Registered Number OC411834

TSB Covered Bonds LLP

Members’ Annual Report and Financial Statements

Year ended 31 December 2024

Designated members
TSB Bank plc
TSB Covered Bonds (LM) Limited

Management board
Alison Straszewski
Gina Bouette (formerly Amies)
Glenn Wilson (appointed 10 July 2024)
Katherine Sinclair (appointed 10 July 2024)
Annabel Murday (resigned 10 July 2024)
Edward Javan (resigned 10 July 2024)

Registered office
1 Bartholomew Lane
London
EC2N 2AX

Registered number
OC411834

Independent auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Members' Report

The members of TSB Covered Bonds LLP (the "LLP") present their report and audited financial statements for the year ended 31 December 2024.

Principal activity
The LLP, a limited liability partnership, was incorporated on 16 May 2016 in the United Kingdom and registered in England and Wales under the Limited Liabilities Partnerships Act 2000.

The LLP has been created to support TSB Bank plc's ("TSB" or the "Originator") Covered Bond Programme (the "Programme") and the LLP's business is the acquisition, management and sale of mortgage loans and their related security, to enter into other associated financial instruments and guarantee the bonds (the "Covered Bonds") issued by TSB.

No changes in the LLP's activities are envisaged for the foreseeable future.

Business review
Covered Bonds may be issued by TSB in various currencies, with the proceeds being paid across to the LLP on issuance by way of term loans.

The total Covered Bonds outstanding at the end of 2024 were £3,663 million sterling equivalent (2023: £3,250 million). The total value of the related mortgage portfolio was £5,833 million (2023: £4,945 million).

The term loan associated with the 2019-1 Series issuance of £500 million was repaid on 15 February 2024 at its expected maturity date.

On 5 March 2024, TSB issued 2024-1 series €500 million (equivalent to £428 million). The term loan with TSB was increased by an equivalent amount and the LLP entered into a cross currency interest rate swap with Bank of Montreal to mitigate the foreign exchange and interest rate risk.

On 11 September 2024, TSB issued 2024-2 series £500 million. The term loan with TSB was increased by an equivalent amount.

At 31 December 2024, the GBP equivalent amount of the term loan between TSB and LLP was £3,663 million (2023: £3,250 million).

The profit for the year is disclosed on page 10. The LLP made a loss of £84k during the year (2023: £3k profit). No change to the current business activity is expected.

The LLP has acquired further beneficial interests in TSB mortgage loan portfolios at subsequent dates to the Covered Bond issuance dates. In consideration for the beneficial interest of the mortgage loan portfolio, the LLP is required to give a combination of:

i. a cash payment to TSB from the proceeds of any term loans;
ii. a record of a capital contribution in kind being made by TSB (the capital contribution to the LLP is equal to the difference between the mortgage balance and the cash received by TSB for the mortgage loans on the sale date); and
iii. excess income which will be paid by the LLP on each LLP payment date in accordance with the relevant priority of payments.

In relation to the mortgage portfolio transferred to the LLP, accounting derecognition was considered to be inappropriate for TSB's own financial statements, as TSB retained substantively all of the risks and rewards associated with the transferred assets and the pass-through criteria of International Financial Reporting Standard 9 (IFRS 9) have not been met. The LLP recognises a 'deemed loan' from TSB on its statement of financial position to represent its interests in the underlying mortgage portfolio.

Key performance indicators ("KPIs")
A defined set of KPIs for the Covered Bond Programme are set out within the programme documentation and are published as a monthly Investor Report on the TSB website. The members consider the key performance indicators of the LLP to be:

- the level of over collateralisation over the LLP's guarantee to noteholders which at 31 December 2024 was 59% (2023: 52%).
- performance of the underlying mortgage loans – specifically the level of arrears and repossessions, as set out below. There was 1 repossession in the year (2023: nil).

Members' Report (continued)

Key performance indicators ("KPIs") (continued)

Arrears breakdown	**Dec-2024 £'000**	Dec-2023 £'000
Current	**5,800,332**	4,913,645
0-1 month in arrears	**8,854**	10,106
1-2 months in arrears	**8,635**	8,259
2-3 months in arrears	**3,091**	3,263
3-6 months in arrears	**3,760**	6,428
6-12 months in arrears	**3,791**	2,857
12+ months in arrears	**4,224**	789
Total	**5,832,687**	4,945,347

- performance against the triggers set out in the Programme documentation and detailed in the published investor report. There were no trigger breaches during 2024 or 2023, nor at 31 December 2024 or 2023.

Event trigger	**Summary of Event**	**Moody's Rating Trigger (Moody's short-term, long-term, cr)**
Set-Off Risk Protection	Set-Off Risk protection built into Asset Coverage Test.	A3 (CR)
Reserve Fund	Available Revenue Receipts (after payments of higher ranking items in the Revenue Priority of Payments) credited to the Reserve Fund up to an amount equal to the Reserve Fund Required Amount.	P-1 (CR)
Pre-Maturity Test	Fund the Pre-Maturity Ledger if the Final Maturity Date of any Series of Hard Bullet Covered Bonds occurs within 6 and 12 months from the relevant Pre-Maturity Liquidity Test Date.	A1 at 6 months / P-1 at 12 months (CR)
Account Bank Replacement	Replace or guarantee Account Bank within 60 days or take such other reasonable actions as may be required to ensure that the then current rating of the bonds are not adversely affected.	A2 (LTSU) or P-1 (STSU)
Swap Counterparty	Requirement to post collateral, transfer obligations to a suitably rated replacement swap provider, procure another suitably rated entity to become a co-obligor or guarantor or other actions as may be agreed with the relevant agency in order to maintain or restore (as applicable) the ratings of the covered bonds). The ratings shown are the first level of triggers. Other triggers exist at lower levels with further consequences.	A3 (CR)
ACT Testing Frequency	Asset Monitor, subject to receipt of the relevant information from the Cash Manager, required to conduct monthly ACT tests following each Calculation Date.	Baa3 (CR)
Swap Collateral Account Bank	Replace or guarantee Swap Collateral Account Bank within 60 days or take such other reasonable actions as may be required to ensure that the then current rating of the bonds are not adversely affected.	A3 (LTSU) or P-2 (STSU)
Back Up Servicer Appointment	Best endeavours to enter into a back up master servicing agreement with a third party within 60 days. Based on Back Up Servicer Facilitator being in place at outset.	Baa3 (CR)
Servicer Replacement	Servicer to be replaced by Back up Servicer within 60 calendar days of the breach.	Ba2 (CR)
Back Up Cash Manager Appointment	The Cash Manager will use best endeavours to enter into a back up cash management agreement with a suitably experienced third party. Based on Back Up Cash Manager Facilitator being in place at outset.	Baa3 (CR)
Cash Manager Replacement	Cash Manager to be replaced by Back Up Cash Manager within 30 days following breach.	Ba2 (CR)
Perfection	Transfer of title to the Loans to the LLP.	Baa3 (CR)

