

**SALE AND PURCHASE,
IRREVOCABLE UNDERTAKING
AND
OPTION DEED
(the Deed)**

To: Banco de Sabadell, S.A.
Pl. Sant Roc, 20
08201-Sabadell
Spain (Sabadell)

20 March 2015

Proposed offer for TSB Banking Group plc (TSB)

1. BACKGROUND TO THE OFFER

- 1.1 Sabadell intends to make an offer to acquire all the issued and to be issued ordinary shares of one pence each (**Ordinary Shares**) in the capital of TSB other than those owned by Sabadell or any of its subsidiaries at the time of posting the formal document containing the Offer (the **Offer Document**), including all those Ordinary Shares acquired from Lloyds Bank plc (**Lloyds**) in accordance with this Deed (the **Offer**).
- 1.2 The Offer will be substantially on the terms and conditions to be set out in a press announcement of the Offer (the **Press Announcement**), which shall be substantially in the form of the attached draft Press Announcement.
- 1.3 The offer price for the Offer (the **Offer Price**) shall be not less than 340 pence per Ordinary Share.
- 1.4 A reference in this Deed to the Offer shall also include any new, increased, reviewed or revised offer made by or on behalf of Sabadell to acquire shares in TSB, provided that the terms of such offer provide for an Offer Price, in cash, per Ordinary Share of not less than 340 pence per Ordinary Share and an acceptance condition requiring acceptances in respect of not more than 75 per cent. of the issued Ordinary Shares.
- 1.5 The Offer will extend to any Ordinary Shares allotted, issued or transferred while the Offer remains open for acceptance, including any Ordinary Shares allotted, issued or transferred under TSB's employee share plans.
- 1.6 Lloyds has agreed to sell to Sabadell and Sabadell has agreed to purchase from Lloyds the Firm Shares (as defined below) and Lloyds has further agreed to grant Sabadell an irrevocable undertaking over such number of Ordinary Shares as calculated in accordance with Schedule 1 (the **Irrevocable Shares**), each on the terms and subject to the conditions of this Deed.
- 1.7 In addition, and on the terms and subject to the conditions of this Deed, Lloyds has agreed to grant Sabadell a call option over the Option Shares (as defined below).

2. THE SALE AND PURCHASE OF THE FIRM SHARES

- 2.1 Subject to the satisfaction (or where permitted waiver) of the conditions in paragraph 5.1 below, Lloyds shall sell to Sabadell and Sabadell shall purchase from Lloyds 49,999,999 Ordinary Shares (the **Firm Shares**) at a price of 340 pence per Ordinary Share.
- 2.2 The completion date for the acquisition of the Firm Shares (the **Firm Acquisition**) shall be two trading days following the date of the release of the Press Announcement. Completion of the sale and purchase of such Firm Shares shall otherwise occur in accordance with paragraph 8 below.

