Sabadell

Sabadell raises shareholder remuneration to €3.8 billion over the next 12 months, following decision to submit TSB sale for shareholder approval

- **Sabadell will hold a General Shareholders' Meeting on 6 August to approve both the sale and the dividend payment**
- **The Bank will ask shareholders to approve the sale of its subsidiary TSB to Banco Santander for £2.65 billion (€3.1 billion), with the final price expected to rise to £2.9 billion (€3.4 billion) once estimated profits from that date until completion (expected in Q1 2026) are included**
- **Proceeds from the deal will be used to fund a €0.50 per share extraordinary cash dividend, equivalent to approximately €2.5 billion. This is in addition to €1.3 billion of ordinary dividends expected to be paid from 2025 earnings**
- **The extraordinary dividend will be paid to shareholders of record upon completion of the TSB sale**
- **Chairman Josep Oliu stated: "This transaction creates significant value for the Bank and its shareholders, enabling the payment of an extraordinary dividend while maintaining our capital ratio above 13%"**
- **CEO César González-Bueno emphasised: "We will now focus our strategy on Spain, where we have strong growth potential in both business and share price performance compared with peers"**

1st of July 2025

Banco Sabadell's Board of Directors has today agreed to propose to its General Shareholders' Meeting the sale of its UK subsidiary, TSB, to Banco Santander for £2.9 billion (€3.4 billion) in cash. The transaction is expected to complete in the first quarter of 2026.

As a result of the value generated by the deal, the Bank will propose the payment of an extraordinary cash dividend of €0.50 per share, equivalent to approximately €2.5 billion, at the General Meeting to be held in Sabadell on 6 August.

Banco Sabadell Chairman Josep Oliu commented: "This transaction is beneficial for the Bank and its shareholders, as it creates significant value, allowing us to pay an extraordinary dividend while maintaining our capital ratio above 13%."

"This transaction benefits our shareholders regardless of the outcome of the takeover bid," the Chairman added, stating that "if approved by the General Meeting, the deal will proceed even if the bid is withdrawn."

"As I have reiterated, Banco Sabadell is a bank with a clear focus on Spain. We offer the highest dividend yield among Spanish banks, have delivered the strongest share price performance over the past four and a half years, and have a strong future as an independent entity serving our customers. We are also a key pillar of the Spanish financial system," he said.

CEO César González-Bueno described the sale as "a strategic opportunity we could not overlook, representing a disposal at a highly attractive multiple of TSB's book value."

He added: "We will now focus our strategy on Spain, where we see significant growth potential in both business terms and share price performance relative to peers."

Dividend of €0.50 cents per share

Using the capital generated from the TSB sale, the Bank has committed to paying an extraordinary cash dividend of €0.50 per share, equivalent to approximately €2.5 billion, upon completion of the transaction, currently expected in Q1 2026. Following this payment, Sabadell will maintain a capital ratio above 13%, the threshold at which it distributes excess capital to shareholders.

The extraordinary dividend will be paid to existing shareholders of the bank at the time of payment.

In the hypothetical event the BBVA takeover bid is succesful, BBVA would be entitled to receive this renumeration as any other Sabadell shareholder. Moreover, this dividend will not affect BBVA's proposed exchange ratio, which only adjusts for payments made during the validity of the bid.

The extraordinary dividend of approximately €2.5 billion, combined with the expected €1.3 billion ordinary dividend from 2025 earnings, totals €3.8 billion in shareholder remuneration.

Sale of TSB at 1.5x book value

Subject to shareholder approval, the sale price has been set at £2.65 billion as of 31 March 2025, implying a multiple of 1.5 times TSB's book value. This will be adjusted upwards to include profits generated from that date until completion, anticipated in Q1 2026. Based on projected performance, the final price is expected to be £2.9 billion (€3.4 billion).

Banco Sabadell acquired the UK mortgage-focused bank in 2015 at book value for £1.7 billion. Between then and Q1 2025, TSB's loan book grew from £26.4 billion to £36.4 billion, its cost-income ratio improved from 80% to 67%, and its return on tangible equity (ROTE) rose from 5.3% to 12.5%. Over the decade, Sabadell has received €559 million in dividends from TSB.

As part of the transaction, TSB debt securities subscribed by Banco Sabadell will be transferred at fair value on completion. These include perpetual convertible bonds, subordinated debt and senior unsecured bonds, totalling £1.45 billion.

Banco Sabadell has agreed not to compete in the UK market for 24 months following completion. It will retain its UK branch to support businesses with international operations and will continue to operate in the market through its Corporate & Investment Banking (CIB) division.

TSB CEO Marc Armengol noted: “TSB is a UK success story, providing excellent service to more than 5 million customers. Today’s announcement marks the beginning of a new chapter as part of a major group like Santander.”

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