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This document and any documents incorporated into it by reference should be read in conjunction with the accompanying Form of Acceptance (if you hold TSB Shares in certificated form).

If you have sold or otherwise transferred all of your TSB Shares, please send this document and any accompanying document (but not any personalised Form of Acceptance) as soon as possible to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. **However, these documents must not be distributed, forwarded or transmitted in or into any jurisdiction where to do so would constitute a violation of the relevant laws of that jurisdiction (a Restricted Jurisdiction).** If you have sold or transferred only part of your holding of TSB Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

**The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom or the United States and the availability of the Offer to TSB Shareholders who are not resident in the United Kingdom or the United States may be restricted by the laws of those jurisdictions. Therefore persons into whose possession this document comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to sell or issue, nor the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful.**

## **Recommended Cash Offer**

by

**Banco de Sabadell, S.A.**

for

**TSB Banking Group plc**

You should read carefully the whole of this document and, if your TSB Shares are held in certificated form, the Form of Acceptance. Your attention is drawn to the letter from the Chairman of TSB, which contains the unanimous recommendation of the TSB Directors to accept the Offer, which is set out on pages 7 to 11 of this document.

To accept the Offer in respect of certificated TSB Shares, the Form of Acceptance should be completed, signed and returned as soon as possible, and in any event so as to be received by the Receiving Agent, Equiniti Limited, no later than 1.00 p.m. (London time) on 8 May 2015.

To accept the Offer in respect of uncertificated TSB Shares, acceptances should be made electronically through CREST so that the TTE Instruction settles as soon as possible and in any event no later than 1.00 p.m. (London time) on 8 May 2015. If you are a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE Instruction to Euroclear.

The procedure for acceptance of the Offer is set out on page 5 of this document, Parts C and D of Appendix 1 and, in respect of TSB Shares held in certificated form, in the Form of Acceptance.

This document together with those documents listed in paragraph 11 of Appendix 4 and all information incorporated into this document by reference to another source will be available on Sabadell's website at [www.sabadelltsbinfo.com](http://www.sabadelltsbinfo.com) and on TSB's website at [www.tsb.co.uk/investors/sabadell-offer-information/](http://www.tsb.co.uk/investors/sabadell-offer-information/) as soon as possible and in any event by no later than 12 noon (London time) on 20 April 2015. The content of such websites is not incorporated and does not form part of this document.

If you have any questions about this document or are in any doubt as to how to complete the Form of Acceptance (if you hold TSB Shares in certificated form), or if you want to request a hard copy of this document (and/or any information incorporated into it by reference to another source) please contact the Receiving Agent, Equiniti Limited, on 0871 384 2965 from within the UK or on +44 (0)121 415 0184 if calling from outside the UK. Calls to the on 0871 384 2965 number cost 8 pence per minute (excluding VAT), plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Capitalised words and phrases used in this document shall have the meanings given to them in Appendix 5.



This Offer is subject to the jurisdiction of the Panel.

Goldman Sachs International (**Goldman Sachs**), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Sabadell and no one else in connection with the Offer and will not be responsible to anyone other than Sabadell for providing the protections afforded to its clients or for providing advice in relation to the Offer.

Citigroup Global Markets Limited (**Citigroup**), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for TSB and no one else in connection with the Offer and will not be responsible to anyone other than TSB for providing the protections afforded to its clients or for providing advice in relation to the Offer.

N.M. Rothschild & Sons Limited (**Rothschild**), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for TSB and no one else in connection with the Offer and will not be responsible to anyone other than TSB for providing the protections afforded to its clients or for providing advice in relation to the Offer.

RBC Europe Limited (**RBC Capital Markets**), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for TSB and no one else in connection with the matters referred to in this document and will not be responsible to anyone other than TSB for providing the protections afforded to clients of RBC Capital Markets, or for providing advice in connection with the matters referred to in this document.

### **IMPORTANT INFORMATION**

The statements contained in this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the content of this document, you should consult your own legal, financial or tax adviser for legal, business, financial or tax advice.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. No dealer, salesperson or other person is authorised to give any information or to make any representations with respect to the Offer other than such information or representations contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Sabadell or TSB.

#### **Overseas shareholders**

The Offer is not being, and will not be, made directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality of interstate or foreign commerce of, or any facility of a national state or other securities exchange of, any Restricted Jurisdiction, and will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction. Accordingly, copies of this document and the accompanying Form of Acceptance are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving this document and the accompanying Form of Acceptance (including, without limitation, any agent, nominee, custodian or trustee) must not mail or otherwise forward, distribute or send it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this document and/or any other related document to a jurisdiction outside the United Kingdom or the United States should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction and must not mail, send or otherwise forward or distribute them in, into or from any Restricted Jurisdiction. Doing so may render any purported acceptance of the Offer invalid. Such persons should read paragraph 5 of Part B, paragraph (c) of Part C and paragraph (b) of Part D of Appendix 1 to this document before taking any action.

#### **Notice to US holders of TSB Shares**

The Offer is being made in the United States pursuant to Section 14(e) of, and Regulation 14E under, the Exchange Act, subject to the exemptions provided by Rule 14d-1(c) and otherwise in accordance with the requirements of the Code. Accordingly, the Offer will be subject to disclosure and other procedural

requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

The Offer is being made for the securities of a UK company with a listing on the London Stock Exchange. The Offer is subject to UK disclosure requirements, which are different from certain United States disclosure requirements. The financial information on TSB included in this document has been prepared in accordance with IFRS and the financial information on Sabadell included in this document has been prepared in accordance with IFRS, thus neither may be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The receipt of cash pursuant to the Offer by a US holder of TSB Shares may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each TSB Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of accepting the Offer. Furthermore, the payment and settlement procedure with respect to the Offer will comply with the relevant United Kingdom rules, which differ from the United States payment and settlement procedures, particularly with regard to the date of payment of consideration.

The Offer will be made (including in the United States) by Sabadell and no one else. Neither Goldman Sachs, Citigroup, Rothschild nor RBC Capital Markets, nor any of their respective affiliates, will be making the Offer in or outside the United States.

It may be difficult for US holders of TSB Shares to enforce their rights and any claim arising out of US federal securities laws, since Sabadell is incorporated under the laws of Spain and TSB is incorporated under the laws of England and Wales and some or all of their officers and directors are residents of non-US jurisdictions. In addition, most of the assets of Sabadell and TSB are located outside the United States. US holders of TSB Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

This document does not constitute an offer of securities for sale in the United States. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than: (i) in accordance with the tender offer requirements under the Exchange Act, or the securities laws of such other country, as the case may be; or (ii) pursuant to an available exemption from such requirements.

Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved the Offer, or passed comment upon the adequacy or completeness of this document or the Offer Document. Any representation to the contrary is a criminal offence in the United States.

To the extent permitted by applicable law, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Sabadell or its nominees or brokers (acting as agents) or their respective affiliates may from time to time make certain purchases of, or arrangements to purchase, shares or other securities in TSB, other than pursuant to the Offer, at any time prior to completion of the Offer. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any such purchases, or arrangements to purchase, will comply with all applicable UK rules, including the Code, the rules of the London Stock Exchange and Rule 14e-5 under the Exchange Act to the extent applicable. In addition, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Goldman Sachs, Citigroup, Rothschild and RBC Capital Markets and their respective affiliates will continue to act as exempt principal traders in TSB Shares on the London Stock Exchange and engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law. To the extent required by the applicable law (including the Code), any information about such purchases will be disclosed on a next day basis to the Panel and a Regulatory Information Service including the Regulatory News Service on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com). To the extent that such information is made public in the United Kingdom, this information will also be deemed to be publicly disclosed in the United States.

## **Notice to Australian holders of TSB Shares**

The Offer is being made for the securities of a UK company with a listing on the London Stock Exchange and is regulated primarily by UK laws. Accordingly, the Offer is not made under or regulated by Chapter 6 of the Corporations Act 2001 (Cth). The content of this document is subject to UK disclosure requirements which are different from the disclosure requirements under Australian law. Neither the Australian Securities and Investments Commission nor the Australian Securities Exchange has: (i) approved or disapproved of the Offer; (ii) passed judgment over the merits or fairness of the Offer; or (iii) passed judgment upon the adequacy or accuracy of the disclosure in this document.

### **Forward-looking statements**

This document contains statements about Sabadell and TSB which are, or may be deemed to be, “forward-looking statements” and which are prospective in nature. All statements other than statements of historical fact included in this document may be forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “predicts”, “intends”, “anticipates”, “believes”, “targets”, “aims”, “projects”, “future-proofing” or words or terms of similar substance or the negative of such words or terms, as well as variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Sabadell’s or TSB’s operations and potential synergies resulting from the Offer; and (iii) the effects of global economic conditions on Sabadell’s or TSB’s business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of the Sabadell Group or the TSB Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of the Sabadell Group or the TSB Group to differ materially from the expectations of the Sabadell Group or the TSB Group, as applicable, include, among other things: UK domestic and global economic and business conditions; the ability to access sufficient funding to meet the Sabadell Group’s or the TSB Group’s liquidity needs; risks concerning borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; market-related risks including in relation to interest rates and exchange rates; changing demographics and market-related trends; changes in customer preferences; changes to laws, regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements; the policies and actions of governmental or regulatory authorities in the UK or the European Union or other jurisdictions in which either the Sabadell Group or the TSB Group operates; the implementation of the Recovery and Resolution Directive and banking reform following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints and other factors. Each of the Sabadell Group and the TSB Group, and each of their respective members, directors, officers, employees, advisers and persons acting on their behalf, expressly disclaims any intention or obligation to update or revise any forward-looking or other statements contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable law.

No member of the Sabadell Group nor the TSB Group, nor any of their respective associates, directors, officers, employees or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

Other than in accordance with its legal or regulatory obligations, neither Sabadell nor TSB is under any obligation and Sabadell and TSB each expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Except as expressly provided in this document, no forward-looking or other statements have been reviewed by the auditors of the Sabadell Group or the TSB Group. All subsequent oral or written forward-looking statements attributable to any member of the Sabadell Group or TSB Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

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

This document contains no profit forecasts or estimates and nothing in this document shall be deemed to be any other kind of forecast, projection or estimate of the future financial performance of Sabadell or the Sabadell Group, or TSB or the TSB Group, except where otherwise stated.

### **Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. 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 security 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 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (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 security 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 per cent. 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 p.m. (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 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.

### **Rounding**

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

## TO ACCEPT THE OFFER

If you hold your TSB Shares in certificated form (that is, not in CREST), to accept the Offer you must complete the enclosed Form of Acceptance in accordance with the instructions printed on it. Return the completed Form of Acceptance (along with your share certificate(s) and/or other documents of title) by post or by hand (during normal business hours only) to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, **so as to be received by no later than 1.00 p.m. (London time) on 8 May 2015**. If you are posting in the UK, the enclosed reply-paid envelope has been provided for your convenience.

If you hold your TSB Shares in uncertificated form (that is, in CREST), to accept the Offer you must follow the procedure set out in paragraph 16.2 of Part 2 of this document **so that the TTE Instruction settles no later than 1.00 p.m. (London time) on 8 May 2015**. If you hold your TSB Shares as a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary instruction to Euroclear.

**If you require assistance in completing your Form of Acceptance (or wish to obtain an additional Form of Acceptance), or have questions in relation to making an electronic acceptance, please contact the receiving agent, Equiniti Limited, on 0871 384 2965 from within the UK or on +44 (0)121 415 0184 if calling from outside the UK. Calls to the 0871 384 2965 number cost 8 pence per minute (excluding VAT), plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.**

ALL REFERENCES TO TIME IN THIS DOCUMENT AND IN THE FORM OF ACCEPTANCE ARE TO LONDON TIME UNLESS OTHERWISE STATED.

### Settlement

Subject to the Offer becoming or being declared unconditional in all respects, settlement for those TSB Shareholders who have validly accepted the Offer will be effected within 14 calendar days of the Offer becoming or being declared unconditional in all respects or, in relation to valid acceptances received after this date, within 14 calendar days of receipt of that acceptance.

### GENERAL

This document should be read as a whole, together with the information incorporated into it by reference, and, in the case of holders of TSB Shares in certificated form, in conjunction with the Form of Acceptance. TSB Shareholders are recommended to seek financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under FSMA if they are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

**THE FIRST CLOSING DATE OF THE OFFER IS 1.00 P.M. (LONDON TIME) ON 8 MAY 2015**

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## PART 1

### LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF TSB BANKING GROUP PLC

*(a public company incorporated under the laws of England and Wales  
with registered number 08871766)*

*Directors:*

Will Samuel	Chairman
Paul Pester	CEO
Darren Pope	CFO
Philip Augar	Independent Non-executive director
Norval Bryson	Non-executive director
Professor Dame Sandra Dawson	Senior Independent Non-executive director
Mark Fisher	Non-executive director
Alexandra Kinney Pritchard	Independent Non-executive director
Godfrey Robson	Non-executive director
Stuart Sinclair	Independent Non-executive director
Polly Williams	Independent Non-executive director

*Registered office*  
20 Gresham Street, London  
EC2V 7JE

17 April 2015

*To: TSB Shareholders and, for information only, to persons with information rights and to holders of awards and/or options under the TSB Share Plans*

Dear Shareholder,

#### **Recommended Cash Offer by Banco de Sabadell, S.A. for TSB Banking Group plc**

##### **1. Introduction**

On 20 March 2015 the boards of Sabadell and TSB announced that they had reached agreement on the terms of a recommended cash offer to be made by Sabadell for the entire issued and to be issued share capital of TSB.