3. IRREVOCABLE UNDERTAKING

- 3.1 In respect of the Irrevocable Shares, and in consideration only of Sabadell agreeing (subject to the satisfaction (or where permitted waiver) of the conditions in paragraph 5.1 below) to make the Offer, Lloyds irrevocably undertakes, agrees and represents to and with Sabadell in the following terms:
- (a) Lloyds is the registered holder and beneficial owner of, and has all relevant authority to accept (or procure the acceptance of) the Offer in respect of, the Irrevocable Shares and to transfer them free from all liens, charges and encumbrances and together with all rights attaching to them as envisaged by the terms of the Offer, including the right to all dividends and other distributions (if any) declared, made or paid after the date of this Deed;
 - (b) Lloyds will accept (or procure the acceptance of) the Offer in respect of all the Irrevocable Shares and deliver (or procure the delivery of) duly completed form(s) of acceptance, together with the share certificate(s) and/or other document(s) of title and/or evidence of authority and/or send (or procure the sending of) an electronic acceptance, if relevant, in accordance with the terms of the Offer, no later than 3.00 p.m. on the seventh business day after the despatch of the Offer Document;
 - (c) notwithstanding the provisions of the Code on, or any terms of the Offer regarding, withdrawal, not to withdraw any such acceptance of the Offer for so long as the Offer remains open for acceptances (except in the circumstances referred to in paragraph 6.5 below);
 - (d) Lloyds is not beneficially interested in any shares or other securities of TSB convertible into Ordinary Shares other than those of which details are set out in Schedule 1; and
 - (e) unless and until the Offer closes, lapses or is withdrawn in accordance with paragraph 4.1 below, Lloyds will not (except in the circumstances referred to in paragraph 6.5 below):
 - (i) sell, transfer, charge, encumber, pledge or grant any option over or otherwise dispose of any of the Irrevocable Shares or any interest in any of the Irrevocable Shares other than pursuant to Lloyds's acceptance of the Offer; or
 - (ii) accept any offer in respect of any of the Irrevocable Shares (whether it is conditional or unconditional and irrespective of the means by which it is to be implemented) other than the Offer; or
 - (iii) enter into any deed or arrangement, or incur any obligation or announce any intention: (A) to do any of the acts prohibited by paragraphs 3.1(e)(i) and/or 3.1(e)(ii) above; or (B) which would, in relation to the Irrevocable Shares, impede or restrict Lloyds from accepting the Offer; or
 - (iv) acquire any further interest (as defined in the Code) or otherwise deal or undertake any dealings (as defined in the Code) in any relevant securities (as defined in the

Code) of TSB, save for acquisitions made in the ordinary course of business and held for Lloyd's own account through the "Halifax ShareBuilder" offering.

3.2 To the extent that any Option Shares (as defined below) are acquired by Sabadell pursuant to the Call Option (as defined below), such number of Option Shares shall no longer be subject to the Irrevocable Undertaking.

3.3 In the event that the Offer is modified or amended, Lloyds confirms and agrees that this Deed shall continue to be binding *mutatis mutandis* in respect of the Irrevocable Shares, provided that the terms of such offer provide for an Offer Price, in cash, per Ordinary Share of not less than 340 pence per Ordinary Share and an acceptance condition requiring acceptances in respect of not more than 75 per cent. of the issued Ordinary Shares.

4. **ADDITIONAL PROVISIONS APPLYING TO THE IRREVOCABLE UNDERTAKING AND THE CALL OPTION**

4.1 All obligations under the Irrevocable Undertaking and the Call Option and otherwise under this Deed (save as set out in paragraph 2) will lapse if:

(a) the Offer Document has not been posted within 28 days after the Press Announcement of the Offer (or within such longer period as Sabadell, with the consent of the Panel, determines); or

(b) the Offer closes, lapses or is withdrawn.

4.2 If Lloyds fails to accept the Offer in accordance with Lloyds's obligations under paragraph 3.1(b) or should otherwise be in breach of any of Lloyds's obligations in this Deed, each party agrees that damages alone may not be an adequate remedy and that an order for specific performance may be an essential element of any adequate remedy for such failure or breach.

4.3 Nothing in this Deed obliges Sabadell to despatch the Offer Document if it is not required to do so under the Code.

5. **CONDITIONS PRECEDENT TO THE DEED**

5.1 This Deed shall be conditional on:

(a) the receipt by Sabadell of irrevocable undertakings to accept the Offer (also in a form acceptable to Sabadell) from each of the directors of TSB in respect of the directors' interests in Ordinary Shares (for this purpose a director is considered to have an interest in Shares held by any of the persons listed in section 822 of the Companies Act 2006); and

(b) the release of the Press Announcement before 10 a.m. on 23 March 2015 or such later time and/or date as Lloyds and Sabadell may agree,

but Sabadell may waive the condition set out in paragraph 5.1(a) above in whole or in part (and either conditionally or otherwise) if it so chooses.

