. Copies of the Prospectus are available from the Company's registered office at 20 Gresham Street, London EC2V 7JE and online at tsbshareoffer.equiniti.com.

Application has been made to the FCA acting in its capacity as competent authority for the purpose of Part VI of the FSMA (the **"UK Listing Authority"**) for all of the Ordinary Shares of the Company to be admitted to the premium segment of the Official List of the FCA (the **"Official List"**) and to trading on the London Stock Exchange plc's (the **"London Stock Exchange"**) main market for listed securities (together, **"Admission"**). Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 20 June 2014 (ISIN: GB00BMQX2Q65). It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, on 25 June 2014. **All dealings in Ordinary Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be on a "when issued" basis and at the sole risk of the parties concerned. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other exchange.**



TSB BANKING GROUP PLC

(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 8871766)

Offer of 175,000,000 Ordinary Shares of one pence each at an Offer Price of 260 pence per Ordinary Share and admission to the premium listing segment of the Official List and to trading on the London Stock Exchange

Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners

Citigroup

J.P. Morgan Cazenove

Joint Bookrunner and Joint Lead Manager

UBS Investment Bank

Joint Lead Managers

Investec Bank plc

Numis Securities

RBC Capital Markets

**Issued and fully paid Ordinary Share
capital immediately following Admission**

Number	Nominal Value
500,000,000	£5,000,000

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any Ordinary Shares or other securities to any person in Australia, Canada, Japan, South Africa, the United States or in any other jurisdiction to whom or in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**), or under the applicable securities laws or regulations of any State or other jurisdiction of the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable State securities laws. Citigroup, Investec, J.P. Morgan Securities plc, Numis Securities, RBC and UBS (the **"Underwriters"**) may offer and sell or arrange for the offer and sale of the Ordinary Shares in the United States only to persons reasonably believed to be Qualified Institutional Buyers (**"QIBs"**) as defined in and pursuant to Rule 144A under the Securities Act (**"Rule 144A"**) or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in offshore transactions in reliance on Regulation S under the Securities Act (**"Regulation S"**).

The distribution of this document and the offer of the Ordinary Shares in certain jurisdictions may be restricted by law. Apart from in the UK, the Channel Islands and the Isle of Man, no action has been or will be taken by the Company or the Underwriters to permit a public offering of the Ordinary Shares or to permit the possession, issue or distribution of this document in any jurisdiction where action for that purpose may be required, including the United States, Australia, Canada, Japan or South Africa. Accordingly, neither this document nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except for in the UK, the Channel Islands and the Isle of Man and under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to sell or an invitation to purchase, or the solicitation of an offer to buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The restrictions that apply to the distribution of the Prospectus also apply to the distribution of this document. For a description of certain restrictions on the sale and transfer of the Ordinary Shares and the distribution of the Prospectus, see the section of the Prospectus entitled Part XXI: *"The Offer – Selling restrictions"*.

No person has been authorised to give any information or to make any representations in connection with the Offer other than the information and representations contained in this document and the Prospectus and, if any other information or representations is or are given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Prospective Non-executive Director, TSB Bank, the Parent, the Selling Shareholder or the Underwriters. Neither the delivery of this document nor any sale made under the Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the TSB Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Without limitation, the contents of the websites of the TSB Group and tsbshareoffer.equiniti.com do not form part of this document, and prospective investors should not rely on them.

THE UNDERWRITERS AND NM ROTHSCHILD & SONS LIMITED

Each of Citigroup, Investec, J.P. Morgan Securities plc, NM Rothschild & Sons Limited, RBC and UBS is authorised and regulated by the Prudential Regulation Authority (the "**PRA**") and regulated by the FCA and Numis is authorised and regulated by the FCA and each of the Underwriters is acting exclusively for the Parent, the Selling Shareholder and the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as a client in relation to the Offer and will not be responsible to anyone other than the Parent, the Selling Shareholder and the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this document. NM Rothschild & Sons Limited is acting exclusively for the TSB Board and no one else in connection with the Offer and will not regard any other person as a client in relation to the Offer and will not be responsible to anyone other than the TSB Board for providing the protections afforded to its clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this document.

The Underwriters and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Parent, the Selling Shareholder, the Company and TSB Bank for which they would have received customary fees.