I am writing to you on behalf of the TSB Directors to explain the background to the Offer and the reasons why the TSB Directors, who have been so advised by Citigroup and Rothschild as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable and unanimously recommend that you accept the Offer in respect of all your TSB Shares. In providing their advice, Citigroup and Rothschild have taken into account the commercial assessments of the TSB Directors. Citigroup and Rothschild are providing independent financial advice to the TSB Directors for the purpose of Rule 3 of the Code.

##### **2. Summary terms of the Offer**

Under the Offer, Sabadell is offering to acquire, subject to the conditions and further terms of the Offer set out in this document and the Form of Acceptance, the entire issued and to be issued share capital of TSB on the following basis:

**for each TSB Share      340 pence in cash**

The Offer values the entire issued share capital of TSB at approximately £1.7 billion.

The Offer represents a premium of approximately:

- 4 per cent. to the Closing Price of 327 pence per TSB Share on 19 March 2015, being the last Business Day before the date of the Rule 2.7 Announcement;
- 29 per cent. to the Closing Price of 264.1 pence per TSB Share on 11 March 2015, being the last Business Day before the joint announcement by Sabadell and TSB in response to media speculation that commenced the Offer Period; and
- 31 per cent. to the offer price of 260 pence per TSB Share on its initial public offering (**IPO**) announced on 20 June 2014.

The Offer implies a price to book value multiple of 1.0 times.

TSB's current dividend policy does not envisage the declaration of its inaugural dividend before the end of the 2017 financial year. The TSB Directors have re-affirmed this and confirm that no dividend will be proposed, declared, made or paid in respect of any TSB Shares following the date of this document and before such time as the Offer becomes or is declared unconditional in all respects or if the Offer lapses, is terminated or is withdrawn.

### **3. Background to and reasons for recommending the Offer**

TSB was formed by Lloyds Banking Group plc in order to satisfy part of Lloyds Banking Group plc's State Aid restructuring plan requirements that were agreed with the European Commission in November 2009. The configuration of the bank evolved over the course of the divestment process and TSB was launched as a retail and small business bank on 9 September 2013. Currently, TSB has 631 branches, £21.6 billion of loans, £24.6 billion of customer deposits and generated a profit of £134.5 million for the year ended 31 December 2014. TSB completed its IPO in June 2014, and Lloyds Banking Group plc is obliged to sell the remainder of its shareholding by the end of this year, except in certain circumstances.

TSB has positioned itself as "Britain's challenger bank" and pursued a growth strategy focused on growing its share of personal current accounts, growing its Franchise customer lending and differentiating and enhancing its brand. The board of TSB believes that its strong capital and funding position, its strong brand and its high quality, scalable distribution channels and operating platform provide TSB with a robust platform for both organic and inorganic growth.

TSB has made a strong start with its strategy and made financial progress in 2014, against the strategic growth priorities set out at the time of its IPO. TSB is targeting consistently acquiring at least 6 per cent. of all those customers moving bank accounts or opening a new account each year and achieved an 8.4 per cent. share in 2014. TSB is also targeting growth of 40 per cent. to 50 per cent. in its Franchise balance sheet over the five years following its IPO, primarily through re-entering the mortgage intermediary market. TSB successfully entered this market in January 2015 and reported in late February at its 2014 results that it had already received mortgage applications of over £300 million. This growth in customers and balance sheet should, when supported by increasing UK interest rates, enable the TSB business to achieve a double digit return on equity within five years following IPO.

The board of TSB remains confident in the ongoing execution of its strategy as an independent company and that its successful delivery will provide long-term growth and create significant value for shareholders. While mindful of the encouraging start the business has made in delivering its strategy, the board of TSB has, in considering the offer made by Sabadell, also taken into account the likely time it will take for TSB to fully deliver on that strategy and the possible macro-economic, competitive and regulatory headwinds that might emerge. In addition, the board of TSB believes that under Sabadell 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, SME capability as well as its track record of successful business and IT integrations.

The 340 pence per share Offer for TSB represents a 29 per cent. premium to the closing price on 11 March 2015, the day before the announcement of Sabadell's possible offer, and equates to a valuation of 1.0 times TSB's price to book value per share. The board of TSB believes that the Offer will provide TSB shareholders the opportunity to receive today in cash the value that would otherwise be unlocked over time as TSB executes its strategy and realises its longer term growth prospects, whilst removing the risks inherent in the delivery of that growth plan. In reaching its conclusion, the board of TSB considered the terms of the Offer in relation to the value and prospects of the underlying business and the potential medium term value of TSB Shares.

Following careful consideration of the above factors, the TSB Directors recommend that TSB Shareholders accept the Offer, as they have each irrevocably undertaken to do in respect of their own beneficial holdings of TSB Shares amounting to, in aggregate, 47,901 TSB Shares representing approximately 0.01 per cent. of TSB's ordinary share capital in issue on 19 March 2015.

### **4. Irrevocable undertakings**

Lloyds and Sabadell have entered into a sale and purchase, irrevocable undertaking and option deed over Lloyds's entire shareholding in TSB, which represents 50 per cent. of the issued share capital of TSB as at 19 March 2015. On 24 March 2015, Sabadell completed the acquisition of 49,999,999 TSB Shares

(representing 9.99 per cent. of the issued ordinary share capital of TSB) from Lloyds pursuant to the sale and purchase, irrevocable undertaking and option deed. Sabadell has an irrevocable undertaking over Lloyd's entire remaining holding of 200,000,003 TSB Shares following its acquisition of the 9.99 per cent. holding. Further details are set out in paragraph 7 of Part 2 of this document.

In addition, Sabadell has received irrevocable undertakings to accept (or procure acceptance of) the Offer from each of the TSB Directors who hold TSB Shares in respect of their own shareholdings (and/or those of their close family as relevant), being, in aggregate, 47,901 TSB Shares, representing approximately 0.01 per cent. of the issued ordinary share capital of TSB as at 19 March 2015. The undertakings from TSB Directors remain binding in the event of a competing offer being made for TSB.

As a result, Sabadell has received irrevocable undertakings in respect of or has acquired, in aggregate, 250,047,903 TSB Shares representing approximately 50.01 per cent. of the issued ordinary share capital of TSB as at 19 March 2015. Further details of these undertakings are set out in paragraph 4 of Appendix 4 to this document.

## **5. Effects of implementation of the Offer and Sabadell's strategic plans for TSB**

Your attention is drawn to the statement of Sabadell's plans for TSB if the Offer becomes or is declared wholly unconditional, as set out in paragraph 8 of the letter from Sabadell in Part 2 of this document.

Sabadell has stated that it recognises the contributions made by TSB's management and employees to TSB's success and believes that they are very important to the future development of Sabadell.

The board of TSB welcomes the commitments given by Sabadell that, following completion of the Offer:

- it will fully safeguard the existing employment rights of all TSB employees, in accordance with contractual and statutory requirements; and
- it intends to comply with all of the pensions obligations in relation to TSB's employees and any other members of TSB's pensions scheme.

As stated in TSB's Annual Report and Accounts for the year ended 31 December 2014, cost management will have a greater role to play in delivering TSB's target return on equity of 10 per cent. in 2019. In 2015, TSB is expecting to spend no more than £720 million, a reduction of at least £30 million against previous guidance of £750 million. In the ordinary course of business under its existing strategy TSB may also from time to time open, close or consolidate branches as it seeks to continually review and optimise its distribution network. Sabadell currently has no intention to significantly change TSB's existing plans with respect to branch network or headcount in the short term after completion of the Offer. Similarly, Sabadell currently has no intention to change TSB's place of business nor to redeploy fixed assets of TSB.

The board of TSB also notes that Sabadell has stated that limited cost reductions may be undertaken as a consequence of TSB no longer being a public company. Sabadell may also adjust TSB's cost base after completion to reflect factors including market environment, financial performance and the pace of business development opportunities.

It is intended that, following completion of the offer:

- Paul Pester, Darren Pope and Will Samuel of TSB will continue in their current roles, subject, in the case of Paul Pester and Darren Pope, to agreeing terms;
- Paul Pester will join the Management Executive Committee of Sabadell Group; and
- the board of TSB will include, in addition to the independent Chairman (Will Samuel) and two executive directors (Paul Pester and Darren Pope), three directors (to be appointed by Sabadell) and three independent non-executive directors.

On 16 April 2015, TSB received the Employee Representatives' Opinion from Unite the Union and Accord as set out in Appendix 6 to this document.

## **6. Current trading, ratings and outlook of TSB**

On 25 February 2015 TSB announced its results for the year ending 31 December 2014. Since 31 December 2014, TSB has traded materially in line with expectations. TSB will be publishing its Q1 interim management statement on 29 April 2015.

There are no current ratings or outlooks publicly accorded to TSB by ratings agencies.

## 7. TSB Share Plans

The Offer will extend to any TSB Shares unconditionally allotted or issued pursuant to the exercise of options or vesting of awards under the TSB Share Plans while the Offer remains open for acceptance.

Awards over TSB Shares are outstanding under (or on the terms of) the TSB Banking Group plc 2014 Share Plan, the rules applicable to the TSB Sustainable Performance Awards and the rules applicable to the TSB Transitional Awards. The outstanding awards include the substitution awards detailed in the Rule 2.7 Announcement, which have now been granted under the TSB Banking Group plc 2014 Share Plan. The vesting of these awards will not accelerate as a result of the Offer. Instead, following the Offer becoming or being declared unconditional in all respects, these awards over TSB Shares will be replaced with awards over shares in Sabadell of equivalent value. The replacement awards will have the same terms and vesting schedules as the awards they replace, save that any applicable performance requirements may be adjusted to reflect the acquisition of TSB by Sabadell (as agreed between TSB and Sabadell such that any adjusted performance requirements are not materially harder, nor easier, to satisfy).

Cash-based awards have also been granted under (or on the terms of) the rules applicable to the TSB Sustainable Performance Awards and the TSB Transitional Awards. The vesting of the cash-based awards will not accelerate as a result of the Offer and the awards will continue to be capable of vesting on their existing terms.

Participants in the TSB Banking Group plc Share Incentive Plan 2014 will be entitled to direct the trustee of the plan to accept the Offer in relation to their TSB Shares.

Options under the TSB Banking Group plc Sharesave Scheme 2014 will become capable of exercise for a period of six months from the Offer becoming or being declared unconditional in all respects. Should Sabadell receive acceptances in respect of 90 per cent. of the shares to which the Offer relates, and exercise its right to compulsorily acquire the remaining TSB Shares, this exercise period will be curtailed and end on the date which is six weeks from the date on which Sabadell issues a compulsory acquisition notice to TSB Shareholders. Options may be exercised to the extent of the savings accrued to the date of exercise.

Participants in the TSB Share Plans will be contacted regarding the effect of the Offer on their rights under the TSB Share Plans and provided with further details concerning the proposals which Sabadell will be making to them.

## 8. Bonus share scheme

At the time of the IPO of TSB in June 2014, Lloyds implemented a bonus share scheme pursuant to which retail investors acquiring shares in TSB through the IPO and holding those shares for 12 months thereafter would, subject to certain conditions and limits, be entitled to receive a number of free and fully-paid up additional shares (**Lloyds Bonus Shares**) from Lloyds following that 12-month period (which expires on 25 June 2015). The terms of the scheme contemplate the scenario where a change of control of TSB occurs before the entitlement to the Lloyds Bonus Shares crystallises and provides that in such circumstances Lloyds would make arrangements to compensate investors. Accordingly, if the Offer becomes or is declared unconditional in all respects before 25 June 2015, Lloyds will make arrangements to pay, to any investors who would have been entitled to receive such Lloyds Bonus Shares under the terms of the scheme, the cash value of those Lloyds Bonus Shares (at the offer price to be paid by Sabadell). In addition, if the Offer period extends beyond 25 June 2015 (whether or not the Offer becomes or is subsequently declared unconditional in all respects or lapses) Lloyds intends to extend the compensation arrangements described above such that, in those circumstances, it will make arrangements to pay to any investors who are entitled to receive Lloyds Bonus Shares under the terms of the scheme, the cash value of those bonus shares (again at the Offer Price to be paid by Sabadell).

The board of TSB has discussed these arrangements with Lloyds and is fully supportive of the arrangements that have been made.