6. **GRANT OF THE CALL OPTION**

6.1 Lloyds grants to Sabadell a call option to require Lloyds to sell up to 20 per cent. of the entire issued share capital of TSB (the **Option Shares**) at the Offer Price prevailing at the time of the relevant Call Exercise Date (as defined below), subject only to the satisfaction (or where permitted waiver) of the conditions referred to in paragraph 5.1 and paragraph 7 (the **Call Option**).

- 6.2 Sabadell may only exercise the Call Option by serving a Call Exercise Notice on Lloyds. Any date on which a Call Exercise Notice is served is referred to as a **Call Exercise Date**.
- 6.3 The Call Option can be exercised up to and including four (4) times and in respect of any number of Option Shares up to such number of Ordinary Shares which, in aggregate, would result in Sabadell having a total aggregate shareholding of 29.99 per cent. of the entire issued share capital of TSB taking into account the Firm Shares (the **Option Cap**, with the number of Ordinary Shares equal to the Option Cap being the **Maximum Option Shares**). The Option Cap and the Maximum Option Shares shall each be calculated in accordance with Schedule 1. For the avoidance of doubt, the Option Cap shall operate at all times to prevent Sabadell, together with any person "acting in concert" (as that expression is defined in the Code) with Sabadell, from acquiring such number of Ordinary Shares following the exercise of the Call Option which would result in Sabadell having a total aggregate interest of greater than 29.99 per cent. in the entire issued share capital of TSB.
- 6.4 Exercise of the Call Option shall, subject to the conditions referred to in paragraph 5.1 and paragraph 7 being satisfied (or where permitted being waived), oblige Lloyds to sell and Sabadell to purchase such number of Option Shares as is specified in the Call Exercise Notice and, following the satisfaction (or where permitted waiver) of such conditions, Lloyds shall sell to Sabadell and Sabadell shall purchase from Lloyds such number of Option Shares at the then prevailing Offer Price. Completion of the sale and purchase of such Option Shares shall occur in accordance with paragraph 8 below.
- 6.5 Following delivery of the Call Exercise Notice, and in order to facilitate completion of the acquisition of the Option Shares, Lloyds agrees immediately to exercise its right of withdrawal in connection with the Offer in respect of such number of Ordinary Shares as is equal to the Option Shares.
- 6.6 The completion date for the acquisition of the Option Shares shall be two trading days following the delivery of the relevant Call Exercise Notice or, if later, the receipt of any necessary anti-trust approvals (if any or, alternatively, unless waived by Sabadell).

7. **CONDITION PRECEDENT TO THE EXERCISE OF THE CALL OPTION**

- 7.1 The exercise of the Call Option and the sale and purchase of the Option Shares shall be conditional on:
- (a) the PRA giving notice under section 189(4)(a) of FSMA (read, as appropriate, with FSMA (Controllers) (Exemption) Order 2009) that the PRA has determined to approve the acquisition of control of TSB;
 - (b) the PRA giving a Conditional PRA Regulatory Approval and such conditions as imposed by the PRA being satisfied; or
 - (c) the PRA being treated, by virtue of section 189(6) of FSMA, as having approved the acquisition of control of TSB contemplated in this Deed,

in each case in respect of Sabadell, each controller of Sabadell and any other person who would, upon the completion date for the acquisition of the Option Shares, become a controller of TSB where, for the purposes of this paragraph 7.1 only, **controller** shall have the meaning ascribed to it in section 422 of FSMA, and **control** shall be construed in accordance with the provisions of Part XII of FSMA.

- 7.2 Sabadell shall use all reasonable endeavours to procure that the condition referred to in paragraph 7.1 above is fulfilled as soon as practicable after the date of this Deed, including by using all reasonable endeavours to submit the formal application to the PRA for approval for its acquisition of control of

TSB as soon as practicable after the date of this Deed. Sabadell shall keep Lloyds informed as to the progress and status of the PRA approval process at such times and in such detail as Lloyds may reasonably request.