The programme allows a maximum outstanding balance of Covered Bonds, providing that the mortgage loan portfolios held by the LLP, along with other assets available, meet the Asset Coverage Test (the 'ACT'). This test states that the adjusted aggregate amounts of mortgage loans and other assets must be of an amount equal to or greater than the total amounts of Covered Bonds in issue after taking into account other deductions. The calculated level of over collateralisation as per the ACT was 38.2% as at 31 December 2024 (2023: 32.4%).

At the time of issue, the Covered Bonds were assigned credit ratings which reflect the likelihood of full and timely payment of interest to the holders of the Covered Bonds on each Interest Payment Date ("IPD") and the full repayment of principal at the final legal repayment date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if circumstances change.

Members' Report (continued)

Key performance indicators ("KPIs") (continued)

Any change in the credit rating assigned to a Covered Bond would be used as an indicator as to the performance of the LLP. No changes in credit ratings have been applied to the Covered Bonds in the year and subsequently up to the date of approval of these financial statements.

Designated members

The designated members during the period and up to the date of signing the financial statements were as follows:

TSB Bank plc
TSB Covered Bonds (LM) Limited

Management board

The members of the LLP management board during the year and up to the date of signing of the financial statements were:

Alison Straszewski
Gina Bouette (formerly Amies)
Glenn Wilson (appointed 10 July 2024)
Katherine Sinclair (appointed 10 July 2024)
Annabel Murday (resigned 10 July 2024)
Edward Javan (resigned 10 July 2024)

Members' interests

Under the terms of the Programme, TSB may make cash capital contributions to the LLP or capital contributions in kind, represented by the excess of the current balance of the mortgage loans over any cash payment made by the LLP.

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- UK-adopted international accounting standards;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Members' Report (continued)

Employees

The LLP had no employees during the year ended 31 December 2024 (2023: no employees).

Independent auditors

KPMG LLP were appointed as auditors for the year under review. Having expressed their willingness to continue in office and pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed re-appointed subject to any resolution to the contrary.

Disclosure of information to auditors

So far as the members are each aware, there is no relevant audit information of which the LLP's auditors are unaware. The members have each taken all the steps that he or she ought to have taken as a member to make himself or herself aware of any relevant audit information and to establish that the LLP's auditors are aware of the information.

Risk management

The LLP's financial instruments comprise a deemed loan to TSB, as the seller of the mortgages (equivalent to the value of its net investment in the mortgages), cash, term loans, derivative contracts and various other receivables and payables.

The principal risks arising from the LLP's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. These and other risks which may affect the LLP's performance are detailed below. Further analysis of the risks facing the LLP in relation to its financial instruments and the LLP's financial risk management policies is provided in note 8.

Credit risk

Credit risk arises on the individual loans within the mortgage loan portfolio which are in turn secured on UK residential properties. The performance of these loans is therefore influenced by the economic climate and the UK housing market. The performance of the mortgages has a bearing on the Covered Bond portfolio test results and therefore impacts the value of mortgages held in the covered bond pool.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the LLP's interest-bearing financial assets and liabilities.

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The LLP minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of the underlying mortgage assets, as represented in the deemed loan to TSB, and the term loans payable to TSB (its principal assets and liabilities) are similar. Where this is not possible, the LLP uses derivative contracts to mitigate any residual interest rate risk. The Programme liabilities are based on SONIA and fixed rate euros. Interest rate risk is managed through two derivative contracts, one which hedges the interest rate basis of the underlying sterling fixed rate mortgages and the other which hedges the euro fixed rate term advance obligations.

At 31 December 2024, the interest rate derivative contract provider for the interest rate basis was TSB. In line with the programme documentation, TSB is required to maintain a minimum ratings level of A3(cr) (Moody's). Should TSB not meet the ratings requirements it will be required to post collateral or take other actions.

At 31 December 2024, the interest rate derivative contract provider for the currency basis was Bank of Montreal. In line with the programme documentation, Bank of Montreal is required to maintain a minimum ratings level of A3(cr) (Moody's). Should they not meet the ratings requirements it will be required to post collateral or take other actions.

Liquidity risk

The ability of the LLP to meet its obligations to make principal and interest payments on the term loans and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the mortgage loans which are represented in the deemed loan to TSB.

In the event that sufficient funds are not available to redeem the term loans or make the interest payments due, an amount equal to such a shortfall will be deferred until such funds are received in accordance with the loan payable to TSB. To the extent that the income on the deemed loan to TSB does not provide sufficient funds, the LLP has no other claim on the assets of TSB.

Members' Report (continued)

Foreign currency risk
Foreign currency risk exists where assets and liabilities are denominated in different currencies.

The LLP has entered into a term loan denominated in Euros. All the Company's assets and its other liabilities are denominated in Sterling. The Company's policy is to eliminate all exposures arising from movements in exchange rates by the use of derivative contracts to hedge currency payments.

The LLP has entered into a currency swap arrangement with Bank of Montreal to hedge against the currency mismatch arising as a result of Sterling receipts from the underlying mortgage portfolio and the Euro obligations on the 2024-1 Series 1 Term advance.

Operational risk

The LLP is exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the LLP in accordance with the programme documentation. TSB has been appointed servicer and cash manager on behalf of the LLP. TSB has a risk management framework which identifies, measures and controls the risks inherent to its business. The framework creates coherent standards and practices for all risk management activities and processes in TSB. Citicorp Trustee Company Limited has been appointed as security trustee. CSC Management Services (UK) Limited ("CSC") (formerly Intertrust Management Limited) has been appointed to provide corporate services in accordance with a corporate services agreement. HSBC Bank plc has been appointed to act as account bank.