## 9. Taxation

Your attention is drawn to paragraph 6 of Appendix 4 to this document which sets out a general guide on United Kingdom taxation, based on current legislation and practice. **If you are in any doubt as to your tax position or are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriate independent professional adviser immediately.**

## **10. Overseas shareholders**

The attention of TSB Shareholders who are citizens or residents of countries outside the United Kingdom or the United States or who are holding shares for such citizens or residents and any person (including, without limitation, any custodian, nominee or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom or the United States is drawn to paragraph 15 of Part 2, paragraph 5 of Part B, paragraph (c) of Part C and/or paragraph (b) of Part D of Appendix 1 to this document and, if the TSB Shares are held in certificated form, to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

## **11. Offer-related arrangements**

A summary of offer-related arrangements is set out in paragraph 11 of the letter from Sabadell in Part 2 of this document.

## **12. Compulsory acquisition, de-listing and cancellation of trading**

Your attention is drawn to paragraph 13 of the letter from Sabadell in Part 2 of this document in relation to Sabadell's intentions with regards to the compulsory acquisition, de-listing and cancellation of trading of TSB Shares.

## **13. Action to be taken to accept the Offer**

Your attention is drawn to Part 2 of this document, the Appendices to this document and, if you hold TSB Shares in certificated form, the accompanying Form of Acceptance. The procedure for acceptance of the Offer is set out in paragraph 16 of the letter from Sabadell set out in Part 2 of this document and, if you hold TSB Shares in certificated form, in the Form of Acceptance.

## **14. Further information**

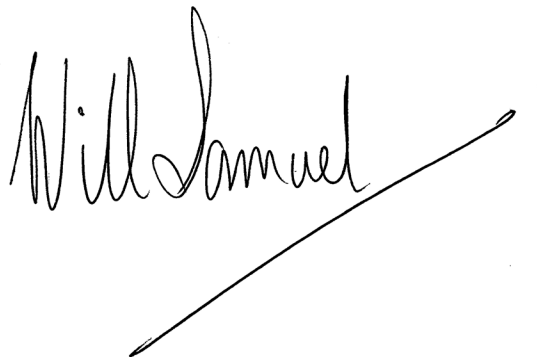
Your attention is drawn to the further information contained in the Appendices which form part of this Offer Document and, in the case of TSB Shares held in certificated form, to the accompanying Form of Acceptance, which should be read in conjunction with this document. The Appendices and the Form of Acceptance contain material information which may not be summarised elsewhere.

## **15. Recommendation**

**The TSB Directors, who have been so advised by Citigroup and Rothschild as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. In providing advice to the TSB Directors, each of Citigroup and Rothschild has taken into account the commercial assessments of the TSB Directors. Citigroup and Rothschild are providing independent financial advice to the TSB Directors for the purpose of Rule 3 of the Code.**

**Accordingly, the TSB Directors unanimously recommend that TSB Shareholders accept the Offer, as the TSB Directors have irrevocably undertaken to do so, or procure to be done, in respect of their own beneficial holdings in TSB amounting to, in aggregate, 47,901 TSB Shares representing approximately 0.01 per cent. of TSB's ordinary share capital in issue on 19 March 2015.**

Yours faithfully

A handwritten signature in black ink that reads "Will Samuel". The signature is written in a cursive style and is positioned above a long, thin, diagonal line that extends from the bottom left towards the right.

Will Samuel  
*Chairman, TSB*

## PART 2

### LETTER FROM BANCO DE SABADELL, S.A.

(a limited liability company incorporated under the laws of Spain with registered number A08000143)

*Directors:*

José Oliu Creus	Chairman
José Javier Echenique Landiribar	Deputy Chairman
Jaime Guardiola Romojaro	CEO
Aurora Catá Sala	Non-executive director
Héctor María Colonques Moreno	Non-executive director
Joaquim Folch-Rusiñol i Corachán	Non-executive director
M. Teresa Garcia-Milà i Lloveras	Non-executive director
Joan Llonch Andreu	Non-executive director
David Martínez Guzmán	Non-executive director
José Manuel Martínez Martínez	Non-executive director
José Ramón Martínez Sufrategui	Non-executive director
António Vitor Martins Monteiro	Non-executive director
José Luis Negro Rodríguez	Director and General Manager
José Permanyer Cunillera	Non-executive director

*Registered office*  
Pl. Sant Roc 20 08201  
-Sabadell

17 April 2015

*To: TSB Shareholders and, for information only, to persons with information rights and to holders of awards and/or options under the TSB Share Plans*

Dear TSB Shareholder,

#### **Recommended Cash Offer by Banco de Sabadell, S.A. for TSB Banking Group plc**

##### **1. Introduction**

On 20 March 2015 the boards of Sabadell and TSB announced that they had reached agreement on the terms of a recommended cash offer to be made by Sabadell for the entire issued and to be issued share capital of TSB.

This letter, Appendix 1 to this document and the Form of Acceptance, contain the formal terms and conditions of the Offer for your TSB Shares.

**Your attention is drawn to the letter of recommendation from the Chairman of TSB in Part 1 of this document which sets out the reasons why the TSB Directors, who have been so advised by Citigroup and Rothschild as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable and accordingly unanimously recommend that all TSB Shareholders accept the Offer.**

**To accept the Offer in respect of certificated TSB Shares you must complete, sign and return the Form of Acceptance as soon as possible and, in any event, so as to be received or settled by no later than 1.00 p.m. (London time) on 8 May 2015.**

**To accept the Offer in respect of uncertificated TSB Shares, acceptances should be made electronically through CREST so that the TTE Instruction settles as soon as possible and in any event no later than 1.00 p.m. (London time) on 8 May 2015. If you are a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE Instruction to Euroclear.**

The attention of TSB Shareholders who are citizens or residents of jurisdictions outside the United Kingdom or the United States or who are holding shares for such citizens or residents and any person (including, without limitation, any custodian, nominee or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom or the United States is drawn to paragraph 15 of this Part 2, paragraph 5 of Part B, paragraph (c) of Part C and/or paragraph (b) of Part D of Appendix 1 to this document and, if the TSB Shares are held in certificated form, to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

## 2. The Offer

Under the Offer, Sabadell is offering to acquire, subject to the conditions and further terms of the Offer set out in this document and the Form of Acceptance, the entire issued and to be issued share capital of TSB on the following basis:

**for each TSB Share            340 pence in cash**

The Offer values the entire issued share capital of TSB at approximately £1.7 billion.

The Offer represents a premium of approximately:

- 4 per cent. to the Closing Price of 327 pence per TSB Share on 19 March 2015, being the last Business Day before the date of the Rule 2.7 Announcement;
- 29 per cent. to the Closing Price of 264.1 pence per TSB Share on 11 March 2015, being the last Business Day before the joint announcement by Sabadell and TSB in response to media speculation that commenced the Offer Period; and
- 31 per cent. to the offer price of 260 pence per TSB Share on its IPO announced on 20 June 2014.

TSB's current dividend policy does not envisage the declaration of its inaugural dividend before the end of the 2017 financial year. The TSB Directors have re-affirmed this and confirm that no dividend will be proposed, declared, made or paid in respect of any TSB Shares following the date of this document and before such time as the Offer becomes or is declared unconditional in all respects or if the Offer lapses, is terminated or is withdrawn.

### **Background to and reasons for the Offer**

#### *Strategic benefits of the acquisition*

Sabadell believes that the Offer is strategically attractive and will deliver the following benefits:

#### Internationalisation of Sabadell

- Entering into new markets is a key part of Sabadell's business plan. Internationalisation allows Sabadell to draw on its strengths and experience in M&A integration and IT know-how. Sabadell has already successfully entered the US market by way of an acquisition and is continuing to grow there.
- Pro forma for the acquisition of TSB, 22 per cent. of Sabadell's assets will be located outside its home market, up from 5 per cent. in December 2014.
- The acquisition will result in benefits to Sabadell through enhanced scale and a broader funding and capital base.

#### Entry into the attractive UK banking market

- Sabadell believes that the UK banking market is attractive, having a well-defined and stable regulatory framework, consistent profitability and good future growth options.
- In general, the UK offers attractive returns, driven by its strong recent macroeconomic performance and relatively wealthy household sector with sophisticated banking needs, which drives product demand.
- In addition, the UK retail and SME banking market offers attractive prospects as the landscape is being substantially redefined following the creation of a number of challenger banks.
- The challenger bank market is relatively unconsolidated in the UK and Sabadell sees an opportunity to further develop TSB's market position over time.

#### TSB is a strong challenger bank franchise and positions Sabadell for future growth in the UK market

- TSB was created to bring more competition to UK banking, with a strategy to meet more customer needs and to improve the banking experience for customers. TSB has a well-defined strategy as a straightforward retail and small business bank with a defined product range. This business model is attractive to, and understood by, Sabadell, and Sabadell believes that this business model is well-aligned with that of Sabadell. In addition, TSB is well-capitalised, with a fully-loaded Common Equity Tier 1

capital ratio on a pro forma IRB basis<sup>1</sup> of 19.7 per cent. and has a strong funding position with a franchise loan to deposit ratio of 77 per cent.

- TSB is well-positioned given the structure of the UK banking market, including a nationwide network of branches, access to intermediaries and brokers through its re-entry into the intermediary mortgage market and a strong online and mobile banking platform. TSB has a 6 per cent. share of UK branches, while its share of all UK personal bank accounts is only 4.3 per cent., creating potential for further growth.
- TSB has a strong franchise, respected brand, a strong team of management and a committed workforce.
- TSB benefits from a sound platform on which to drive further asset and liability growth, as evidenced by TSB having an 8.4 per cent. share of all new and switching personal bank accounts in the UK during 2014, which is well ahead of TSB's long term target of 6 per cent. and by its successful re-entry into the intermediary mortgage market in January 2015, which saw applications of over £300 million in the first six weeks.

#### Sabadell's management track record can accelerate TSB's strategic development and financial performance

- Sabadell's management team is delivering on Sabadell's Triple 2014-2016 business plan.
- Sabadell believes that there is potential to use its skills and experience gained in the Spanish market to the benefit of TSB. Sabadell anticipates that, under its ownership, TSB will be able to further enhance its growth strategy and efficiency, benefitting from Sabadell's resources, experience in SME lending and experience gained in the Spanish banking market. Over the past few years, Sabadell has grown from a challenger bank to the fifth largest bank in Spain and, although Sabadell continues to see attractive growth potential in Spain, its current primary objective in Spain is to continue its organic growth strategy.
- Sabadell perceives opportunities to continue to grow TSB's share in the personal current account market, to accelerate its growth in lending (including through the mortgage intermediary channel), to accelerate the expansion of TSB's presence in the SME sector and to enhance its digital distribution channels.
- In addition, Sabadell believes that there will be potential for savings to be made through the expected full migration of the IT transitional services currently provided by Lloyds onto Sabadell's proprietary Proteo technology platform. Proteo is a multi-country, multi-brand, multi-entity systems architecture developed in 2000 with Sabadell's acquisition strategy in mind. Between 2008 and 2014, Sabadell has executed IT migrations onto the Proteo platform for seven acquired banks and has carried out integrations resulting from business acquisitions, portfolio acquisitions and carve-outs.
- As a result of the above factors, Sabadell believes that, over time, Sabadell can significantly enhance TSB's financial returns in comparison to that which TSB could achieve on a standalone basis.

#### Financial benefits of the acquisition

- Sabadell believes that the combination of Sabadell and TSB will create substantial shareholder value.
- Sabadell estimates that it can deliver, through the application of Sabadell's skills and technology, efficiency cost savings in IT amounting to approximately £160 million per annum on a pre-tax basis, in the third full year after completion of the Offer. These expected savings derive from a full migration of the IT transitional services currently provided by Lloyds onto Sabadell's proprietary Proteo technology platform.
- At the time of the IPO of TSB, Lloyds agreed to make a £450 million contribution to TSB's cost of undertaking an IT migration, and TSB may elect to spend some or all of the £450 million obtaining exit assistance services from Lloyds. Sabadell expects that the £450 million contribution will be more than sufficient to meet the implementation costs of the IT migration onto Sabadell's platform.

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<sup>1</sup> Assumes all asset classes except the mortgage enhancement provided by Lloyds and subject to a call option are treated on an IRB basis. Operational risk, treasury assets (e.g. liquid asset holdings at central banks and gilts) and non-customer related asset balances (e.g. fixed assets, deferred tax) continue to be rated on a standardised basis.



- In addition to IT efficiency cost savings, Sabadell expects to generate revenue benefits by accelerating the development of TSB's franchise. Sabadell believes that TSB's distribution reach provides a sound basis to drive further asset and liability growth (as mentioned above, TSB has a 6 per cent. share of UK branches, while its share of all UK personal bank accounts is only 4.3 per cent.).

### *Financial effects of the acquisition of TSB*

Sabadell expects to finance the acquisition on a capital neutral basis for the Sabadell Group and that the acquisition will be broadly neutral to Sabadell's earnings in the short term and enhancing to earnings in the medium term.

Sabadell also anticipates a neutral impact on the Sabadell Group's Common Equity Tier 1 capital ratios following the completion of the Rights Issue.