8. COMPLETION

- 8.1 On the relevant completion date (or at such other time and/or date as Lloyds and Sabadell shall agree), Lloyds shall procure that the relevant Option Shares and the relevant Firm Shares (together, the **Acquired Shares**) are credited through the facilities and in accordance with the procedures of the paperless settlement system administered by Euroclear UK & Ireland Limited (**CREST**) to an account or an account designated by Sabadell. Against delivery of the relevant Acquired Shares, Sabadell shall pay or procure there to be paid an amount equal to the relevant number of Acquired Shares multiplied by the Offer Price (being, for the avoidance of doubt, the prevailing offer price announced by Sabadell in connection with an improved or revised offer as of the relevant completion date), in pounds sterling, in same-day funds to the account specified in paragraph 14 below or such other account as designated by Lloyds.
- 8.2 In respect of the Option Shares, until such time as an Call Exercise Notice is received and, if later, the receipt of any necessary anti-trust approvals (if any or, alternatively, unless waived by Sabadell), Lloyds shall be entitled to exercise all voting and other voting rights attached to the Option Shares and shall be entitled to retain all dividends and other distributions in respect of the Option Shares (if any).

9. REPRESENTATIONS AND WARRANTIES OF LLOYDS

- 9.1 Lloyds represents and warrants on the date of this Deed and at each completion date to Sabadell that:
- (a) Lloyds is a company validly existing under the laws of England and Wales with the requisite power and authority to enter into and perform its obligations under this Deed;
 - (b) Lloyds has (i) taken all necessary corporate and other actions to authorise the execution, delivery and performance of this Deed, (ii) this Deed has been duly executed and delivered by the duly-authorized representatives of Lloyds and (iii) this Deed constitutes a legal, valid, binding Deed, enforceable against Lloyds in accordance with its terms;
 - (c) the execution and delivery of this Deed and the performance of Lloyds's obligations under this Deed do not and will not conflict with or constitute a default under any provision of any Deed or instrument to which Lloyds is a party, any constitutional documents of Lloyds or any law, lien, lease, order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character by which Lloyds is bound;
 - (d) other than as contemplated by this Deed, no consents, approvals, registrations, authorisations or permits are required to be obtained by Lloyds from any governmental or regulatory body in connection with the execution and performance of this Deed; and
 - (e) the details of Lloyds's holding of interests in Ordinary Shares as set out in Schedule 1 are accurate and not misleading. Lloyds has good and valid title to, and the legal right and power to sell and transfer the full beneficial and legal interest in, the Ordinary Shares as set out in Schedule 1, free of all pledges, liens and encumbrances, equities, security interests or other claims binding upon Lloyds. Each of the Ordinary Shares set out in Schedule 1 are validly issued and fully-paid.
- 9.2 Each of the warranties is separate and independent and, except as expressly provided to the contrary in the Deed, is not limited by reference to any other warranty or by any other provision in this Deed.

- 9.3 Sabadell acknowledges that Lloyds has elected, under the terms of the Bonus Share Scheme, to make arrangements to compensate eligible shareholders in the Company in respect of their entitlement to Bonus Shares. Sabadell agrees that these arrangements and the terms of the Bonus Share Scheme shall not of themselves constitute a breach by Lloyds of its obligations (including any representations and warranties) under this Deed.
- 9.4 Lloyds acknowledges that Sabadell is entering into this Deed in reliance upon each of the representations and warranties set out in this paragraph 9.

10. REPRESENTATIONS AND WARRANTIES OF SABADELL

10.1 Sabadell represents and warrants on the date of this Deed and at each completion date to Sabadell that:

- (a) Sabadell is a company validly existing under the laws of Spain with the requisite power and authority to enter into and perform its obligations under this Deed;
- (b) Sabadell has (i) taken all necessary corporate and other actions to authorise the execution, delivery and performance of this Deed, (ii) this Deed has been duly executed and delivered by the duly-authorized representatives of Sabadell and (iii) this Deed constitutes a legal, valid, binding Deed, enforceable against Sabadell in accordance with its terms;
- (c) the execution and delivery of this Deed and the performance of Lloyds's obligations under this Deed do not and will not conflict with or constitute a default under any provision of any Deed or instrument to which Sabadell is a party, any constitutional documents of Sabadell or any law, lien, lease, order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character by which Sabadell is bound; and
- (d) other than as contemplated by this Deed, no consents, approvals, registrations, authorisations or permits are required to be obtained by Sabadell from any governmental or regulatory body in connection with the execution and performance of this Deed.

