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**THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE**

**FOR IMMEDIATE RELEASE**

12 March 2015

TSB Banking Group plc ("TSB" or the "Company")

Response to media speculation

The Boards of TSB and Banco de Sabadell SA ("Sabadell") note the recent media speculation. The Board of TSB confirms that it has received a preliminary proposal from Sabadell which may or may not result in a formal offer for the entire share capital of the Company.

The proposal is for 340 pence in cash per TSB share. The Board of TSB has indicated to Sabadell that it would be willing to recommend an offer at the proposed price, subject to reaching agreement on the other terms and conditions of any offer. Accordingly, the Board is in discussions with Sabadell in relation to these terms. The making of any offer for TSB by Sabadell will be subject to the completion of due diligence and Lloyds Banking Group plc agreeing to enter into an irrevocable undertaking with Sabadell in respect of its entire holding in TSB. Any transaction would also be subject to regulatory approvals.

Based on preliminary discussions, the Board of TSB believes that Sabadell could support and accelerate TSB's retail growth strategy and accelerate the expansion of TSB's presence in the SME sector. Sabadell recognises the achievement of TSB's management and employees and would continue to operate TSB as a robust competitor in the UK banking market, building on the TSB brand name.

Sabadell is a strong competitor in its home market and has developed a successful international presence in the US. Sabadell believes that the current banking industry dynamics and macro-economic environment make the UK an attractive market for future investment.

Sabadell anticipates that under its ownership, TSB would be able to further enhance its growth strategy and efficiency, benefitting from Sabadell's resources, experience

gained in the Spanish banking market and SME lending as well as its track record of successful business and IT integrations. Sabadell believes that the two companies share similar values and customer commitment.

Sabadell expects to finance the transaction on a capital neutral basis for the Sabadell group and that the transaction will be broadly neutral to Sabadell earnings in the short term and enhancing to earnings in the medium term.

In accordance with Rule 2.6(a) of the Code, Sabadell is required, by not later than 5.00 p.m. on 9 April 2015, to either announce a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline can be extended with the consent of the Panel in accordance with Rule 2.6(c) of the Code.

There can be no certainty any formal offer will be made.

Sabadell reserves the right, with the recommendation of the Board of TSB, to amend the terms of its preliminary proposal.

This announcement has been made with the consent of Sabadell.

A copy of this announcement will be available at [www.tsb.co.uk](http://www.tsb.co.uk) and [www.grupbancsabadell.com](http://www.grupbancsabadell.com).

The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Citigroup and Rothschild are acting as financial advisers to TSB and Goldman Sachs is acting as financial adviser to Sabadell.

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#### **Disclosure requirements of the Takeover Code (the “Code”)**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing

Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

#### **No profit forecasts or estimates**

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for Sabadell or the combined group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Sabadell.

#### **Forward looking statements**

This announcement, including information included or incorporated by reference in this announcement, may contain certain "forward looking statements" regarding the financial position, business strategy or plans for future operations of the Sabadell group and the TSB group. All statements other than statements of historical fact included in any document may be forward looking statements. Forward looking statements also often use words such as "believe", "expect", "estimate", "intend", "anticipate" and words of a similar meaning. Statements relating to reserves are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future. By their nature, forward looking statements involve risk and uncertainty that

could cause actual results to differ materially from those suggested by them. Much of the risk and uncertainty relates to factors that are beyond the companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements which speak only as at the date of this announcement. Neither the Sabadell group nor any of its associates or directors, officers, employees, managers, agents, representatives, partners, members, consultants or advisers: (i) provide any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements will actually occur; nor (ii) assume any obligation to, and do not intend to, revise or update these forward looking statements, except as required pursuant to applicable law.

#### **Rule 2.10 disclosure**

In accordance with Rule 2.10 of the Code, as at the close of business on 12 March 2015, TSB confirms that it has 500,000,000 ordinary shares of £0.01 each in issue.

The International Securities Identification Number for the Company's ordinary shares is GB00BMQX2Q65.