The following table shows Sabadell's risk-weighted assets, capital and fully loaded Common Equity Tier 1 ratio: (1) as reported as of 31 December 2014; (2) pro forma for the net proceeds of the €1.6 billion Rights Issue; and (3) pro forma for the net proceeds of the €1.6 billion Rights Issue and giving effect to the acquisition of a 100 per cent. stake in TSB.

	As of 31 December 2014		
	Actual	Pro forma to €1,607 million Rights Issue	Pro forma, as adjusted to give effect to acquisition of 100% stake in TSB and Rights Issue
	(in millions of euros, except percentages)		
	(Unaudited)		
Fully Loaded CET 1 . . . . .	8,542	10,119 <sup>(2)</sup>	9,908 <sup>(3)</sup>
Risk-Weighted Assets . . . . .	74,515	74,515	85,312 <sup>(4)</sup>
Fully Loaded CET 1 (%) . . . . .	11.5%	13.6%	11.6%

*Assuming exchange rate of EUR:GBP 0.72145 as of 19 March 2015*

Calculated on a pro forma basis for the Rights Issue and the Offer, Sabadell's fully loaded Common Equity Tier 1 capital ratio as at 31 December 2014 would be 11.6 per cent. (vs. 11.5 per cent. as at 31 December 2014).

No statement in this paragraph is intended to be a profit forecast, nor should it be interpreted as such. No statement in this paragraph should be interpreted to mean that earnings or earnings per share for Sabadell or TSB, as appropriate, will necessarily match or exceed the historical published earnings or earnings per share for Sabadell or TSB, as appropriate.

### **3. Information relating to Sabadell**

Sabadell is Spain's fifth largest banking group with total assets of €163 billion as at 31 December 2014 and operates under several brands. Sabadell is a strong competitor in its home market and has developed a successful international presence in the United States. Sabadell is one of the best capitalised financial institutions in the Spanish financial sector, is listed on the Barcelona, Madrid, Bilbao and Valencia Stock Exchanges and is a member of the IBEX-35. In the year to 31 December 2014, Sabadell generated gross operating income of approximately €4.8 billion and an attributable net profit of approximately €372 million. Pro forma for the Rights Issue, Sabadell had a market capitalisation of €12.7 billion on 15 April 2015, based on a pro forma fully diluted number of shares outstanding of 5.4 billion and a share price of €2.356.

Sabadell's strategy is to leverage its capital position and market share in Spain to lead a recovery in lending in the short, medium and long term, with a focus on increasing profitability. Sabadell has a target ROTE (return on equity less goodwill) of 12 per cent. for 2016. To achieve this Sabadell aims to increase its market share of lending to SMEs and affluent persons as well as to close the profitability gap between that of the acquired franchises and the average profitability of Sabadell's branch network.

<sup>2</sup> Adjusting for €1,607 million rights issue and €30 million of Rights Issue costs

<sup>3</sup> Negative impact of €211 million (£152 million) resulting from (1) €120 million (£87 million) expected loss shortfall and (2) €91 million (£66 million) of goodwill generated from acquisition (consideration of £1,700 million vs book value of £1,634 million); all subject to purchase price allocation and other post transaction adjustments

<sup>4</sup> Impact of €10,797 million/£7,790 million coming from the consolidation of TSB's risk weighted assets (under IRB) of €10,715 million/£7,730 million plus €82 million/£59 million of deferred tax assets DTAs generated from expected loss shortfall

The Sabadell Group's largest business line is commercial banking, which provides a range of financial products and services for large and medium-sized companies, SMEs, shops, self-employed workers and private individuals (i.e. private banking, personal banking and retail banking), non-residents, professional groups, and public administrations.

In total, Sabadell employs more than 17,000 people in over 2,200 branches, with a customer base of approximately 6.5 million.

Certain financial information relating to Sabadell is incorporated by reference into this document as set out in Appendix 2 to this document.

#### **4. Information relating to TSB**

TSB is a UK retail and small business bank with strong capabilities. As at 31 December 2014, TSB had approximately 4.6 million retail and approximately 113,000 small business banking customers. TSB has a multi-channel, national distribution model, including 631 branches (as at 31 December 2014), with coverage across England, Scotland and Wales and a strong digital (internet and mobile) and telephony capability.

TSB's comprehensive product suite includes personal current accounts, savings products, mortgages, unsecured personal loans, credit cards and business lending and insurance products. TSB's service and sales capability is supported by approximately 8,700 employees.

As at 31 December 2014, TSB had loans of £21.6 billion and customer deposits of £24.6 billion.

Additionally, as at 31 December 2014, TSB's Common Equity Tier 1 ratio was 23.0 per cent., its total capital ratio was 28.5 per cent. and its leverage ratio was 5.8 per cent. TSB's fully loaded Common Equity Tier 1 capital ratio on a pro forma IRB basis was approximately 19.7 per cent.

Certain financial information relating to the TSB Group is incorporated by reference into this document as set out in Appendix 2 to this document.

#### **5. Ratings, current trading and outlook**

Current trading for Sabadell continues in line with statements made in its announcement on 20 March 2015. A summary of Sabadell's trading update is set out below:

- Overall, performance is consistent with Sabadell's results in previous quarters
- Net interest income continues to grow compared to previous quarters, driven by lower cost of customer funds and wholesale funding
- Despite the seasonality, net commissions remain at a similar level to the second half of last year, on the back of positive performance in the asset management business
- High levels of gains from financial operations in relation to the management of Sabadell's ALCO portfolio have been realised
- Growth in administrative costs have been contained
- As in financial year 2014, non-recurring income gains have been offset by additional impairments, resulting in increased non-performing loan coverage ratios
- Balances of customer loans remain stable with a positive outlook on loans to SMEs and companies. Total non-performing loans are below the level at the end of financial year 2014 and coverage levels have increased
- Based on the data available to date, Sabadell confirms that its financial development is in line with both the 2015 budget and with targets set out in the strategic Triple 2014-2016 business plan, reiterating the target of €1 billion of net profit in financial year 2016

Following the joint announcement by Sabadell and TSB on 12 March 2015 in response to media speculation in relation to the Offer, each of the ratings agencies that cover Sabadell have reaffirmed their ratings of Sabadell. Sabadell is assigned a BB+ long term counterparty credit rating, and a B short term counterparty credit rating, with a negative outlook, by Standard & Poor's. Sabadell is assigned a ba3 baseline credit assessment rating, and a Ba2/Not Prime deposit rating, by Moody's, with both ratings remaining on review for upgrade. Sabadell is assigned an A (low) Senior Unsecured Long-Term Debt &

Deposit rating, and an R-1 (low) Short-Term Debt & Deposit rating, by DBRS. DBRS has stated that the trend on Sabadell's long-term rating remains "Negative", while the trend on its short-term rating is "Stable".

## 6. Financing of the Offer

The cash consideration payable by Sabadell to TSB Shareholders under the Offer will be financed from Sabadell's existing cash and cash equivalent resources.

Sabadell has also launched a fully underwritten rights issue (the **Rights Issue**), which is intended to raise gross proceeds of approximately €1.6 billion (US\$1.7 billion and £1.2 billion), such proceeds to be used to maintain Sabadell's Common Equity Tier 1 capital ratio following completion of the Offer. The Offer is not conditional on the Rights Issue.

Goldman Sachs, as financial adviser to Sabadell, is satisfied that sufficient resources are available to Sabadell to satisfy, in full, the cash consideration payable to TSB Shareholders under the terms of the Offer.

## 7. Irrevocable undertakings

Lloyds and Sabadell have entered into a sale and purchase, irrevocable undertaking and option deed, which includes the following elements:

- a sale and purchase agreement under which Sabadell will acquire from Lloyds 49,999,999 TSB Shares (representing 9.99 per cent. of the issued ordinary share capital of TSB), such sale having completed on 24 March 2015;
- an irrevocable undertaking over Lloyds's entire remaining holding of 200,000,003 TSB Shares following the acquisition of the 9.99 per cent. holding, representing 40.01 per cent. of the issued ordinary share capital of TSB, less any TSB Shares acquired by Sabadell pursuant to the Call Option, as outlined below. The undertaking from Lloyds remains binding in the event of a competing offer being made for TSB; and
- a call option (the **Call Option**) in favour of Sabadell to acquire from Lloyds up to 100,000,000 TSB Shares (representing 20 per cent. of the issued ordinary share capital of TSB) (**the Option Cap**), such Call Option exercisable up to four times over any number of TSB Shares up to the Option Cap and at any time following the receipt of certain regulatory approvals until such time as the Offer becomes or is declared unconditional in all respects, lapses or is withdrawn.

In addition, Sabadell has received irrevocable undertakings to accept (or procure acceptance of) the Offer from each of the TSB Directors who hold TSB Shares in respect of their own shareholdings (and/or those of their close family, as relevant), being, in aggregate, 47,901 TSB Shares, representing approximately 0.01 per cent. of the issued ordinary share capital of TSB as at 19 March 2015 (being the latest practicable date before the Rule 2.7 Announcement). The undertakings from TSB Directors remain binding in the event of a competing offer being made for TSB.

As a result, Sabadell has received irrevocable undertakings in respect of or has acquired, in aggregate, 250,047,903 TSB Shares representing approximately 50.01 per cent. of the issued ordinary share capital of TSB as at 19 March 2015.

Further details of these undertakings are set out in paragraph 4 of Appendix 4 to this document.

## 8. Management, employees and governance

Sabadell recognises the contributions made by TSB's management and employees to TSB's success and believes that they are very important to the future development of Sabadell.

Following completion of the Offer, Paul Pester and Darren Pope of TSB have agreed to continue in their current roles, subject to agreeing personal terms and conditions. Paul Pester has also agreed to join the Management Executive Committee of Sabadell Group on completion.

Sabadell intends to procure that TSB will continue to operate in accordance with best practice UK corporate governance principles, in a manner appropriate to its ownership following completion of the Offer.

Will Samuel has agreed to remain as the independent Chairman of TSB following completion of the Offer. Sabadell currently anticipates that the board of TSB would include, in addition to the independent Chairman, two executive directors (being Paul Pester and Darren Pope), three directors to be appointed by Sabadell and three independent non-executive directors.

Sabadell has confirmed that, following the completion of the Offer, Sabadell will fully safeguard the existing employment rights of all TSB employees, in accordance with contractual and statutory requirements. In addition, Sabadell intends to comply with all of the pensions obligations in relation to TSB's employees and any other members of TSB's pensions scheme.

Sabadell has had preliminary discussions with Lloyds regarding the IT integration of TSB into Sabadell Group. An assessment has begun regarding the structuring of the implementation of that integration.

Sabadell does not have any plans to significantly change TSB's existing plans with respect to the branch network or headcount at TSB in the short term after the completion of the Offer. Nor does Sabadell have any current intentions to change TSB's place of business, nor to redeploy the fixed assets of TSB. However, limited cost reductions may be undertaken as a consequence of TSB no longer being a public company. Sabadell may also adjust TSB's cost base after completion to reflect factors including market environment, financial performance and the pace of business development opportunities.

## **9. TSB Share Plans**

The Offer will extend to any TSB Shares unconditionally allotted or issued pursuant to the exercise of options or vesting of awards under the TSB Share Plans while the Offer remains open for acceptance.

Please refer to paragraph 7 of Part 1 of this document for further information.

## **10. Bonus share scheme**

Please refer to paragraph 8 of Part 1 of this document for information on Lloyds Bonus Shares.

## **11. Offer-related arrangements**

### Confidentiality Agreement

Sabadell and TSB entered into a confidentiality agreement on 6 March 2015 (the **Confidentiality Agreement**) pursuant to which Sabadell has undertaken to keep confidential information relating to TSB and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations will remain in force for a period of two years from the date of the Confidentiality Agreement and are also enforceable by Lloyds in respect of confidential information disclosed by Lloyds to Sabadell in relation to its arrangements with TSB.

### Co-operation Agreement

Sabadell and TSB entered into a co-operation agreement on 20 March 2015 (the **Co-operation Agreement**) pursuant to which, amongst other things: (i) Sabadell and TSB have agreed that certain of their respective representatives will form an implementation committee with a view to satisfying the PRA Condition; (ii) Sabadell has undertaken to use its reasonable endeavours to satisfy the PRA Condition as promptly as reasonably practicable; (iii) TSB and Sabadell have each agreed to co-operate regarding the implementation of appropriate proposals regarding the TSB Share Plans; (iv) Sabadell has agreed to seek the Panel's consent to an extension to the Code timetable at the relevant time in the event it becomes apparent that the PRA Condition is not likely to be satisfied within the normal Code timetable; and (v) Sabadell has undertaken not to lapse the Offer on a closing date in reliance on the Acceptance Condition unless it has given TSB not less than five days' notice of its intention to do so.

## **12. Management incentivisation**

Sabadell intends to put in place an appropriate retention plan for TSB executives and senior management after completion of the Offer. Some initial discussions took place but no agreement was reached and the parties have agreed to restart those discussions after completion of the Offer.