10.2 Each of the warranties is separate and independent and, except as expressly provided to the contrary in the Deed, is not limited by reference to any other warranty or by any other provision in this Deed.

10.3 Sabadell acknowledges that Lloyds is entering into this Deed in reliance upon each of the representations and warranties set out in this paragraph 10.

11. DOCUMENTATION AND INFORMATION

11.1 Lloyds consents to:

- (a) this Deed being disclosed to the Panel;
- (b) the issue of the Press Announcement in substantially the form attached this Deed incorporating references to Lloyds and to this Deed;
- (c) references to Lloyds (and, if required by the Panel, the registered holder of any Ordinary Shares), and particulars of this Deed and Lloyds's holdings of shares in TSB being included in the Press Announcement and the Offer Document and any other announcement made, or related or ancillary document issued, by or on behalf of Sabadell or TSB in connection with the Offer; and
- (d) this Deed being published as (and solely to the extent) required by the Code or any other applicable law or regulation.

11.2 Lloyds shall promptly provide Sabadell on request all information relating to Lloyds and Lloyds's holding of Ordinary Shares as Sabadell may reasonably require for the preparation of the Press Announcement, the Offer Document and any other announcement to be made, or document to be issued, by or on behalf of Sabadell or TSB in connection with the Offer in order to comply with the Code or any other applicable law or regulation.

12. **SECRECY**

12.1 Lloyds shall keep secret the possibility, terms and conditions of the Proposed Transaction and the existence of this Deed until the Press Announcement is released.

12.2 Lloyds understands that the information Sabadell has given to it in relation to the Proposed Transaction must, where not publicly available, be kept confidential until announced by Sabadell or TSB or the information has otherwise become generally available.

12.3 Notwithstanding the foregoing, Lloyds may disclose the information described in paragraphs 12.1 and 12.2 above to TSB and its advisers, to Lloyds's affiliates and its and their respective advisers (**Representatives**) and as required by law or regulation or any competent judicial, governmental, supervisory or regulatory authority. Lloyds shall use reasonable endeavours to ensure that its Representatives maintain the confidentiality of such information in accordance with this paragraph 12.

12.4 The obligations in this paragraph 12 shall survive termination of this Deed.

13. **NOTICES**

13.1 Any notice or other formal communication given under this Deed must be in writing and must be delivered or sent by post, fax or electronically to the party to whom it is to be given as follows:

(a) to Sabadell at:

Banco de Sabadell, S.A.
Avda. Diagonal, 407 bis
08008 Barcelona

Email: grumej@bancsabadell.com

Marked for the attention of: Mr. Joan M.
Grumé (Subdirector General de
Operaciones Corporativas)

With a copy to:

Mr. Gonzalo Baretino (Director de
Asesoría Jurídica)
Banco de Sabadell, S.A.
Avda. Diagonal, 407 bis
08008 Barcelona

Email: Baretino@bancsabadell.com

(b) to Lloyds at:

Royal Banking Group
25 Gresham Street
London, EC2V 7HN

Fax: +44(0)2073561997

Marked for the attention of: the
Company Secretary

With a copy to: the Director of Group
Corporate Development

or at any such other address or fax number of which it shall have given notice for this purpose to the other party under this clause. Any notice or other communication sent by post shall be sent by prepaid recorded delivery post (if the country of destination is the same as the country of origin) or by prepaid airmail (if the country of destination is not the same as the country of origin).