In connection with the Offer, each of the Underwriters and any of their respective affiliates acting as an investor for its or his or her own account(s) may retain, purchase, sell, offer to sell or otherwise deal for its or his or her own account(s) in the Offer Shares, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this document and the Prospectus to the Offer Shares being offered or otherwise dealt with should be read as including any offer to, or dealing by, the Underwriters and any of their respective affiliates acting as an investor for its or his or her own account(s). The Underwriters do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters accepts any responsibility or liability whatsoever for the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the TSB Group, the Ordinary Shares or the Offer. The Underwriters accordingly disclaim all and any liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of this document or any such statement.

STABILISATION

In connection with the Offer, J.P. Morgan Cazenove as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 17,500,000 Ordinary Shares (being 10 per cent. of the total number of Offer Shares). For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Selling Shareholder has granted to it the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Ordinary Shares up to a maximum of 10 per cent. of the total number of Offer Shares (the “**Over-allotment Shares**”) at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

FORWARD-LOOKING STATEMENTS

Certain information contained in this document and the Prospectus, including any information as to TSB's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "schedule" and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: general economic and business conditions in the UK and internationally; inflation, deflation, interest rates and policies of the Bank of England, the European Central Bank and other G8 (Group of Eight) central banks; fluctuations in exchange rates, stock markets and currencies; the ability to access sufficient funding to meet TSB's liquidity needs; changes to any future credit ratings for TSB or its securities; changing demographic developments, including mortality and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes; natural and other disasters, adverse weather and similar contingencies outside TSB's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts; geopolitical, pandemic or other such events; changes in laws, regulations, taxation, accounting standards or practices; regulatory capital or liquidity requirements and similar contingencies outside TSB's control; the policies and actions of Governmental or regulatory authorities in the UK, the European Union, the U.S. or elsewhere; the implementation of the draft EU crisis management framework directive and banking reform, following the recommendations made by the ICB; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and the success of TSB in managing the risks of the foregoing.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document or the Prospectus speak only as at the date of this document or the Prospectus (as the case may be), reflect the TSB Board's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to TSB's operations, results of operations, growth strategy, capital and leverage ratios and the availability of new funding. It is strongly recommended that prospective investors read the section of the Prospectus entitled "*Part II: Risk Factors*" set out on pages 15 to 37 of the Prospectus.

Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules, or applicable law, the Company explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document or the Prospectus that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of issue.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Ordinary Shares have not been, and will not be, registered under the Securities Act or under the applicable securities laws or regulations of any State or other jurisdiction of the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable State securities laws. The Underwriters may offer and sell or arrange for the offer and sale of the Ordinary Shares in the United States only to persons reasonably believed to be QIBs as defined in and pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in offshore transactions in reliance on Regulation S. None of the U.S. Securities and Exchange Commission, any other U.S. federal or state securities commission or any U.S. regulatory authority has approved or disapproved of the Ordinary Shares nor have any such authorities reviewed or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA-421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE IN NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA-421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Dated 20 June 2014.

FINAL OFFER STATISTICS

Offer Price (per Ordinary Share)	260 pence
Number of Ordinary Shares in issue on Admission	500,000,000
Number of Ordinary Shares comprised in the Offer ⁽¹⁾	175,000,000
Number of Ordinary Shares comprised in the Offer as a percentage of total number of Ordinary Shares in issue on Admission ⁽¹⁾	35%
Maximum number of Ordinary Shares subject to the Over-allotment Option	17,500,000
Gross proceeds of the Offer receivable by the Selling Shareholder ⁽²⁾	£455 million
Market capitalisation of the Company at the Offer Price ⁽³⁾	£1,300 million

Notes:

- (1) Assuming no exercise of the Over-allotment Option.
- (2) The gross proceeds receivable by the Selling Shareholder are stated before taking into account any proceeds which may be receivable by the Selling Shareholder pursuant to exercise of the Over-allotment Option. The estimated gross proceeds are stated without the deduction of £37.1 million incurred by the Selling Shareholder in connection with the Offer and Admission, including commissions payable (excluding any discretionary commissions), other estimated fees and expenses in connection with the Offer (excluding any fees and expenses in relation to the transfer of any Bonus Shares pursuant to the Bonus Share Scheme) and amounts in respect of VAT and United Kingdom stamp duty and SDRT.
- (3) Calculated on the basis of the number of Ordinary Shares in issue on Admission. The market capitalisation of the Company at any given time will depend on the market price of Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will be equal to or exceed the Offer Price.