### **13. Delisting, cancellation of trading and squeeze-out**

If Sabadell receives acceptances under the Offer in respect of, and/or otherwise acquires not less than 90 per cent. of the TSB Shares by nominal value and voting rights attaching to such shares to which the Offer relates, Sabadell intends to exercise its rights pursuant to section 979 of the Companies Act to acquire compulsorily the remaining TSB Shares.

After the Offer becomes or is declared unconditional in all respects and if Sabadell has: (i) by virtue of its shareholdings and acceptances of the Offer acquired, or agreed to acquire, TSB Shares representing at least 75 per cent. of the voting rights of TSB; and (ii) Sabadell has obtained acceptances of the Offer or acquired or agreed to acquire TSB Shares from independent shareholders that represent a majority of the voting rights held by the independent shareholders on the date of this document (the **Delisting Threshold**), Sabadell intends to procure the making of an application by TSB for cancellation, respectively, of the trading in TSB Shares on the London Stock Exchange's main market for listed securities and of the listing of TSB Shares on the premium listing segment of the Official List. A notice period of not less than 20 Business Days before the cancellation will commence on the date on which the Offer becomes or is declared unconditional in all respects provided Sabadell has attained the Delisting Threshold. Delisting would significantly reduce the liquidity and marketability of any TSB Shares not assented to the Offer.

### **14. Taxation**

Your attention is drawn to paragraph 6 of Appendix 4 to this document which sets out a general guide on United Kingdom taxation, based on current legislation and practice. **If you are in any doubt as to your tax position or are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriate independent professional adviser immediately.**

### **15. Overseas shareholders**

**The availability of the Offer to TSB Shareholders who are not resident in the United Kingdom or the United States may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.**

The attention of TSB Shareholders who are citizens or residents of jurisdictions outside the United Kingdom or the United States or who are holding shares for such citizens or residents and any person (including, without limitation, any agent, nominee, custodian or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom or the United States is drawn to paragraph 5 of Part B, paragraph (c) of Part C and/or paragraph (b) of Part D of Appendix 1 to this document and, if the TSB Shares are held in certificated form, to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

The Offer is not being made, directly or indirectly in, into or from any Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws of that jurisdiction, and it is not currently intended that the Offer will be capable of acceptance by any such use, means, instrumentality or facility from within any such jurisdiction. Accordingly, persons who are unable to give the warranties set out in paragraphs (c) of Part C and/or paragraph (b) of Part D of Appendix 1 to this document may be deemed not to have validly accepted the Offer.

### **16. Actions to be taken to accept the Offer**

TSB Shareholders who had their shares in certificated form (that is, not in CREST) should read this section in conjunction with the Form of Acceptance and Parts B and C of Appendix 1 to this document. The instructions on the Form of Acceptance are deemed to form part of the terms of the Offer. TSB Shareholders who hold their shares in uncertificated form (that is, in CREST) should read this section in conjunction with Parts B and D of Appendix 1 to this document.

#### **16.1 TSB Shares held in certificated form (that is, not in CREST)**

##### **(a) Completion of Form of Acceptance**

To accept the Offer in respect of TSB Shares held in certificated form (that is, not in CREST), you must complete the Form of Acceptance in accordance with the instructions set out below and on the Form of Acceptance. You should complete separate Forms of Acceptance for TSB Shares held in certificated form

but under different designations. If you have any queries as to how to complete the Form of Acceptance, please telephone the Receiving Agent, Equiniti Limited, on 0871 384 2965 from within the UK or on +44 (0)121 415 0184 if calling from outside the UK. Calls to the 0871 384 2965 number cost 8 pence per minute (excluding VAT), plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

The instructions printed on the Form of Acceptance shall be deemed to form part of the terms of the Offer.

- (i) *To accept the Offer in respect of all your TSB Shares in certificated form*—you must complete Box 1 and sign Box 2A or 2B of the enclosed Form of Acceptance. In all cases, if you are an individual, you must sign Box 2A on the Form of Acceptance in the presence of a witness who should also sign in accordance with the instructions printed on it. Any TSB Shareholder which is a company should execute Box 2B of the Form of Acceptance in accordance with the instructions printed on it. If you do not insert a number in Box 1 of the Form of Acceptance, or if you insert in Box 1 a number which is greater than the number of TSB Shares that you hold in certificated form and you have signed Box 2A or 2B, your acceptance will be deemed to be in respect of all the TSB Shares held by you in certificated form.
- (ii) *To accept the Offer in respect of less than all your TSB Shares in certificated form*—you must insert in Box 1 on the enclosed Form of Acceptance such lesser number of TSB Shares in respect of which you wish to accept the Offer in accordance with the instructions printed on it. You should then follow the procedure set out in paragraph 16.1(a)(i) above in respect of such lesser number of TSB Shares.

**(b) Return of Form of Acceptance**

To accept the Offer in respect of TSB Shares held in certificated form, the completed, signed and witnessed Form of Acceptance should be returned by post or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, together (subject to paragraph (c) below) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible and, in any event, so as to be received not later than 1.00 p.m. (London time) on 8 May 2015. A reply-paid envelope for use in the UK only is enclosed for your convenience. No acknowledgement of receipt of documents will be given.

Any Form of Acceptance received in an envelope post-marked in a Restricted Jurisdiction, or otherwise appearing to Sabadell or its agents to have been sent from any of these jurisdictions, may be rejected as an invalid acceptance of the Offer. For further information for TSB Shareholders resident overseas, see paragraph 15 of this Part 2.

**(c) Share certificates not readily available or lost**

If your TSB Shares are in certificated form, a completed, signed and (where applicable) witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and return the Form of Acceptance by post, using the enclosed reply paid envelope, or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, so as to be received not later than 1.00 p.m. (London time) on 8 May 2015. You should send with the Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible. If you have lost your share certificate(s) and/or other document(s) of title you should write as soon as possible to TSB's registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or by hand to the Receiving Agent at the address given above.

**(d) Validity of acceptances**

Without prejudice to Part B and Part C of Appendix 1 to this document, subject to the provisions of the Code, Sabadell reserves the right to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no payment of cash under the Offer will be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Sabadell have been received.

**(e) Overseas shareholders**

The attention of TSB Shareholders holding shares in certificated form and who are citizens or residents of jurisdictions outside the United Kingdom or the United States is drawn to paragraph 5 of Part B and paragraph (c) of Part C of Appendix 1.

**16.2 TSB Shares held in uncertificated form (that is, in CREST)**

**(a) General**

If your TSB Shares are in uncertificated form, to accept the Offer you should take (or procure the taking of) the action set out below to transfer the TSB Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent's participant ID referred to below) as the Escrow Agent, as soon as possible **and in any event so that the TTE Instruction settles not later than 1.00 p.m. (London time) on 8 May 2015. Note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational)—you should therefore ensure you time the input of any TTE Instructions accordingly.**

The input and settlement of a TTE Instruction in accordance with this paragraph 16.2 will (subject to satisfying the requirements set out in Parts B and D of Appendix 1) constitute an acceptance of the Offer in respect of the number of TSB Shares so transferred to escrow.

**If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE Instruction(s) to Euroclear in relation to your TSB Shares.**

After settlement of a TTE Instruction, you will not be able to access the TSB Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the Escrow Agent will withdraw the TSB Shares which will be transferred to Sabadell in accordance with Part D of Appendix 1 to this document.

You are recommended to refer to the CREST Manual issued by Euroclear for further information on the CREST procedure outlined below.

**You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your TSB Shares to settle prior to 1.00 p.m. (London time) on 8 May 2015. In this connection, you are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.**

**(b) To accept the Offer**

To accept the Offer in respect of your TSB Shares, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE Instruction in relation to such TSB Shares. A TTE Instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN number for the TSB Shares. This is GB00BMQX2Q65;
- the number of TSB Shares in respect of which you wish to accept the Offer (i.e. the number of TSB Shares to be transferred to escrow);
- your member account ID;
- your participant ID;

- the participant ID of the Escrow Agent. This is 6RA64;
- the member account ID of the Escrow Agent for the Offer. This is BANTSB01;
- the intended settlement date. This should be as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 8 May 2015;
- the corporate action number of the Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- input with a standard delivery instruction priority of 80; and
- a contact name and telephone number in the shared note field.

If you hold TSB Shares in uncertificated form through one or more intermediaries, such as a stockbroker, custodian bank or clearing system, you should confirm the instruction deadline which such intermediaries have established to accept the Offer on your behalf. The custodian bank or stockbroker may set an earlier deadline for receiving instructions from you in order to permit the custodian bank or stockbroker to communicate acceptances to the Receiving Agent in a timely manner. **In order for acceptances to be counted towards the Acceptance Condition, you may need to take action well in advance of the announced deadline for acceptance.**

#### (c) Validity of Acceptances

Holders of TSB Shares in uncertificated form who wish to accept the Offer should note that a TTE Instruction will only be a valid acceptance of that Offer as at the relevant closing date if it has settled on or before 1.00 p.m. (London time) on that date. A Form of Acceptance which is received in respect of TSB Shares held in uncertificated form may be treated as an invalid acceptance and may be disregarded.

Sabadell will make an appropriate announcement if any of the details contained in this paragraph 16.2 alter for any reason.

#### (d) Overseas shareholders

The attention of TSB Shareholders holding TSB Shares in uncertificated form and who are citizens or residents of jurisdictions outside the United Kingdom or the United States is drawn to paragraph 5 of Part B and paragraph (b) of Part D of Appendix 1.

#### (e) Further information

Normal CREST procedures (including timings) apply in relation to any TSB Shares that are, or are to be, converted from uncertificated form to certificated form, or from certificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of TSB Shares or otherwise). Holders of TSB Shares who are proposing to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of a Form of Acceptance or transfers to an escrow balance as described above) before 1.00 p.m. (London time) on 8 May 2015.

**If you are in any doubt as to the procedure for acceptance of the Offer, please contact the Receiving Agent, Equiniti Limited, on 0871 384 2965 from within the UK or on +44 (0)121 415 0184 if calling from outside the UK. Calls to the 0871 384 2965 number cost 8 pence per minute (excluding VAT), plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice**

### 17. Settlement

Subject to the Offer becoming or being declared unconditional in all respects (and except as provided in paragraph 5 of Part B of Appendix 1 to this document in the case of certain overseas shareholders), settlement of the consideration to which any TSB Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Offer will be effected: (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 calendar days of such date; and (ii) in the case of acceptances received, complete in all



respects, after such date but while the Offer remains open for acceptance, within 14 calendar days of such receipt, in the manner set out below.

#### **17.1 TSB Shares in certificated form (that is, not in CREST)**

Where an acceptance relates to TSB Shares in certificated form, settlement of any cash due will be despatched by first class post (or such other method as may be approved by the Panel) to accepting TSB Shareholders or their appointed agents (but not in a Restricted Jurisdiction). All such cash payments will be made in pounds Sterling by cheque drawn on a branch of the United Kingdom clearing bank.

#### **17.2 TSB Shares in uncertificated form (that is, in CREST)**

Where an acceptance relates to TSB Shares in uncertificated form, the cash consideration to which the accepting TSB Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting TSB Shareholder's payment bank in respect of the cash consideration due, in accordance with CREST payment arrangements. Sabadell reserves the right to settle all or any part of the consideration referred to in this paragraph, for all or any accepting TSB Shareholder(s), in the manner referred to in paragraph 17.1 above, if, for any reason, it wishes to do so except in circumstances where the accepting TSB Shareholder has informed the Receiving Agent in writing prior to the Offer becoming or being declared unconditional in all respects that it is unwilling to accept settlement of the consideration by cheque.

#### **17.3 Lapsing or withdrawal of the Offer**

If the Offer does not become or is not declared unconditional in all respects:

- (a) in the case of TSB Shares held in certificated form, the relevant Form of Acceptance will be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days of the Offer lapsing to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in the Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address (provided that no such documents will be sent to an address in a Restricted Jurisdiction); and
- (b) in the case of TSB Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing of the Offer), give TFE instructions to Euroclear to transfer all TSB Shares which are held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the TSB Shareholders concerned.

#### **17.4 General**

All remittances, communications, notices, certificates and documents of title sent by, to or from TSB Shareholders or their appointed agents will be sent at their own risk.

#### **18. Further information**

The terms and conditions of the Offer are set out in full in Appendix 1 to this document. Your attention is drawn to the further information in the Appendices, which form part of this document and, if your TSB Shares are in certificated form, to the accompanying Form of Acceptance which should be read in conjunction with this document.

#### **19. Action to be taken to accept the Offer**

- If you are a holder of TSB Shares in certificated form (that is, not in CREST), the Form of Acceptance must be completed, signed and returned as soon as possible, and in any event so as to be received by the Receiving Agent no later than 1.00 p.m. (London time) on 8 May 2015. A reply-paid envelope is enclosed for your convenience for use in the UK only.
- If you are a holder of TSB Shares held in uncertificated form (that is, in CREST), you should NOT return the Form of Acceptance but instead ensure that an Electronic Acceptance is made by you or on your behalf and that settlement is no later than 1.00 p.m. (London time) on 8 May 2015.