- 13.2 Any notice or other formal communication shall be deemed to have been given:
- (a) if delivered, on the date of delivery; or
 - (b) if sent by post, at 10.00am on the second Business Day after it was put into the post;
 - (c) if sent by fax, on the date of transmission, if transmitted before 3.00 p.m. (local time at the country of destination) on any Business Day, and in any other case on the Business Day following the date of transmission; or
 - (d) if sent by e-mail, upon the generation of a receipt notice by the recipient's server or, if such notice is not so generated, upon delivery to the recipient's server.
- 13.3 In proving service of a notice or other formal communication, it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by recorded delivery or by prepaid airmail, as the case may be), that the fax was properly addressed and transmitted or that the e-mail was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's e-mail system, as the case may be.
- 13.4 This clause shall not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this Deed.

14. PAYMENTS

Unless otherwise expressly stated (or as otherwise agreed in the case of a given payment), each payment to be made to Lloyds under this Deed shall be made in pounds sterling by transfer of the relevant amount into the relevant account on the date (and, if applicable, at or before the time) the payment is due for value on that date and in immediately available funds. The relevant account for a given payment is the account of Lloyds at:

Bank:	Lloyds Bank plc
Sort code:	30-15-57
Account number:	00001933
Account name:	Lloyds Nostro
Reference:	TSB proceeds FAO Steven Powell +442071581271

15. GENERAL

- 15.1 Lloyds undertakes, at its own expense, to execute or procure to be executed all such documents and do all such acts and things as are necessary in order to give effect to the terms of this Deed and to enable the sale and purchase of the Acquired Shares and the Irrevocable Shares to be carried out and given full force and effect.
- 15.2 None of the rights or obligations under this Deed may be assigned or transferred without the prior written consent of the parties to this Deed.
- 15.3 Nothing in this Deed shall affect or in any way impede any person who is a director of TSB (including a person nominated to that office by Lloyds or any of its affiliates) from performing his or her fiduciary duties in any way he/she deems necessary.
- 15.4 Lloyds confirms that Sabadell's Financial Adviser is not acting for Lloyds in relation to the Proposed Transaction and will not be responsible to Lloyds for providing protections afforded to its clients or advising Lloyds on any matter relating to the Proposed Transaction.

- 15.5 Sabadell confirms that Lloyds's Financial Advisers are not acting for Sabadell in relation to the Proposed Transaction and will not be responsible to Sabadell for providing protections afforded to their clients or advising Sabadell on any matter relating to the Proposed Transaction.
- 15.6 Any time, date or period mentioned in this Deed may be extended by mutual agreement but as regards any time, date or period originally fixed or as extended, time shall be of the essence.
- 15.7 Except to the extent otherwise specified, the undertakings, agreements, warranties, appointments, consents and waivers set out in this Deed are unconditional and irrevocable.
- 15.8 Except as otherwise expressly provided in this Deed, each party shall pay the costs and expenses incurred by it in connection with the entering into and completion of this Deed.
- 15.9 The provisions contained in each paragraph and subparagraph of this Deed shall be enforceable independently of each of the others and their validity shall not be affected if any of the others are invalid. If any provision of this Deed is declared void but would be valid if some part of the provision were deleted, the provision in question shall apply with such modification as may be necessary to make it valid.
- 15.10 This Deed may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same Deed, and any party (including any duly authorised representative of a party) may enter into this Deed by executing a counterpart.
- 15.11 Except as otherwise expressly stated in this Deed, a person who is not a party to this Deed may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.
- 15.12 This Deed contains the whole agreement between the parties relating to the transactions contemplated by this Deed and supersedes all previous agreements, whether oral or in writing, between the parties relating to these transactions.

16. GOVERNING LAW AND JURISDICTION

- 16.1 This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by English law. The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with this Deed) and the parties submit to the exclusive jurisdiction of the English courts.
- 16.2 Sabadell shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Deed. Such agent shall be Banco de Sabadell, S.A. (London Branch) currently of Sabadell House, 120 Pall Mall London SW1Y 5EA, and any writ, judgment or other notice of legal process shall be sufficiently served on Sabadell if delivered to such agent at its address, for the time being (with such writ, judgment or other notice of legal process being addressed to, or otherwise expressed to be for the attention of, the "Branch Manager"). Sabadell irrevocably undertakes not to revoke the authority of the above agent and, if for any reason, Lloyds requests Sabadell to do so, Sabadell shall promptly appoint another such agent with an address in England and advise Lloyds of this. If, following such a request, Sabadell fails to appoint another agent, Lloyds shall be entitled to appoint one on behalf of Sabadell.