TIMETABLE OF PRINCIPAL EVENTS

Event	Time and Date
Publication of this Pricing Statement	20 June 2014
Announcement of the results of the Offer through a Regulatory Information Service and notification of allocations	7.00am on 20 June 2014
Commencement of conditional dealings on the London Stock Exchange	8.00am on 20 June 2014
Admission and commencement of unconditional dealings on the London Stock Exchange	8.00am on 25 June 2014
CREST accounts credited	25 June 2014
Bonus Share Record Date	25 June 2015

References to times are to London times. Each of the times and dates in the above timetable is subject to change without further notice.

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. Temporary documents of title will not be issued.

SHAREHOLDERS' INTERESTS

Insofar as it is known to the TSB Board, the following are the interests which represent, or will represent, directly or indirectly, three per cent. or more of the issued share capital of the Company immediately prior to Admission and on the date of Admission, assuming no exercise of the Over-allotment Option:

	Interests in Ordinary Shares immediately prior to Admission		Interests in Ordinary Shares immediately following Admission	
	No.	% of total issued	No.	% of total issued
Lloyds Bank plc	500,000,000	100	325,000,000	65

Insofar as it is known to the TSB Board, the following are the interests which represent, or will represent, directly or indirectly, three per cent. or more of the issued share capital of the Company immediately prior to Admission and on the date of Admission, assuming the Over-allotment Option is exercised in full:

	Interests in Ordinary Shares immediately prior to Admission		Interests in Ordinary Shares immediately following Admission	
	No.	% of total issued	No.	% of total issued
Lloyds Bank plc	500,000,000	100	307,500,000	61.5

DIRECTORS' AND SENIOR MANAGERS' INTERESTS

Following the grant of approximately £100 of Ordinary Shares to Paul Pester, Darren Pope and the members of the Senior Management as employees of TSB, applications made by certain of the Directors and members of the Senior Management (and their connected persons) in the Intermediaries Offer and pursuant to the allocation policy applied to the Offer, the interests of the Directors and members of the Senior Management (which, where indicated below, are the aggregate interests of the relevant Director or member of the Senior Management and persons connected with that Director or member of the Senior Management) in Ordinary Shares immediately following Admission are expected to be as set out in the table below. The Directors and members of the Senior Management have not received any priority allocation in the Offer beyond that applicable to all investors in the Intermediaries Offer.

Name	Number of Ordinary Shares in which he/she will be interested immediately following Admission ^{(1) (2)}	Percentage of issued share capital immediately following Admission
Paul Pester	1,153	0.0
Darren Pope	38	0.0
Norval Bryson ⁽³⁾	2,230	0.0
Sandra Dawson ⁽⁴⁾	1,115	0.0
Neeta Atkar	1,730	0.0
Susan Crichton	38	0.0
Ian Firth ⁽⁵⁾	6,884	0.0
Nigel Gilbert	38	0.0
Rosemary Hilary	38	0.0
Rachel Lock	38	0.0
Peter Navin	38	0.0
Helen Rose	38	0.0

Notes:

- (1) Each of the Executive Directors and members of the Senior Management will receive, as employees of TSB, approximately £100 of Ordinary Shares (at the Offer Price) at Admission, to be held through the SIP.
- (2) In the case of Paul Pester, Norval Bryson, Sandra Dawson, Neeta Atkar and Ian Firth, these Ordinary Shares include Ordinary Shares which will be received following applications made by the relevant Director or member of the Senior Management (and/or their connected persons) in the Intermediaries Offer.
- (3) Includes interests of persons connected with Norval Bryson.
- (4) Comprises interests of persons connected with Sandra Dawson.
- (5) Includes interests of persons connected with Ian Firth.

BASIS OF ALLOCATION IN THE INTERMEDIARIES OFFER

The following Intermediaries Offer allocation policy has been applied by the Parent and the Selling Shareholder (after consultation with the Joint Global Co-ordinators and the Company):

- applications for amounts less than or equal to £2,000 have been satisfied in full (subject to rounding down to the nearest whole Ordinary Share); and
- all applicants for amounts greater than £2,000 will receive the first £2,000 of their application in full (subject to rounding down to the nearest whole Ordinary Share). Amounts applied for in excess of £2,000 will be scaled back such that the applicant receives 30 per cent. of such excess (subject to rounding down to the nearest whole Ordinary Share).