Business risk
The principal business risks of the LLP are set out in a number of trigger events in the programme documentation. These trigger events deal with issues such as the solvency of TSB and the performance of underlying mortgage assets. The occurrence of a trigger event may lead to a different priority of payments. A full list of the trigger events and consequences are listed in the KPI section of this report.

As TSB's short-term Counterparty Risk Assessment rating is P-1(cr) there is no requirement to fund the Reserve Fund to the Reserve Fund Required Amount, as defined by the programme documentation.

Environment and emerging risk Climate Change
TSB has effective control of the entity through the design of the structure, therefore its environmental policy and response to the emerging risk of climate change is set by TSB. As LLP is a subsidiary of TSB, LLP has taken advantage of the exemption to provide Streamlined Energy and Carbon Reporting (SECR) disclosures. Full details, including SECR disclosures, can be found in TSB's Annual Report and Accounts on their website at tsb.co.uk.

Post balance sheet events
On 18 February 2025, TSB issued Series 2025-1 €600 million (equivalent to £500.9 million). The term loan with TSB increased by an equivalent amount and LLP entered into a cross currency swap with Bank of Montreal to mitigate the foreign exchange and interest rate risk.

Statement of going concern
The members recognise their responsibility to make an assessment of the LLP's ability to continue as a going concern, for a period of at least 12 months from the date the financial statements are approved. The Members, having taken into account the matters noted in the 'Basis of preparation' in Note 1, are satisfied that the LLP has adequate resources to continue to operate for at least 12 months, and are not aware of any material uncertainties that may cast significant doubt upon the LLP's ability to continue as a going concern. For this reason, the members continue to adopt the going concern basis in preparing the financial statements.

Signed for and on behalf of the members of TSB Covered Bonds LLP

Helena Whitaker
Per pro CSC Directors (No. 3) Limited
As director of TSB Covered Bonds (LM) Limited
1 Bartholomew Lane
London
EC2N 2AX
13 March 2025

Katherine Sinclair
On behalf of
TSB Bank plc
Henry Duncan House, 120 George Street
Edinburgh EH2 4LH

Independent auditors' report to the members of TSB Covered Bonds LLP

for the year ended 31 December 2024

Opinion

We have audited the financial statements of TSB Covered Bonds LLP ("the LLP") for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, Statement of financial position, Statement of Changes in Members' other interests, Cash Flow Statement and related notes, including the accounting policies in note.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Members' conclusions, we considered the inherent risks to the LLP's business model and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Members' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the LLP will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Partnership's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent auditors' report to the members of TSB Covered Bonds LLP (continued)

for the year ended 31 December 2024

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of revenue is not complex with no judgement involved in the calculation, and no pressures or incentives for management to manipulate reven ue have been identified.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted and approved by the same user and those journal entries that were backdated.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Partnership's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the LLP is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The LLP is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the LLP is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Members are responsible for the other information, which comprises the Members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Independent auditors' report to the members of TSB Covered Bonds LLP (continued)

for the year ended 31 December 2024

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 2, the Members are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's Members, as a body, for our audit work, for this report, or for the opinions we have formed.

K. G. Pountney

Karl Pountney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London

13 March 2025

TSB Covered Bonds LLP

Statement of comprehensive income

for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Interest receivable and similar income	2	**189,340**	125,727
Interest payable and similar charges	3	**(189,295)**	(125,641)
Net interest income		**45**	86
Losses on hedge accounting		**(87)**	-
Operating expenses	4	**(42)**	(83)
(Loss)/profit for the year		**(84)**	3
Other comprehensive income			
Change in cash flow hedging reserve:			
Change in fair value of the derivatives in cash flow hedges		**6,833**	-
Other comprehensive income for the year, net of taxation		**6,833**	-
Total comprehensive income		**6,749**	-

All profits are incurred through continuing operations.

The accompanying notes on pages 14 to 27 are an integral part of the financial statements.

TSB Covered Bonds LLP

Statement of Financial Position

at 31 December 2024

	Note	2024 £'000	2023 £'000
Assets			
Cash and cash equivalents		**149,935**	138,647
Deemed loan to TSB	5	**3,544,412**	3,129,914
Derivative financial asset	8	**1,895**	-
Other assets		**4**	6
Total assets		**3,696,246**	3,268,567
Liabilities			
Loans and borrowings	6	**3,689,476**	3,268,504
Other payables		**-**	42
Total liabilities		**3,689,476**	3,268,546
Net assets		**6,770**	21
Members' interests			
Reserves	7	**(63)**	21
Cash flow hedge reserve	8	**6,833**	-
Total members' interests	7	**6,770**	21

The accompanying notes on pages 14 to 27 are an integral part of the financial statements.

The financial statements on pages 10 to 27 were approved by the members on 13 March 2025 and signed on their behalf by:

Helena Whitaker
Per Pro CSC Directors (No. 3) Limited
As director of TSB Covered Bonds (LM) Limited

Katherine Sinclair
On behalf of
TSB Bank plc

Registered Number OC411834

Statement of changes in members' other interests

for the year ended 31 December 2024

	2024 £'000	2023 £'000
Balance at start of the year	**21**	18
(Loss)/profit for the year	**(84)**	3
Other comprehensive income	**6,833**	-
Balance at end of the year	**6,770**	21

The accompanying notes on pages 14 to 27 are an integral part of the financial statements.

Cash flow statement

for the year ended 31 December 2024

	2024	2023
	£'000	£'000
Operating activities		
Operating expenses paid	**(39)**	(88)
Net cash flows used in operating activities	**(39)**	(88)
Investing activities		
Principal receipts from deemed loan to TSB	**918,314**	755,402
Interest income from deemed loan to TSB	**165,643**	106,404
Increase in deemed loan to TSB	**(896,426)**	(728,425)
Bank interest received	**3,989**	2,905
Net cash flows generated from investing activities	**191,520**	136,286
Financing activities		
Interest on term loans	**(161,142)**	(75,353)
Interest paid on derivatives	**(19,051)**	-
Net cash flows used in financing activities	**(180,193)**	(75,353)
Change in cash and cash equivalents	**11,288**	60,845
Cash and cash equivalents at start of the year	**138,647**	77,802
Cash and cash equivalents at end of the year	**149,935**	138,647

The accompanying notes on pages 14 to 27 are an integral part of the financial statements.