IN WITNESS of which this Deed has been executed as a deed and has been delivered on the date stated at the beginning of this Deed.

SCHEDULE 1

THE SHARES

<i>Exact name(s) and address(es) of registered holder as appearing on the register of members</i>	<i>No. of Ordinary Shares</i>
Lloyds Bank plc The Mound, Edinburgh EH1 1YZ	
Firm Shares.....	49,999,999 Ordinary Shares
Option Shares.....	such number of Ordinary Shares as determined by Sabadell capped at the number of Ordinary Shares which is equal to the Maximum Option Shares
Maximum Option Shares.....	shall be, on any given date (including the date on which a Call Exercise Notice is issued), calculated in accordance with the following formula: $(Y \times 0.2999) - (Z + X) = A$ Y = Total number of Ordinary Shares in issue Z = Number of Firm Shares X = Such number of Ordinary Shares as is equal to the sum of (a) Sabadell's "interests in securities" of TSB (as that expression is defined in the Code) and (b) the "interests in securities" of TSB of any person "acting in concert" with Sabadell (as each such expression is defined in the Code) excluding, for the avoidance of doubt, the Firm Shares A = Number of Maximum Option Shares
Acquired Shares.....	such number of Ordinary Shares as is equal to the sum of the Firm Shares and the aggregate number of Option Shares in respect of which a Call Exercise Notice has been issued from time to time
Irrevocable Shares.....	250,000,002 Ordinary Shares, less the sum of any Acquired Shares actually acquired by Sabadell.
Total number of Ordinary Shares held by Lloyds	250,000,002

SCHEDULE 2
FORM OF CALL EXERCISE NOTICE

To: Lloyds Bank plc

Dear Sirs

Call Exercise Notice

We, Sabadell, refer to the Sale and Purchase, Irrevocable Undertaking and Option Deed dated 20 March 2015 (the Deed) and made between you and us and to the Call Option granted by you to us under the Deed. Words and expressions defined in the Deed shall have the same meanings in this letter.

We give notice under and pursuant to paragraph 6.2 of the Deed that we exercise the Call Option granted by you to us in respect of [●] Ordinary Shares on the date of this Call Exercise Notice.

Completion of the acquisition of the number of Option Shares referred to above shall take place on [●].

Yours faithfully

For and on behalf of
Banco de Sabadell, S.A.

SCHEDULE 3

DEFINITIONS AND INTERPRETATION

1. In this Deed, the following words and expressions have the following meanings:

Acquired Shares has the meaning given to it in Schedule 1;

Business Day means a day (other than a Saturday or a Sunday) on which banks are generally open in London and Spain for normal business;

Call Exercise Notice means a written notice given in accordance with paragraph 3 and substantially in the form of Schedule 2;

Code means the City Code on Takeovers and Mergers, as amended from time to time;

Conditional PRA Regulatory Approval means a decision notice given by the PRA under section 189(7) of FSMA that it has determined to approve the acquisition by Sabadell of control of TSB contemplated by this Deed, subject to one or more conditions;

Disclosure and Transparency Rules means the disclosure and transparency rules for the time being in force, as published by the FCA;

FCA means the Financial Conduct Authority of the United Kingdom and any successor entity;

FSMA means the Financial Services and Markets Act 2000;

Group means in relation to a party to this Deed, all its subsidiaries, all its holding companies and all other subsidiaries of each of its holding companies;

Irrevocable Undertaking means the undertakings set out in paragraph 3.1;

Listing Rules means the Listing Rules of the FCA relating to admission to the Official List made in accordance with section 73(A)(2) of FSMA;

Lloyds's Financial Advisers means UBS Limited and Merrill Lynch International, each of whom is advising Lloyds Banking Group plc;

Official List means the official list maintained by the FCA;

PRA means the Prudential Regulation Authority of the United Kingdom and any successor entity;

Proposed Transaction means the sale of the Ordinary Shares in TSB to Sabadell pursuant to the Offer, the proposed sale and purchase of the Firm Shares, the Irrevocable Undertaking and the Call Option; and

Sabadell's Financial Adviser means Goldman Sachs International; and


subsidiary has the meaning given in section 1159 of the Companies Act 2006.