If you have any questions relating to acceptance of the Offer, please contact the Receiving Agent, Equiniti Limited, on 0871 384 2965 from within the UK or on +44 (0)121 415 0184 if calling from outside the UK. Calls to the 0871 384 2965 number cost 8 pence per minute (excluding VAT), plus network extras. Lines

are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. Oliu', with a stylized, cursive script.

José Oliu  
*Chairman of Sabadell*

## APPENDIX 1 : CONDITIONS AND FURTHER TERMS OF THE OFFER

### Part A : Conditions of the Offer

The Offer complies with the Code, is governed by English law and is subject to the exclusive jurisdiction of the English courts. The Offer is being made on the terms and Conditions set out in this Appendix 1 and in the Form of Acceptance.

#### Conditions

The Offer is subject to the following Conditions:

#### Acceptance Condition

- (a) valid acceptances being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the First Closing Date of the Offer (or such later time(s) and/or date(s) as Sabadell may, with the consent of the Panel or in accordance with the Code, decide) in respect of TSB Shares which, together with all other TSB Shares acquired by Sabadell (whether pursuant to the Offer or otherwise) carry not less than 75 per cent. (or such lower percentage as Sabadell may decide) in nominal value of the TSB Shares and represent not less than 75 per cent. (or such lower percentage as Sabadell may decide) of the voting rights carried by the TSB Shares, provided that this condition will not be satisfied unless Sabadell and/or any of its wholly-owned subsidiaries shall have acquired, or agreed to acquire, pursuant to the Offer or otherwise, TSB Shares carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of TSB, including for this purpose (to the extent, if any, required by the Panel) any such voting rights attaching to any TSB Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise and for the purposes of this condition:
  - (i) shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights they will carry on issue; and
  - (ii) valid acceptances shall be deemed to have been received in respect of TSB Shares which are treated for the purposes of Part 28 of the Companies Act as having been acquired or contracted to be acquired by Sabadell by virtue of acceptances of the Offer.

#### European Commission clearance

- (b) insofar as the Offer falls within the scope of Council Regulation (EC) 139/2004 (as amended) (the **EU Merger Regulation**):
  - (i) the European Commission taking a decision (or being deemed to have taken a decision) under Article 6(1)(b) of the EU Merger Regulation declaring the Offer compatible with the common market, without imposing any conditions or obligations that are not on terms reasonably satisfactory to Sabadell; or
  - (ii) if the European Commission takes a decision (or is deemed to have taken a decision) to refer the whole or part of the Offer to the UK Competition and Markets Authority (the **CMA**), under Article 9(3) of the EU Merger Regulation:
    - (A) the CMA taking a decision with equivalent effect to that referred to in paragraph (b)(i) above with respect to those parts of the Offer referred to it; and
    - (B) the European Commission taking the decision referred to in paragraph (b)(i) above with respect to any part of the Offer retained by it;

#### Merger control clearance in any other jurisdiction

- (c) to the extent that, in the reasonable opinion of Sabadell, any other merger control consents or approvals are necessary prior to the completion of the Offer according to the law of any other jurisdiction, all relevant notifications or filings having been made, all appropriate waiting periods (including any extensions thereof) having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such clearance or approval has an equivalent effect to the decision referred to in paragraph (b)(i) above and is on terms reasonably satisfactory to Sabadell;

### Other regulatory approvals

- (d) the Prudential Regulation Authority (the **PRA**) approving either:
- (i) unconditionally, pursuant to section 189(4)(a) or section 189(6) of the Financial Services and Markets Act 2000 (**FSMA**); or
  - (ii) subject to one or more conditions, pursuant to section 189(7) of the FSMA, that are satisfactory to Sabadell acting reasonably,
- the changes of control over any TSB PRA-authorized person, arising as a result of the Offer or its implementation, by Sabadell, each controller of Sabadell and any other person who would become a controller.
- In each case, for the purposes of this paragraph only, controller shall have the meaning ascribed to it in section 422 of the FSMA and control shall be construed in accordance with the provisions of Part XII of the FSMA;

### Other third party clearances

- (e) other than in relation to the competition law and regulatory approvals referred to in paragraphs (b) to (d) above, no government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body or association, institution or agency (including any trade agency) or any court or other body (including any professional or environmental body) or person in any jurisdiction (each a **Relevant Authority**) having decided to take, institute or threaten any action, proceeding, suit, investigation, enquiry or reference or enacted, made or proposed and there not continuing to be outstanding any statute, regulation, order or decision that would or might reasonably be expected to (in any case which is material in the context of the Offer):
- (i) make the acquisition or the proposed acquisition of TSB Shares, or control or management of TSB by Sabadell or any member of the Sabadell Group void, unenforceable or illegal in any jurisdiction or directly or indirectly prohibit or otherwise restrict, delay or interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge or require amendment to the terms of, the Offer or the proposed acquisition of any TSB Shares, or control or management of TSB by Sabadell or any member of the Sabadell Group;
  - (ii) require, prevent or delay the divestiture (or alter the terms of any proposed divestiture) by the Sabadell Group or the TSB Group of all or any part of their respective businesses, assets or properties or impose any limitation on their ability to conduct all or any part of their respective businesses and to own, control or manage any of their respective assets or properties to an extent which is, in any such case, material in the context of the Sabadell Group or the TSB Group taken as a whole;
  - (iii) impose any limitation on, or result in any delay in, the ability of any member of the Sabadell Group to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the TSB Group or on the ability of the TSB Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any other member of the TSB Group;
  - (iv) require any member of the Sabadell Group or of the TSB Group to acquire or offer to acquire any shares or other securities (or the equivalent) or interest in any member of the TSB Group or any member of the Sabadell Group owned by a third party (other than in the implementation of the Offer) where such acquisition would be material in the context of the Sabadell Group or the TSB Group taken as a whole;
  - (v) require the divestiture by any member of the Sabadell Group of any shares, securities or other interests in any member of the TSB Group;
  - (vi) impose any limitation on, or result in any delay in, the ability of any member of the Sabadell Group or the TSB Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Sabadell Group and/or the TSB Group;

- (vii) result in any member of the Sabadell Group or the TSB Group ceasing to be able to carry on business under any name under which it presently does so; or
- (viii) otherwise adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Sabadell Group or the TSB Group in each case in a manner which is material in the context of the Sabadell Group or the TSB Group taken as a whole,
  - and all applicable waiting and other time periods (including extensions thereof) during which any such Relevant Authority could decide to take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated;
- (f) other than in relation to the competition law and regulatory approvals referred to in paragraphs (b) to (e) above, all material filings, applications and/or notifications which are necessary or reasonably considered appropriate by Sabadell having been made and all relevant waiting periods and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated and all applicable statutory or regulatory obligations in any jurisdiction having been complied with in each case in respect of the Offer and the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, TSB or any member of the TSB Group by any member of the Sabadell Group or the carrying on by any member of the TSB Group of its business;
- (g) other than in relation to the competition law and regulatory approvals referred to in paragraphs (b) to (d) above, all material authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals which are necessary or reasonably considered appropriate by Sabadell in any jurisdiction for or in respect of the Offer and the proposed acquisition of TSB Shares, or control of TSB, by Sabadell or any member of the Sabadell Group being obtained on terms and in a form reasonably satisfactory to Sabadell from appropriate Relevant Authorities, or from any persons or bodies with whom any member of the Sabadell Group or the TSB Group has entered into contractual arrangements or other material business relationships, and such authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals, together with all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals necessary or reasonably considered appropriate for any member of the TSB Group to carry on its business, remaining in full force and effect and no intimation of any intention to revoke, suspend, restrict or modify or not to renew any of the same having been made and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

**Confirmation of absence of adverse circumstances**

- (h) except as Disclosed, there being no provision of any agreement, arrangement, licence or other instrument to which any member of the TSB Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject which, as a result of the implementation of the Offer or the acquisition or proposed acquisition by Sabadell or any member of the Sabadell Group of any TSB Shares, or change in the control or management of TSB or otherwise, would or might reasonably be expected to result in (in each case to an extent which is material in the context of the TSB Group taken as a whole):
  - (i) any monies borrowed by or any other indebtedness (actual or contingent) of, or any grant available to, any member of the TSB Group becoming repayable, or capable of being declared repayable, immediately or earlier than the stated repayment date or the ability of such member to borrow monies or incur any indebtedness being withdrawn or inhibited;
  - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the TSB Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
  - (iii) any assets or interest of the TSB Group being or falling to be disposed of or ceasing to be available to any member of the TSB Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the TSB Group;

- (iv) the interest or business of any member of the TSB Group in or with any other person, firm or company (or any agreements or arrangements relating to such interest or business) being terminated or adversely modified or affected;
- (v) any member of the TSB Group ceasing to be able to carry on business under any name under which it presently does so;
- (vi) the value of any member of the TSB Group or its financial or trading position or prospects being prejudiced or adversely affected;
- (vii) any such agreement, arrangement, licence or other instrument being terminated or adversely modified or any onerous obligation arising or any adverse action being taken or arising thereunder;
- (viii) the creation of any material liabilities (actual or contingent) by any member of the TSB Group; or
- (ix) any requirement on any member of the TSB Group to acquire, subscribe, pay up or repay any shares or other securities (or the equivalent);

and no event having occurred which, under any provision of any agreement, arrangement, licence or other instrument to which any member of the TSB Group is a party or by or to which any such member or any of its assets may be bound or be subject, will result in any events or circumstances as are referred to in this paragraph (h);

**No material transactions, claims or changes in the conduct of the business of TSB:**

- (i) except as Disclosed, no member of the TSB Group has since 31 December 2014:
  - (i) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible or exchangeable securities or transferred or sold (or agreed to transfer or sell) any shares out of treasury (except, where relevant, as between TSB and its wholly owned subsidiaries or between its wholly owned subsidiaries and except in connection with the ongoing operation of the TSB Share Plans (in accordance with their respective terms) or as provided in the Co-operation Agreement;
  - (ii) recommended, declared, paid or made or resolved to recommend, declare, pay or make any bonus, dividend or other distribution, whether payable in cash or otherwise, other than a distribution by a wholly-owned subsidiary of TSB;
  - (iii) other than pursuant to the Offer, implemented or authorised any merger or demerger or (except for transactions between TSB and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business) acquired or disposed of or transferred, mortgaged or charged, or created any other security interest over, any asset or any right, title or interest in any asset (in each case to an extent which is material in the context of the TSB Group or in the context of the Offer);
  - (iv) (except for transactions between TSB and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business) entered into, or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of businesses or corporate entities (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer);
  - (v) (except for transactions between TSB and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business) other than pursuant to the Offer, implemented or authorised any reconstruction, amalgamation, scheme or other transaction or arrangement with a substantially equivalent effect (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer);
  - (vi) (except for transactions between TSB and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business) purchased, redeemed or repaid any of its own shares or other securities or reduced or made or authorised any other change in its share capital;

- (vii) (except for transactions between TSB and its wholly owned subsidiaries or between its wholly owned subsidiaries) made or authorised any change in its loan capital or issued or authorised the issue of any debentures or incurred or increased any indebtedness or contingent liability (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer);
- (viii) entered into, varied or terminated, or authorised the entry into, variation or termination of, any contract, commitment or arrangement (whether in respect of capital expenditure, real estate or otherwise) which is outside the ordinary course of business or which is of a long term, onerous or unusual nature or magnitude or which involves, or might reasonably be expected to involve, an obligation of a nature or magnitude which is restrictive on the business of any member of the TSB Group (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer);
- (ix) been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (x) commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise;
- (xi) (other than in respect of a subsidiary of TSB which is dormant and solvent at the relevant time) taken any corporate action or had any legal proceedings started, served or threatened against it or any documents filed or faxed in court for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any of its assets and revenues or had notice given of the intention to appoint any of the foregoing to it (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer);
- (xii) except in the ordinary course of business, waived, compromised, settled, abandoned or admitted any dispute, claim or counter-claim whether made or potential and whether by or against any member of the TSB Group (in each case other than in the ordinary course of business and to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer);
- (xiii) made any material alteration to its constitutional documents;
- (xiv) entered into, or varied the terms of, or terminated or given notice of termination of, any service agreement or arrangement with any director or senior executive of the TSB Group;
- (xv) proposed, agreed to provide, or agreed to modify the terms of, any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the TSB Group, other than in accordance with the terms of the Offer other than as permitted pursuant to the Co-operation Agreement;
- (xvi) made or consented to any material change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to, any change to the trustees, other than in accordance with applicable law;
- (xvii) save as between TSB and its wholly-owned subsidiaries, granted any lease in respect of any of the leasehold or freehold property owned or occupied by it or transferred or otherwise disposed of any such property (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer); or
- (xviii) entered into any contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or proposed or announced any

intention to effect or propose, any of the transactions, matters or events referred to in this paragraph (i);

- (j) except as Disclosed, since 31 December 2014:
  - (i) no adverse change having occurred, and no circumstances having arisen which would or might reasonably be expected to result in any adverse change in the business, assets, financial or trading position or profits or prospects of any member of the TSB Group (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer); and
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings in any jurisdiction having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the TSB Group or to which any member of the TSB Group is a party (whether as claimant or defendant or otherwise) and no investigation by any Relevant Authority or other investigative body against or in respect of any member of the TSB Group having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the TSB Group (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer);
- (k) save as Disclosed, no contingent or other liability having arisen outside the ordinary course of business which would or might reasonably be expected to adversely affect TSB (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer); and
- (l) save as Disclosed, Sabadell not having discovered that:
  - (i) any financial, business or other information concerning any member of the TSB Group publicly disclosed prior to the date of the Rule 2.7 Announcement at any time by any member of the TSB Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading and which was not subsequently corrected before the date of this document by disclosure by, or on behalf of, the TSB Group through the publication of an announcement via a Regulatory Information Service (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer); or
  - (ii) any member of the TSB Group is subject to any liability, contingent or otherwise, other than in the ordinary course of business (in each case to an extent which is material in the context of the TSB Group taken as a whole or in the context of the Offer).