1. Significant accounting policies

The LLP is a limited liability partnership incorporated in the United Kingdom and registered in England and Wales under the Limited Liabilities Partnerships Act 2000.

1(a) Basis of preparation

The financial statements of the LLP for the year ended 31 December 2024 have been prepared in accordance with UK adopted international accounting standards.

The financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial instruments, including derivative contracts, at fair value through profit or loss.

Going Concern

In order to assess the ability of the LLP to continue as a going concern, the members have reviewed the potential risks posed to the LLP over the next 12 months. The risks are primarily the deterioration of mortgage assets and revenue, as a result of non-performing mortgages within the pool. Calculations similar to that of the Interest Rate Shortfall Test and Yield Shortfall Test, as referred to in the Non-Rating Triggers section of the Monthly Investor Report, have been undertaken to determine that the interest revenue expected to be received in the next 12 months will be sufficient to cover its liabilities. These have been reperformed in stressed scenarios including the non-performance of mortgage assets and/or increased interest rates. The members are satisfied that the LLP has adequate resources to continue to operate for the at least the next 12 months and is financially sound. In addition to this, the Covered Bond Transaction, to which the LLP is a counterparty has a number of mechanisms which ensure that in the event of a downturn in asset performance, that the level of over collateralisation will increase to a level which is believed by the members to be sufficient to cover the liabilities of the LLP including the guarantee to the Covered Bond holders. For this reason, the members continue to adopt the going concern basis in preparing the financial statements.

Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied in the financial statements.

The financial statements are presented in Sterling, which is the LLP's functional and presentational currency, and have been prepared on the historical cost basis, with the exception of the derivative contracts which are reported at their fair value.

1(b) Interest receivable and interest payable

Interest receivable and similar income and interest payable and similar charges have been calculated using the effective interest rate ("EIR") method. The EIR method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument.

The EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses.

1(c) Financial instruments

Financial instruments comprise a deemed loan to TSB, cash, term loans, derivative contracts, and other receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for TSB. These financial instruments are classified in accordance with the principles of International Financial Reporting Standard 9 (IFRS 9) as described below. The cover pool interest rate swap and covered bond swap are considered as additional obligations over an asset transfer that has not been recognised, and thus the cash movements of both the cover pool interest rate swap and covered bond swap are included within the deemed loan.

1(d)(i) Impairment of deemed loan to TSB

At initial recognition, an impairment allowance is required for expected credit losses (ECL) resulting from default events expected within the next 12 months (12-month ECL).

At each reporting date an assessment is made as to whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the deemed loan to TSB has had a significant increase in credit risk.

In the event of a significant increase in credit risk, allowance is required for ECL resulting from default events expected over the estimated life of the financial instrument (lifetime ECL). IFRS 9 requires the financial asset to be allocated to one of three 'stages' as follows:

- Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated. Recognition of a 12-month ECL is required. Interest income on stage 1 financial assets is calculated on the gross carrying amount of the financial asset;
- Stage 2 – Financial assets which have experienced a significant increase in credit risk. For financial assets in stage 2, recognition of a lifetime ECL impairment allowance is required. Interest income on stage 2 financial assets is calculated on the gross carrying amount of the financial asset; and
- Stage 3 - Financial assets which have experienced one of more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Like stage 2, recognition of a lifetime expected ECL impairment allowance is required. However, interest income on stage 3 loans is calculated on the financial asset balance net of the impairment allowance.

In assessing the deemed loan to TSB for impairment, the members consider both impairments on the underlying mortgage assets and the over collateralisation required in the transaction which provides credit enhancement in excess of the ECL of the underlying mortgage assets.

1(d)(ii) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months. The cash can only be used to meet certain specific liabilities and is not available to be used at the LLP's discretion.

1(d)(iii) Derivative financial instruments

The interest rate derivative contracts used to manage the interest rate risk are not recognised separately on the statement of financial position as financial instruments as the amounts payable under the derivative contracts reflect interest flows from the mortgage loans which are not recognised by the LLP for accounting purposes. Instead, the deemed loan to TSB is recognised with an EIR which reflects the amount received or paid under the derivative contracts.

The cross-currency interest rate swap used to manage the foreign currency risk is recognised on the balance sheet as a financial instrument. The LLP has applied cash flow hedge accounting which eliminates the income statement volatility arising from the economic hedging of the GBP mortgages and euro term loan with a cross currency interest rate swap. The hedging derivative instrument is measured at fair value and the effective portion of any change in fair value is deferred to Other Comprehensive Income ("OCI") and presented within the cash flow hedging reserve in equity.

1(e) Foreign currency translation

Foreign currency transactions are translated using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the balance sheet date.

1(f) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

1(f)(i) Deemed loan to TSB

Financial assets are de-recognised when a transferor meets the pass-through requirements combined with the transfer of sufficient risk and rewards test.

Where a transferor retains substantially all the risks and rewards associated with transferred assets, the transfer is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. In such a case the transferee would not recognise the assets on its statement of financial position but rather a deemed loan to the originator, where recourse to the originator is limited to the cash flows from the mortgage loans and any additional credit enhancement provided.

This is the treatment which has been adopted on the transfer of the mortgage loans from TSB to the LLP. The LLP has determined that the transfer of the contractual rights to cash flows is not affected by TSB retaining the cash manager and servicer roles and the revolving nature of the asset pool underlying the programme introduces a material delay between the original cash collection and its final remittance to TSB under the term loans. As a result of this, the pass-through arrangement is failed and TSB continues to recognise the mortgage assets on its statement of financial position.

Had the pass-through arrangement conditions been met, the mortgages would still not be eligible for de-recognition because TSB bears the risk of default on the loans through the requirement to add additional collateral to pass the Asset Coverage Test, and also receives excess income generated from the loans, exposing it to the variability of rewards of the underlying mortgage portfolio.

In accordance with IFRS9, the deemed loan to TSB is measured at amortised cost, as the members consider that the business model for the deemed loan is to hold the assets to collect the contractual cashflows, representing solely payments of principal and interest, in order to service the LLP's liabilities.

The deemed loan to TSB is comprised of a failed sale of mortgages from TSB, interest rate derivative contracts and a return of excess income to TSB and is reported on a net basis.