2. In this Deed any reference, express or implied, to an enactment (which includes any legislation in any jurisdiction) includes:

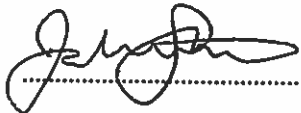
- (a) that enactment as amended, extended or applied by or under any other enactment (before, on or after the date of this Deed);

- (b) any enactment which that enactment re-enacts (with or without modification); and
 - (c) any subordinate legislation (including regulations) made (before, on or after the date of this Deed) under that enactment, including (where applicable) that enactment as amended, extended or applied as described in subparagraph (a), or under any enactment which it re-enacts as described in subparagraph (b).
3. In this Deed:
- (a) words denoting persons include bodies corporate and unincorporated associations of persons;
 - (b) references to an individual/a natural person include his estate and personal representatives;
 - (c) subject to paragraph 15.2, references to a party to this Deed include the successors or assigns (immediate or otherwise) of that party;
 - (d) a person shall be deemed **connected** with another if that person is connected with that other within the meaning of section 1122 of the Corporation Tax Act 2010;
 - (e) the words **including** and **include** shall mean including without limitation and include without limitation, respectively;
 - (f) any reference importing a gender includes the other genders;
 - (g) any reference to a time of day is to London time;
 - (h) any reference to £ is to pounds sterling;
 - (i) any reference to writing includes typing, printing, lithography, photography and facsimile but excludes any other form of electronic communication;
 - (j) any reference to a document is to that document as amended, varied or novated from time to time otherwise than in breach of this Deed or that document; and
 - (k) any reference to a company includes any company, corporation or other body corporate wheresoever incorporated.
4. If there is any conflict or inconsistency between a term in the body of this Deed and a term in any of the schedules or any other document referred to or otherwise incorporated into this Deed, the term in the body of this Deed shall take precedence.
5. The *eiusdem generis* rule does not apply to this Deed. Accordingly, specific words indicating a type, class or category of thing shall not restrict the meaning of general words following such specific words, such as general words introduced by the word other or a similar expression. Similarly, general words followed by specific words shall not be restricted in meaning to the type, class or category of thing indicated by such specific words.

EXECUTED as a deed by
LLOYDS BANK PLC
acting by a duly authorised representative
in the presence of:

)
) 
)
) D. MEREDITH JONES

Witness's Signature:


.....

Name:

.....JOHNNIE.....STEIN.....

Address:

.....25.....GRESHAM.....ST.....

.....LONDON.....EC2V 7HN.....

EXECUTED as a deed by
BANCO DE SABADELL, S.A.
acting by a duly authorised representative
in the presence of:

)
)
)
)

Witness's Signature:

.....

Name:

.....

Address:

.....

.....

EXECUTED as a deed by)
LLOYDS BANK PLC)
acting by a duly authorised representative)
in the presence of:)

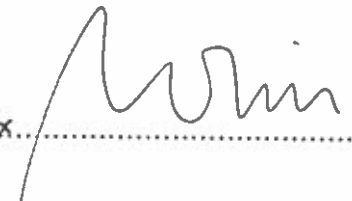
Witness's Signature:

Name:

Address:

.....

EXECUTED as a deed by)
BANCO DE SABADELL, S.A.)
acting by a duly authorised representative) x.....
in the presence of:)



Witness's Signature: x.....

Name: RAMON ROVIRA PER

Address: RIVIA EUSTADA 11

..... BARCELONA / SPAIN