## **Part B : Further Terms of the Offer**

Except where the context requires otherwise, any reference in Parts B, C and D of this Appendix 1 and in the Form of Acceptance:

- (a) to the **Offer** will include any revision, variation or extension of the Offer;
- (b) to the **Offer becoming unconditional** will include the Offer becoming or being declared unconditional;
- (c) to the Offer being or becoming or being declared **unconditional** will be construed as the Offer becoming or being declared unconditional as to acceptances whether or not any other Condition of the Offer remains to be fulfilled;
- (d) to the **Acceptance Condition** means the Condition as to acceptances of the Offer set out in paragraph (a) of Part A of this Appendix 1 and references to the Offer becoming unconditional as to acceptances will be construed accordingly;
- (e) to **acceptances of the Offer** includes deemed acceptances of the Offer;
- (f) to an **extension of the Offer** includes a reference to an extension of the date by which the Acceptance Condition has to be fulfilled; and
- (g) to the **Offer Document** will mean this document and any other document containing the Offer.

In Parts B, C and D of this Appendix 1 and in the Form of Acceptance:

- (i) **Day 39** means 26 May 2015 or such later date as the Panel may agree;
- (ii) **Day 46** means 2 June 2015 or such later date as the Panel may agree; and
- (iii) **Day 60** means 16 June 2015 or such later date as may be determined by Sabadell with the agreement of the Panel to be the last date for fulfillment of the Acceptance Condition in accordance with the Code.

The following further terms apply, unless the context requires otherwise, to the Offer.

### **1. Acceptance Period**

- (a) The Offer is initially open for acceptance until 1.00 p.m. (London time) on the First Closing Date.
- (b) Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 calendar days (or such other period as may be permitted by the Panel) following the date written notice of the revision is sent to TSB Shareholders. Except with the consent of the Panel, no revision of the Offer may be made after Day 46 or, if later, the date 14 calendar days before the last date on which the Offer can become unconditional.
- (c) The Offer, whether revised or not, will not (except with the consent of the Panel) be capable of becoming unconditional after midnight (London time) on Day 60 (or any other time and/or date beyond which Sabadell has stated that the Offer will not be extended and has not, where permitted, withdrawn that statement), nor of being kept open for acceptances after that time and/or date unless the Offer has previously become unconditional, provided that Sabadell reserves the right, with the permission of the Panel, to extend the Offer to later time(s) and/or date(s). Except with the consent of the Panel, Sabadell may not, for the purposes of determining whether the Acceptance Condition has been satisfied, take into account acceptances received or purchases of TSB Shares made after 1.00 p.m. (London time) on Day 60 (or any other time(s) and/or date(s) beyond which Sabadell has stated that the Offer will not be extended (and has not, where permitted, withdrawn that statement) or, if the Offer is so extended, such later time(s) and/or date(s) as Sabadell, with the permission of the Panel, may determine.
- (d) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated that the Offer will remain open until further notice, then not less than 14 calendar days' notice in writing will be given before the closing of the Offer by or on behalf of Sabadell to those TSB Shareholders who have not accepted the Offer before closing the Offer.
- (e) If a competitive situation arises (as determined by the Panel) and is continuing on Day 60, Sabadell will enable holders of TSB Shares held in uncertificated form who have not already validly accepted the Offer but who have previously accepted the competing offer to accept the Offer by special form of acceptance to take effect on the day that: (i) it is received by the Receiving Agent on or before Day 60;

(ii) the relevant TSB Shareholder shall have applied to withdraw his acceptance of the competing offer but that the TSB Shares held in uncertificated form to which such withdrawal relates shall not have been released from escrow before Day 60 by the Escrow Agent to the competing offer; and (iii) the TSB Shares held in uncertificated form to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from Sabadell in Part 2 of this document on or before Day 60, but an undertaking is given that they will be so transferred as soon as possible thereafter. TSB Shareholders wishing to use such forms of acceptance should apply to Equiniti Limited on 0871 384 2965 between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK (or on +44 (0)121 415 0184 if calling from outside the UK) no later than the Business Day preceding Day 60 in order that such forms can be despatched. Calls to the 0871 384 2965 number cost 8 pence per minute (excluding VAT), plus network extras. Notwithstanding the right to use such special form of acceptance, holders of TSB Shares held in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Offer in respect of such shares.

- (f) If a competitive situation arises (as determined by the Panel) after Sabadell has made a “no increase” statement and/or a “no extension” statement (as referred to in the Code) in connection with the Offer, Sabadell may, if it specifically reserves the right to do so at the time such statement is made (or otherwise with the consent of the Panel), choose not to be bound by or withdraw such statement and be free to revise and/or extend the Offer provided it complies with the requirements of the Code and in particular that:
- (i) it announces the withdrawal as soon as possible and in any event within four Business Days of the firm announcement of the competing offer or other competitive situation;
  - (ii) it notifies TSB Shareholders (and persons with information rights) to that effect in writing at the earliest opportunity or, in the case of TSB Shareholders with registered addresses outside the United Kingdom or whom Sabadell knows to be agents, nominees, custodians or trustees holding TSB Shares for such persons, by announcement in the United Kingdom at the earliest opportunity; and
  - (iii) any TSB Shareholders who accepted the Offer after the date of the “no increase” or “no extension” statement is given a right of withdrawal in accordance with paragraph 3(d) of this Part B.

Sabadell may choose not to be bound by a “no increase” or “no extension” statement if, having reserved the right to do so, it publishes an increased or improved offer (either as to the value or form of the consideration or otherwise) which is recommended for acceptance by the TSB Directors, or in other circumstances permitted by the Panel.

- (g) Sabadell may, if it has reserved the right to do so if TSB makes an announcement of the kind referred to in Rule 31.9 of the Code after Day 39, choose not to be bound by a “no increase” and/or “no extension” statement and revise and/or extend the Offer with the consent of the Panel, provided Sabadell complies with the requirements of the Code and in particular, that notice to this effect is published as soon as possible and in any event within four Business Days after the date of the TSB announcement and TSB Shareholders are notified in writing (or in the case of TSB Shareholders with registered addresses outside the United Kingdom or who Sabadell knows to be agents, nominees, custodians or trustees holding TSB Shares for such persons, by announcement in the United Kingdom) at the earliest opportunity.

## 2. Announcements

- (a) Without prejudice to paragraph 3(a) of this Part B, by 8.00 a.m. (London time) on the Business Day (the **relevant day**) following the day on which the Offer is due to expire or becomes unconditional or is revised or is extended, as the case may be (or such later time or date as the Panel may agree), Sabadell will make an appropriate announcement and simultaneously send the announcement to a Regulatory Information Service. In the announcement, Sabadell shall state (unless otherwise permitted by the Panel):
- (i) the total number of TSB Shares for which acceptances of the Offer have been received, specifying the extent to which acceptances have been received from persons acting or deemed to be acting in concert with Sabadell for the purposes of the Offer or in respect of TSB Shares which were

subject to an irrevocable commitment or a letter of intent procured by Sabadell or any persons acting in concert with it;

- (ii) details of any relevant securities of TSB in which Sabadell or any person acting in concert with Sabadell has:
    - (A) an interest or in respect of which it has a right to subscribe in each case specifying the nature of the interests or rights concerned; and
    - (B) any short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
  - (iii) details of any relevant securities of TSB in respect of which Sabadell or any person acting in concert with Sabadell has an outstanding irrevocable commitment or letter of intent; and
  - (iv) details of any relevant securities of TSB which Sabadell or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold,  
and will, in each case, specify the percentages of each class of relevant securities of TSB represented by each of these figures. Any such announcement will specify the total number of TSB Shares which Sabadell may count towards satisfaction of the Acceptance Condition and the percentage of TSB Shares represented by this figure.
- (b) Any decision to extend the time and/or date by which the Acceptance Condition has to be satisfied may be made at any time up to, and will be announced no later than 8.00 a.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree). The announcement will also state the next expiry date unless the Offer is unconditional, in which case it may instead state that the Offer will remain open until further notice, and will state the information specified in paragraphs (i) - (iv) inclusive of paragraph 2(a) of this Part B.
  - (c) In calculating the number of TSB Shares represented by acceptances and purchases, Sabadell may only include acceptances and purchases if they could count towards fulfilling the Acceptance Condition under Notes 4, 5 and 6 on Rule 10 of the Code, unless the Panel agrees otherwise. Subject to this, Sabadell may include or exclude for announcement purposes acceptances and/or purchases which are not complete in all respects or which are subject to verification.
  - (d) In this Appendix 1, references to the making of an announcement or the giving of notice by Sabadell include the release of an announcement to the press and the delivery by hand or telephone, telex or facsimile transmission or other electronic transmission of an announcement to a Regulatory Information Service in each case by or on behalf of Sabadell. An announcement made otherwise than to a Regulatory Information Service will be notified simultaneously to a Regulatory Information Service (unless the Panel otherwise agrees).
  - (e) A copy of any announcement made by Sabadell in accordance with this paragraph 2 will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Sabadell's website at [www.sabadelltsbinfo.com](http://www.sabadelltsbinfo.com) as soon as possible and in any event by no later than 12 noon on the Business Day following the announcement.
  - (f) Without limiting the manner in which Sabadell may choose to make any public statement and subject to Sabadell's obligations under applicable law and rules and paragraph 2(e) above, Sabadell will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to a Regulatory Information Service.

### **3. Rights of withdrawal**

- (a) If Sabadell, having announced the Offer to be unconditional, fails by 3.00 p.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree) to comply with any of the other relevant requirements specified in paragraph 2(a) of this Part B, an accepting TSB Shareholder may (unless the Panel otherwise agrees) immediately after that time withdraw his acceptance of the Offer by written notice signed by the accepting TSB Shareholder (or his agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to Sabadell, is produced with the notice) given by post or by hand (during normal working hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Alternatively, in the case of TSB Shares held in uncertificated form, withdrawals can also be effected in the manner set out in

paragraph 3(g) of this Part B. Subject to paragraph 1(d) of this Part B, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by Sabadell confirming, if that be the case, that the Offer is still unconditional and complying with the other relevant requirements specified in paragraph 2(a) of this Part B. If any such confirmation is given, the first period of 14 calendar days referred to in paragraph 1(d) of this Part B will run from the date of that confirmation and compliance.

- (b) If by 3.00 p.m. on 29 May 2015 (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting TSB Shareholder may withdraw his acceptance at any time thereafter in the manner referred to in paragraph 3(a) of this Part B (or, in the case of TSB Shares held in uncertificated form, in the manner set out in paragraph 3(g) of this Part B), before the earlier of:
- (i) the time that the Offer becomes unconditional; and
  - (ii) the final time for lodgement of acceptances which can be taken into account in accordance with paragraph 1(c) of this Part B.
- (c) If an accepting TSB Shareholder withdraws his acceptance, all documents of title and other documents lodged with the Form of Acceptance will be returned as soon as practicable following the receipt of the withdrawal (and in any event within 14 days) and the Receiving Agent will immediately give instructions for the release of securities held in escrow.
- (d) If a “no extension” and/or “no increase” statement is withdrawn in accordance with paragraph 1(f) of this Part B any acceptance made by a TSB Shareholder after the date of that statement may be withdrawn thereafter in the manner referred to in paragraph 3(a) of this Part B (or, in the case of TSB Shares held in uncertificated form, in the manner set out in paragraph 3(g) of this Part B) for a period of eight calendar days following the date on which the notice of the withdrawal of such statement is published.
- (e) Except as provided by this paragraph 3, acceptances of, and elections under, the Offer will be irrevocable.
- (f) In this paragraph 3, **written notice** (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting TSB Shareholder or his/their agent(s) duly appointed in writing (evidence of whose appointment satisfactory to Sabadell is produced with the notice) given by post or by hand (during normal working hours) to the Receiving Agent, Corporate Actions, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA . Telex, e-mail, facsimile or other electronic transmissions or copies will not be sufficient. No notice which is post-marked in, or otherwise appears to Sabadell or its agents to have been sent from, any Restricted Jurisdiction will be treated as valid. The notice must include all relevant information to enable the Receiving Agent to identify the TSB Shares to be withdrawn and a contact telephone number for the TSB Shareholder.
- (g) In the case of TSB Shares held in uncertificated form (i.e. CREST), if withdrawals are permitted pursuant to paragraph 3(a), 3(b) or 3(d) of this Part B, an accepting TSB Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA instruction must, in order for it to be valid and settle, include the following details:
- the number of TSB Shares to be withdrawn, together with their ISIN number which is GB00BMQX2Q65;
  - the member account ID of the accepting shareholder, together with his participant ID;
  - the member account ID of the Escrow Agent (this is BANTSB01) included in the relevant Electronic Acceptance, together with the Escrow Agent’s participant ID (this is 6RA64);
  - the transaction reference number of the Electronic Acceptance to be withdrawn;
  - the intended settlement date for the withdrawal;
  - the corporate action number for the Offer; and
  - input with standard delivery instruction of priority 80.