1(f)(ii) Impairment of deemed loan to TSB

The LLP's accounting policy for losses arising on the deemed loan classified as loans and receivables is described in note 1(d)(i). The allowance for impairment losses on loans and receivables is the member's best estimate of losses incurred in the portfolio taking into account other credit enhancement at the reporting date. No impairment has been identified on the deemed loan due to the level of over-collateralisation, and furthermore as TSB is obliged to replace under-performing loans within the pool, hence the quality and level of over-collateralisation is maintained.

Taking into account these factors, the members conclude that there is no significant increase in credit risk of the deemed loan since inception and that there are sufficient cash flows from the deemed loan for the LLP to meet its liabilities and therefore records it as Stage 1 with no impairment. At 31 December 2024, impairment allowances against the deemed loan totalled £nil (2023: £nil).

2. Interest receivable and similar income

	2024 £'000	2023 £'000
Interest receivable on deemed loan	**185,351**	122,822
Bank interest receivable	**3,989**	2,905
Total	**189,340**	125,727

The LLP accounts for the interest received on the deemed loan by capping it at a level which covers its liabilities, including the retention of a notional profit, effectively netting down excess income within the interest income of the LLP. The increase in interest receivable is attributable to the net increase in the term loan by £428 million and associated increase in the deemed loan, and higher observed SONIA rates during 2024.

3. Interest payable and similar charges

	2024	2023
	£'000	£'000
Interest payable on term loans	**180,087**	125,641
Interest payable on derivatives	**9,208**	-
Total	**189,295**	125,641

4. Operating expenses

	2024	2023
	£'000	£'000
Administration charges	**42**	48
Audit fees	**-**	35
Total	**42**	83

The LLP had no employees during the year (2023: none).

The 2024 audit fees for the LLP were borne by TSB Bank plc. The fee for the LLP for the current year, exclusive of VAT, is £22,073 (2023: £22,722).

5. Deemed loan to TSB

The members of the LLP have concluded that TSB has retained substantially all the risks and rewards of the pool of mortgage loans underlying the deemed loan and as a consequence, the LLP does not recognise the mortgage loans on its statement of financial position but rather a deemed loan to TSB, where recourse is limited to the cash flows from the mortgage loans and any additional credit enhancement provided by TSB.

The LLP recognises principal and interest cash flows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cash flows. Cash flows attributable to TSB are not recognised by the LLP. The mortgage loans are secured on residential property in England, Wales and Scotland. Mortgages in the pool must fulfil certain criteria. If they fail to do so they are removed from the pool and the pool may be replenished.

	2024	2023
	£'000	£'000
Non-current		
Principal	**3,528,499**	2,611,825
Current		
Principal	**-**	500,001
Interest	**15,913**	18,088
Deemed loan to TSB	**3,544,412**	3,129,914

The non-current element of the deemed loan is expected to be repaid on the final maturity date of the term loans. The current principal element in 2023 reflected the portion of the term loan that was repaid on the 15 February 2024. There are no repayments of the term loan expected during 2025. The increase in deemed loan during the year was funded by increased borrowings under the term loan, and allowed the LLP to support the increased Covered Bond issuance by TSB.

6. Loans and borrowings

Loans and borrowings comprise a series of term loans from TSB, equivalent to the Covered Bonds issued by TSB.

TSB will not be relying on repayment of any term loan by the LLP nor the interest thereon to meet its repayment or interest obligations under the Covered Bonds. The term loans will not be repaid by the LLP until amounts payable under the corresponding series of Covered Bonds have been repaid. Amounts owed by the LLP will be paid in accordance with the priority of payments detailed in the programme documentation.

The Covered Bonds issued by TSB are unconditionally guaranteed by the LLP. Under the terms of the programme documentation, the LLP has provided a guarantee as to payments of interest and principal under the Covered Bonds. The obligations of the LLP under its guarantee constitute direct obligations of the LLP secured against the assets of the LLP and recourse against the LLP is limited to such assets. The principal asset is the beneficial interest in the mortgage loans acquired from TSB.

	2024 £'000	2023 £'000
Non-current		
Term loans with TSB (GBP)	**3,250,000**	2,750,000
Term loans with TSB (EUR)	**413,497**	-
Current		
Term loans with TSB	**-**	500,001
Interest due on term loans:		
TSB 2019-1 issue - priced against SONIA +87bps	**-**	3,911
TSB 2021-1 issue - priced against SONIA +37bps	**625**	761
TSB 2023-1 issue – priced against SONIA +60bps	**6,988**	7,633
TSB 2023-2 issue – priced against SONIA +65bps	**1,760**	2,041
TSB 2023-3 issue – priced against SONIA +63bps	**3,745**	4,157
TSB 2024-1 issue – euro fixed rate 331.9bps	**11,355**	-
TSB 2024-2 issue – priced against SONIA +53bps	**1,506**	-
Total	**3,689,476**	3,268,504

The exchange rate used for the Euro translation to sterling as 31 December 2024 was £1/€1.2092.

7. Members' interests

	Members' Capital £'000	Cash Flow Hedge Reserve	Reserves £'000	Total £'000	Loans due to members £'000	Total £'000
Members' interests at 31 December 2023	**-**	**-**	**21**	**21**	**3,250,001**	**3,250,001**
Repaid to members	-	-	-	-	-	-
Available for division among members	-	-	3	3	-	-
Hedge accounting loss for the year	-		(87)	(87)	-	-
Other comprehensive income	-	6,833	-	6,833	-	-
Loans introduced by members					913,497	913,497
Loans repaid by members	-	-	-	-	(500,001)	(500,001)
Members' interests at 31 December 2024	**-**	**6,833**	**(63)**	**6,770**	**3,663,497**	**3,663,497**

8. Management of risk

The principal risks arising from the LLP's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. However, the LLP directs TSB to expend considerable resource to maintaining effective controls to manage, measure and mitigate each of these risks in its role as servicer. Further detailed analysis of the risks facing the LLP in relation to its financial instruments is provided below.

The LLP's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the Programme. The LLP's activities and the role of each party to the Programme are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the Programme. For this reason, sensitivity to risk is minimal.

8(a) Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligatio ns.

The ability of the LLP to meet its obligations to make principal and interest payments on the term loans and to meet its operating and administrative expenses is dependent on funds being received on the deemed loan. The primary credit risk of the LLP therefore relates to the credit risk associated with the underlying pool of mortgages originated by TSB.

The underlying mortgage assets are all secured on residential properties in England, Wales and Scotland. The nature of the residential mortgage portfolio means there is no significant individual counterparty credit risk in relation to the underlying mortgage pool.

The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics of the customer and the product type. Significant changes in the economy, or in the health of a particular geographical area that represents a concentration in the mortgage assets, could also affect the cash flows from the mortgage pool.

The LLP has engaged TSB as servicer of the mortgage loans in the portfolio to help reduce the risk of loss. The servicer is required to monitor repayments of the mortgage loans in accordance with its normal credit policies. The servicer is also responsible for ensuring mortgage loans meet the eligibility criteria set out in the programme documentation.

The income on the mortgage pool is expected to exceed the LLP's expenses and the interest payable on the term loans. Any excess income that is not required to meet expenses of interest payments is returned to TSB.

Credit risk for the LLP is mitigated by the amount of over collateralisation of the beneficial interest in mortgages which is provided by TSB. The over collateralisation is available in full for the benefit of the LLP. The programme documentation provides for an Asset Coverage Test ("ACT"), under which the LLP must ensure that the adjusted aggregate loan amount of the mortgage pool asset and cash is at least equal to the aggregate amount outstanding on the Covered Bonds on each calculation date after taki ng into account other deductions. The calculated level of over collateralisation as per the ACT was 38.2% as at 31 December 2024 (2023: 32.4%).

In the event that there is a breach of the ACT, TSB is required to take steps to make good the deficit by providing the necessary capital contributions in order that the ACT breach is cured before the next calculation date. If there is a deficit on the following calculation date, this will constitute a TSB Event of Default, which would entitle the Trustee to serve an Issuer Acceleration Notice on TSB. Upon service of such notice, the Bond Trustee will serve a notice to pay on the LLP under the Covered Bond guarantee. This would require the LLP to repay all amounts outstanding on the Covered Bonds, including principal and accrued interest.

The total mortgage pool made available to the LLP at 31 December 2024 amounted to £5,833 million (2023: £4,945 million). As noted in the accounting policies section, the LLP does not recognise the mortgage pool but rather a deemed loan to TSB. The deemed loan is capped to the value of the term loan. The deemed loan at 31 December 2024 was £3,544 million (2023: £3,130 million).

8. Management of risk (continued)

8(a) Credit risk (continued)

The LLP assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the rating scale of the credit rating agencies that rate the Covered Bonds, the programme documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

Counterparty	**Rating**	**Required Rating (Moody's)**	**Rating at 31 Dec 2024 (Moody's)**	**Rating at 31 Dec 2023 (Moody's)**	**Rating at date of approval of the financial statements (Moody's)**
HSBC Bank plc:					
In capacity as account bank	Short Term	P-1	**P-1**	P-1	**P-1**
In capacity as account bank	Long Term	A2	**A1**	A1	**A1**
TSB Bank plc					
In capacity as cover pool swap provider	Long Term	A3(cr)	**A2(cr)**	A2(cr)	**A2(cr)**
Lloyds Bank plc:					
In capacity as account bank	Short Term	P-1	**P-1**	P-1	**P-1**
In capacity as account bank	Long Term	A2	**A1**	A1	**A1**
Bank of Montreal					
In capacity as cross currency swap provider	Long Term	A3(cr)	**Aa2**	-	**Aa2**

In the event that a swap counterparty is downgraded by a rating agency below the ratings specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with the required rating, procuring another entity with the required rating to become co-obligor to its obligations, or taking such other action as it may agree with the relevant rating agency.

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the LLP's financial assets at the reporting date is disclosed in the table below and equates to carrying value.

Assets held at amortised cost:	**2024 £'000**	**2023 £'000**
Deemed loan to TSB	**3,544,412**	3,129,914
Cash and cash equivalents	**149,935**	138,647
Other assets	**4**	6
	3,694,351	3,268,567
Assets held at fair value:		
Derivative financial asset	**1,895**	-
Total Assets	**3,696,246**	3,268, 567

There is no significant increase in credit risk of the deemed loan since inception and there is sufficient cash flows from the deemed loan for the LLP to meet its liabilities and therefore it is recorded as Stage 1 with no impairment.

As 31 December 2024, Bank of Montreal had posted £3.6 million (2023: £nil) of securities collateral with the entity.

8. Management of risk (continued)

8(a) Credit risk (continued)

Mortgage assets

For the purposes of the LLP's disclosures regarding credit quality, securitised mortgage loans subject to credit risk have been analysed as follows:

Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated.

Stage 2 - Financial assets which have experienced a significant increase in credit risk.

Stage 3 - Financial assets which have experienced one or more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Financial assets are considered to be credit impaired and included in stage 3 when there is objective evidence of credit impairment. TSB assesses a loan as stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay, or the loan is otherwise considered to be in default.

December 2024	Mortgage Balance £'000	Number of Accounts
Stage 1	**5,742,831**	**41,538**
Stage 2	**69,489**	**558**
Stage 3	**20,367**	**183**
Total	**5,832,687**	**42,279**

December 2023	Mortgage Balance £'000	Number of Accounts
Stage 1	4,813,075	36,724
Stage 2	107,959	840
Stage 3	24,313	189
Total	4,945,347	37,753

8(b) Interest rate risk

Interest rate risk arises where assets and liabilities have interest rates set under a different basis or which reset at different times. The mortgage assets, the term loans and the cash and cash equivalents are exposed to these risks. The LLP minimises its exposure to such risk by ensuring that the interest rate characteristics of assets and liabilities are similar and where this is not possible, the LLP uses derivative financial instruments to mitigate these risks.

The underlying mortgage pool comprises mortgage loans which are subject to variable rates of interest set by TSB based on general interest rates and competitive considerations, mortgage loans which track the Bank of England base rate and mortgage loans which are subject to fixed rates of interest. To mitigate the changes in interest rates that may result in the interest cash flows from the mortgage pool being insufficient to meet the payments under the term loans, the LLP has entered into basis swaps with TSB which substantially eliminate the sensitivity to movements in interest rates.

Interest rate sensitivity has been assessed using a 100bps increase in the underlying SONIA rate applicable as at 31 December 2024. The projected change in the 12 month net interest income in response to an immediate parallel shift in all relevant interest rates, would be an increase of £17.7m (2023: £22.9 million) (pre deferred consideration). A 100bps decrease would result in a decrease in net interest income (pre deferred consideration) of £17.7 million (2023: £22.9 million). The measure assumes all interest rates move at the same time and by the same amount.

8(c) Liquidity risk

Liquidity risk is the risk that the LLP is not able to meet its financial obligations as they fall due.

The LLP's ability to meet payments on the term loans as they fall due is dependent on the receipt of funds from the deemed loan to TSB which will vary due to the level of repayments on the underlying mortgage portfolio.

Principal repayments are made on the term loans with TSB in accordance with the LLP's principal priority of payments and reflect the amount of principal collections from the underlying mortgage loans. In the event that the LLP does not have sufficient cash to repay the term loans as and when they fall due, the members may be required to make cash capital contributions, extend the repayment of the term loans, or sell mortgages from the mortgage pool, in accordance with the terms of the programme documentation. Recourse against the LLP under its guarantee is limited to the mortgage pool and any other assets held by the LLP.

The tables below reflect the undiscounted cash payments which will fall due at the contractual maturity dates of the term loans. The undiscounted future cash flows have been calculated using TSB's own forecast curves. It is anticipated that the interest and principal repayments on the deemed loan to TSB will be sufficient to allow repayment of the term loans.

December 2024	Carrying Value £'000	Contractual repayment value £'000	<1 month £'000	1-3 months £'000	3 months - 1 year £'000	1-5 years £'000	>5 years £'000
Cash	**149,935**	**149,935**	**149,911**	**-**	**-**	**-**	**24**
Deemed loan	**3,544,412**	**4,232,645**	**-**	**56,836**	**120,306**	**4,055,503**	**-**
Term loans with TSB:							
2019-1	**-**	**-**	-	-	-	-	-
2021-1	**(500,000)**	**(500,000)**	-	-	-	**(500,000)**	-
2023-1	**(1,000,000)**	**(1,000,000)**	-	-	-	**(1,000,000)**	-
2023-2	**(750,000)**	**(750,000)**	-	-	-	**(750,000)**	-
2023-3	**(500,000)**	**(500,000)**	-	-	-	**(500,000)**	-
2024-1	**(413,497)**	**(413,497)**	**-**	**-**	**-**	**(413,497)**	**-**
2024-2	**(500,000)**	**(500,000)**	**-**	**-**	**-**	**(500,000)**	**-**
Interest payable on term loans with TSB:							
2019-1	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2021-1	**(625)**	**(77,694)**	-	**(6,196)**	**(17,697)**	**(53,801)**	**-**
2023-1	**(6,988)**	**(108,596)**	-	**(13,417)**	**(37,279)**	**(57,900)**	**-**
2023-2	**(1,760)**	**(132,450)**	-	**(9,836)**	**(28,190)**	**(94,424)**	**-**
2023-3	**(3,745)**	**(71,577)**	**-**	**(6,762)**	**(18,770)**	**(46,045)**	**-**
2024-1	**(11,355)**	**(71,057)**	**-**	**(14,204)**	**-**	**(56,854)**	**-**
2024-2	**(1,506)**	**(107,774)**	**-**	**(6,421)**	**(18,370)**	**(82,983)**	**-**
Other payables	**-**	**-**	**-**	**-**	**-**	-	**-**
Total	**4,870**	**149,935**	**149,911**	**-**	**-**	**-**	**24**

8. Management of risk (continued)

8(c) Liquidity risk (continued)

December 2023	Carrying Value £'000	Contractual repayment value £'000	<1 month £'000	1-3 months £'000	3 months - 1 year £'000	1-5 years £'000	>5 years £'000
Cash	138,647	138,647	138,626	-	-	-	21
Deemed loan	3,129,914	3,708,992	-	548,965	108,241	3,051,786	-
Term loans with TSB:							
2019-1	(500,001)	(500,001)	-	(500,001)	-	-	-
2021-1	(500,000)	(500,000)	-	-	-	(500,000)	-
2023-1	(1,000,000)	(1,000,000)	-	-	-	(1,000,000)	-
2023-2	(750,000)	(750,000)	-	-	-	(750,000)	-
2023-3	(500,000)	(500,000)	-	-	-	(500,000)	-
Interest payable on term loans with TSB:							
2019-1	(3,911)	(7,912)	-	(7,912)	-	-	-
2021-1	(761)	(84,787)	-	(7,082)	(18,584)	(59,121)	-
2023-1	(7,633)	(139,456)	-	(15,140)	(39,945)	(84,371)	-
2023-2	(2,041)	(143,503)	-	(11,229)	(29,585)	(102,689)	-
2023-3	(4,157)	(83,333)	-	(7,601)	(20,127)	(55,605)	-
Other payables	(42)	(42)	-	(42)	-	-	-
Total	15	138,605	138,626	(42)	–	–	21

8(d)(i) Cash flow hedge reserve

Cash Flow hedge reserve	2024 £'000	2023 £'000
Balance at the start of the year	**-**	-
Change in fair value of hedging derivatives	**6,833**	-
Income statement transfers	**-**	-
Balance at 31 December	**6,833**	-

8(d)(ii) Derivative financial instruments

The LLP holds derivative financial instruments in the normal course of its business to minimise its exposure to interest rate risk and currency risk by ensuring that the interest rate and currency characteristics of the underlying mortgage assets and the Term loans (its principal assets and liabilities) are similar. The fair values and notional amounts of derivative instruments are presented in the following table:

At 31 December 2024

Hedging derivative financial instruments	Contract/Notional amount £'000	Assets fair value £'000	Liabilities fair value £'000	Change in fair value used for calculating hedge ineffectiveness £'000
Foreign exchange risk – cash flow hedges				
Cross currency interest rate swaps	427,900	1,895	-	6,833

Risk management

Derivatives are recognised at fair value, with changes in the fair value recognised in the income statement. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

8. Management of risk (continued)

8(d)(ii) Derivative financial instruments (continued)

Foreign exchange on foreign currency debt (cash flow hedge)

The LLP has entered into a EUR Term Loan and as a result is exposed to foreign currency risk as the LLP's functional currency is in pound sterling. The Company hedges the foreign currency exposure via cross currency interest rate swaps that exchange fixed rate euro cash flows and principal for floating rate sterling cash flows and principal. The swaps are structured such that the euro component matches the critical terms of the hedged term loan.

Hedge effectiveness is determined at inception of the hedge relationships by demonstrating that the critical terms of the hedged item match exactly the critical terms of the hedging instrument. To validate the effectiveness of the ongoing hedge relationship, TSB uses the hypothetical derivative method. Hedge ineffectiveness may occur due to credit valuation adjustments on the swaps which are not matched on the secured issuance.

At 31 December 2024, cross currency interest rate swaps of £427.9 million were expected to mature between 1 and 5 years The exchange rate applicable to this cross-currency swap was £1/€1.1684.

Exposures covered by hedging accounting strategies

The following table contains details of the hedged exposures covered by the LLP's hedging.

Foreign exchange risk (cash flow hedges)

2024	Carrying amount of hedged item liability	Accumulated fair value hedge adj on hedged item	Balance sheet line item that includes the hedged item	Change in fair value for calculating hedge ineffectiveness	Cash flow hedge reserve continuing hedges
Cash flows hedges	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Term loan - euros	(427,900)	n/a	Loans and borrowings	6,833	6,833

Hedge accounting ineffectiveness

The following table contains information regarding the effectiveness of the hedging relationships designated by the LLP, as well as the impacts on profit or loss and other comprehensive income:

2024	Hedge ineffectiveness recognised in P&L	Gain/(loss) recognised in OCI	P&L Line item that includes hedge ineffectiveness
Cash flow hedges	**£'000**	**£'000**	**£'000**
Foreign exchange and interest rate risk	-	6,833	Gains from hedge accounting

There have been no discontinued cash flow hedges in 2024.

8. Management of risk (continued)

8(e) Fair values

The LLP uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 valuations are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

The fair value levels applicable to the LLP's financial instruments are detailed below:

Cash and cash equivalents

Cash balances are held with a counterparty with a high credit quality and the carrying amount is a reasonable approximation of fair value. As such these amounts are considered as Level 2.

Deemed loan to TSB

The deemed loan to TSB is comprised of a failed sale of mortgages from TSB, an interest rate derivative contract and a return of excess income to TSB. This is considered to be a single financial instrument which is carrying a market rate of interest. Therefore, the fair value is considered to be consistent with the carrying value.

Loans and borrowings - term loans

The fair values of the term loans are not considered to be in an active market. The fair value has been determined based on internally developed pricing models using level 3 valuation techniques and is considered to be materially consistent with the carrying value.

Derivative financial assets

The cross-currency interest rate swap is recognised at fair value. The fair value has been determined using level 2 techniques as it is not market quoted and is valued using observable market data.

Fair Value Table

December 2024	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000	Carrying Value £'000
Deemed loan	5	**-**	**-**	**3,544,412**	**3,544,412**	**3,544,412**
Derivative financial asset	8	**-**	**1,895**	**-**	**1,895**	**1,895**
Term loans	6	**-**	**-**	**(3,689,476)**	**(3,689,476)**	**(3,689,476)**

December 2023	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000	Carrying Value £'000
Deemed loan	5	-	-	3,219,914	3,219,914	3,219,914
Term loans	6	-	-	(3,268,504)	(3,268,504)	(3,268,504)

9. Related party transactions

The LLP is a special purpose entity controlled by TSB, one of the two designated members. The second designated member is TSB Covered Bonds (LM) Limited.

The LLP has entered into related party transactions with CSC Management Services (UK) Limited (formerly Intertrust Management Limited) and TSB Bank plc (“TSB”).

The LLP has provided a deemed loan to TSB on which the LLP receives income. In addition, the LLP paid servicer and cash manager fees to TSB in connection with the provision of services defined under the programme documentation. TSB is the counterparty of the interest rate swap agreements. The swap payments and management fees are included in the income from the deemed loan.

CSC Corporate Services (London) Limited (“CSC”), (formerly known as Intertrust Corporate Services Limited) is the immediate parent company of TSB Covered Bond (Holdings) Limited which is the majority shareholder of TSB Covered Bonds (LM) Limited. CSC is a wholly owned subsidiary of CSC Management Services (UK) Limited (formerly known as Intertrust Management Limited). TSB pays corporate services fees to CSC in connection with its provision of corporate management services to the LLP and related companies. In 2024 this amounted to £27,225 (2023: £31,153).

During the year, the LLP undertook the transactions set out below with TSB.

	2024	2023
	£’000	£’000
Interest receivable and similar income:		
Income from deemed loan to TSB	**191,364**	127,176
Cash manager and servicing fees	**(6,013)**	(4,354)
Net Deemed Loan receivable from TSB	**185,351**	122,822
Interest payable and similar charges:		
Interest payable to TSB on term loans	**(180,087)**	(125,641)
Assets		
Deemed loan to TSB	**3,544,412**	3,129,914
Liabilities		
Term loans from TSB	**(3,689,476)**	(3,268,504)

During 2024 TSB issued Series 2024-1 €500m (£428 million sterling equivalent) and Series 2024-2 £500 million. Concurrent with these issuances, TSB used the proceeds to increase the balance outstanding on the deemed loan due from TSB. These amounts were settled net and no cash was transferred between LLP and TSB.

During 2023 TSB issued £1,000 million Series 2023-1, £750 million Series 2023-2 and £500 million Series 2023-3. On 15 September 2023, TSB bought back £250 million of the £750 million Series 2019-1, which was due to mature in February 2024. Concurrent with this, TSB used these proceeds to increase the balance outstanding on the deemed loan due from TSB. These amounts were settled net and no cash was transferred between LLP and TSB.

10. Events after the reporting period

On 18 February 2025, TSB issued Series 2025-1 €600 million (equivalent to £500.9 million). The term loan with TSB increased by an equivalent amount and LLP entered into a cross currency swap with Bank of Montreal to mitigate the foreign exchange and interest rate risk.

11 Parent undertaking and controlling party

The designated members of the LLP are TSB Bank plc and TSB Covered Bonds (LM) Limited (as Liquidation Member).

For accounting purposes, at 31 December 2024 the LLP's ultimate controlling party was Banco de Sabadell S.A., which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and accounts of Banco Sabadell S.A. are available from www.grupbancsabadell.com/en/. TSB Bank plc is the parent undertaking of the smallest group to consolidate these financial statements. Copies of the consolidated financial statements of TSB Bank plc may be downloaded via www.tsb.co.uk.