Any such withdrawal will be conditional upon the Receiving Agent verifying that the withdrawal request is validly made. Accordingly, the Receiving Agent will on behalf of Sabadell reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

- (h) Any question as to the validity (including time receipt) of any notice of withdrawal will be determined by Sabadell, whose determination, except as otherwise may be determined by the Panel, will be final and binding. Neither Sabadell, TSB nor the Receiving Agent nor any other person, will be under any duty to give notification of any defect in any notice of withdrawal or will incur any liability for failure to do so.

#### 4. Revised Offer

- (a) Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or form of the consideration offered or otherwise), and any such revised Offer represents, on the date on which the revision is announced (on such basis as Goldman Sachs, acting reasonably and solely in its capacity as Sabadell's financial adviser, may consider appropriate), an improvement (or no diminution) in the value of the consideration of the Offer as so revised compared with the value of the consideration or terms previously offered, or in the overall value received by a TSB Shareholder (under or in consequence of the Offer or otherwise), the benefit of the revised Offer will, subject to paragraphs 4(f), 4(g) and 5 of this Part B be made available to any TSB Shareholder who has validly accepted the Offer in its original or any previously revised form(s) and who has not validly withdrawn such acceptance (a **Previous Acceptor**). The acceptance by or on behalf of a Previous Acceptor of the Offer in its original or any previously revised form(s) shall, subject to paragraphs 4(f), 4(g) and 5 of this Part B, be deemed to be an acceptance of the Offer as so revised and will also constitute an authority to Sabadell or any of its directors, authorised representatives and agents as his attorney and/or agent (**attorney**):
  - (i) to accept any such revised Offer on behalf of such Previous Acceptor;
  - (ii) if such revised Offer includes alternative forms of consideration, to make on his behalf elections for and/or accept such alternative forms of consideration on his behalf in such proportions as such attorney in his absolute discretion thinks fit; and
  - (iii) to execute on behalf of and in the name of such Previous Acceptor all such further documents and take such further actions (if any) as may be required to give effect to such acceptances and/or elections.

In making any such acceptance or making any such election, the attorney will take into account the nature of any previous acceptances and/or elections made by the Previous Acceptor and such other facts or matters as he may reasonably consider relevant. The attorney shall not be liable to any TSB Shareholder or any other person in making such acceptance or in making any determination in respect of it.

- (b) The powers of attorney and authorities conferred by this paragraph 4, and any acceptance of a revised offer, shall be irrevocable unless and until the Previous Acceptor withdraws his acceptances having become entitled to do so under paragraph 3 of this Part B.
- (c) Sabadell, the Receiving Agent and the Escrow Agent reserve the right (subject to paragraph 4(a) of this Part B) to treat an executed Form of Acceptance or TTE Instruction relating to the Offer in its original or any previously revised form(s) which is received (or dated) on or after the announcement or issue of the Offer in any revised form as a valid acceptance of the revised Offer (and, where applicable, a valid election for the alternative form(s) of consideration). Such acceptance will constitute an authority in the terms of paragraph 4(a) of this Part B, *mutatis mutandis*, on behalf of the relevant TSB Shareholder.
- (d) Although no revision is contemplated, if the Offer is revised, a revised offer document will be published. On the day of publication, Sabadell will publish the document on its website and will announce that the document has been so published. Where necessary, a circular containing the opinion of the TSB Directors on the revised offer will be published. On the day of publication, TSB will publish the document on its website and will announce that it has been so published.

- (e) Although no revision is contemplated, if the revised offer document is published, both Sabadell and TSB will make the revised offer document readily and promptly available to the representatives of the employees of Sabadell and TSB respectively or, where there are no such representatives, to the employees themselves. TSB will make any circular published by the TSB Directors readily and promptly available to its employee representatives or, where there are no such representatives, to the employees themselves.
- (f) The deemed acceptances referred to in this paragraph 4 shall not apply and the authorities conferred by this paragraph 4 shall not be exercised by Sabadell or any of their respective directors, authorised representatives and agents if, as a result thereof, the Previous Acceptor would (on such basis as Goldman Sachs, acting reasonably and solely as Sabadell's financial adviser may consider appropriate) thereby receive under or in consequence of the Offer and/or any alternative pursuant thereto as revised or otherwise less in aggregate consideration under the revised Offer than he would have received in aggregate consideration as a result of acceptance of the Offer in the form in which it was originally accepted by him or on his behalf, having regard to any previous acceptance or election originally made by him, unless the Previous Acceptor has previously otherwise agreed in writing.
- (g) The deemed acceptances referred to in this paragraph 4 will not apply, and the authorities conferred by this paragraph will be ineffective, to the extent that a Previous Acceptor:
- (i) in respect of TSB Shares in certificated form, lodged with the Receiving Agent in the manner specified in paragraph 3(a) of this Part B, within 14 calendar days of the publication of the document pursuant to which the revision of the Offer is made available to TSB Shareholders, a Form of Acceptance or some other form issued by or on behalf of Sabadell in which the TSB Shareholder validly elects to receive the consideration receivable by him under such revised Offer in some other manner than that set out in his original acceptance; or
  - (ii) in respect of TSB Shares held in uncertificated form, sends (or, if a CREST sponsored member, procures that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be varied. Each ESA instruction must, in order for it to be valid and settle, include the following details:
    - the number of TSB Shares in respect of which the changed election is made, together with their ISIN number which is GB00BMQX2Q65;
    - the member account ID of the Previous Acceptor, together with his participant ID;
    - the member account ID of the Escrow Agent (this is BANTSB01) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is 6RA64);
    - the transaction reference number of the Electronic Acceptance in respect of which the election is to be changed;
    - the intended settlement date for the changed election;
    - the corporate action number for the Offer,
 and, in order that the desired change of election can be effected, must include:
    - the member account ID of the Escrow Agent relevant to the new election; and
    - input with standard delivery instruction of priority 80.

Any such change of election will be conditional upon the Receiving Agent verifying that the request is validly made. Accordingly, the Receiving Agent will on behalf of Sabadell reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

## 5. Overseas shareholders

- (a) The making of the Offer in, or to certain persons who are resident in, or citizens or nationals of, jurisdictions outside the United Kingdom or the United States (**overseas shareholders**) or to agents, nominees, custodians or trustees for such persons, may be prohibited or affected by the laws of the relevant jurisdictions. Such shareholders should inform themselves about, and observe, any applicable legal requirements. It is the responsibility of any overseas shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the

Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such overseas shareholder will be responsible for the payment of any issue, transfer or other taxes due in that jurisdiction of whomsoever payable and Sabadell, (and any person acting on its behalf) shall be fully indemnified and held harmless by such overseas shareholder for any such issue, transfer or other taxes as such person may be required to pay. If you are an overseas shareholder and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction.

- (b) The Offer is not being made, directly or indirectly, in or into or by use of the mails of, or by any other means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange, any Restricted Jurisdiction and the Offer cannot be accepted by any such use, means or instrumentality or otherwise from any Restricted Jurisdiction. Such means or instrumentalities include, but are not limited to, facsimile transmission, telex, telephone and internet.
- (c) Copies of this document, the Form of Acceptance and any related offer document(s) are not, and must not be, mailed or otherwise distributed or sent in or into any Restricted Jurisdiction including to TSB Shareholders or persons with information rights or participants in TSB Share Plans with registered addresses in any Restricted Jurisdiction or to persons whom Sabadell knows to be agents, nominees, custodians or trustees holding TSB Shares for such persons. Persons receiving such documents (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail them in, into or from any Restricted Jurisdiction or use any such mails or any such means, instrumentality or facility for any purpose, directly or indirectly, in connection with the Offer, and doing so may render invalid any related purported acceptance of the Offer. Persons wishing to accept the Offer must not use the mails of any Restricted Jurisdiction or any such means, instrumentality or facility for any purpose directly or indirectly related to acceptance of the Offer. All TSB Shareholders (including nominees, trustees and custodians) who have a contractual or legal obligation, or may otherwise intend, to forward this document, the Form of Acceptance or any related document, should read further the details in this regard which are contained in this paragraph 5 of Part B and in Part C and Part D of this Appendix 1 before taking any action. Envelopes containing the Form of Acceptance or other documents relating to the Offer must not be postmarked in or otherwise despatched from any Restricted Jurisdiction and all acceptors must provide addresses outside Restricted Jurisdictions for the receipt of the consideration to which they are entitled under the Offer and which is despatched by post or for the return of the Form of Acceptance and (in relation to TSB Shares in certificated form) any TSB share certificate(s) and/or other document(s) of title.
- (d) Subject as provided below, a TSB Shareholder will be deemed not to have accepted the Offer if:
  - (i) he puts “NO” in Box 3 of the Form of Acceptance and thereby does not make the representations and warranties set out in paragraph (c) of Part C of this Appendix 1;
  - (ii) he completes Box 4A of the Form of Acceptance with an address in any Restricted Jurisdiction or has a registered address in any Restricted Jurisdiction and in either case he does not insert in Box 4B of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer be sent, subject to the provisions of this paragraph and applicable laws;
  - (iii) he inserts in Box 4A of the Form of Acceptance a telephone number in a Restricted Jurisdiction for use in the event of queries;
  - (iv) a Form of Acceptance received from him is received in an envelope postmarked in, or otherwise appears to Sabadell or its agents to have been sent from, any Restricted Jurisdiction; or
  - (v) he makes a Restricted Escrow Transfer pursuant to paragraph 5(h) of this Part B unless he also makes a related Restricted ESA Instruction which is accepted by the Receiving Agent.

Sabadell reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph (c) of Part C (or, as the case may be, paragraph (b) of Part D) of this Appendix 1 could have been truthfully given by the relevant TSB Shareholder and, if such investigation is made and as a result Sabadell determines that such representations and warranties could not have been so given, such acceptance may be rejected as invalid.

- (e) If, notwithstanding the restrictions described above, any person (including, without limitation, agents, nominees, custodians and trustees) whether pursuant to a contractual or legal obligation or otherwise forwards this document, the Form of Acceptance or any related offer document in, into or from any Restricted Jurisdiction or uses the mails or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction in connection with such forwarding, such person should:
- (i) inform the recipient of such fact;
  - (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
  - (iii) draw the attention of the recipient to this paragraph 5.
- (f) Notwithstanding anything to the contrary contained in this document or the Form of Acceptance, Sabadell may in its sole and absolute discretion make the Offer (with or without giving effect to the foregoing paragraphs of this paragraph 5) in any Restricted Jurisdiction pursuant to an exemption under applicable law in a Restricted Jurisdiction or if Sabadell is satisfied in that particular case that to do so would not constitute a breach of any securities or other relevant legislation of any Restricted Jurisdiction, and in this connection the provisions of paragraph (c) of Part C and paragraph (b) Part D of this Appendix 1 will be varied accordingly.
- (g) The provisions of this paragraph 5 supersede any terms of the Offer inconsistent with them. The provisions of this paragraph 5 and/or any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards specific TSB Shareholder(s) or on a general basis by Sabadell in its absolute discretion.
- (h) If a holder of TSB Shares held in uncertificated form is unable to give the warranty set out in paragraph (b) of Part D of this Appendix 1, but nevertheless can provide evidence satisfactory to Sabadell that he is able to accept the Offer in compliance with all relevant legal and regulatory requirements, he may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both: (i) a TTE Instruction to a designated escrow balance detailed below (a **Restricted Escrow Transfer**); and (ii) one or more valid ESA instructions (a **Restricted ESA Instruction**) which specify the form of consideration which he wishes to receive (consistent with the alternatives offered under the Offer). Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction(s) settle in CREST and Sabadell decides, in its absolute discretion, to exercise its right described in paragraph 5(g) of this Part B to waive, vary or modify the terms of the Offer relating to overseas shareholders, to the extent required to permit such acceptance to be made, in each case during the acceptance period set out in paragraph 1 of this Part B. If Sabadell accordingly decides to permit such acceptance to be made, the Receiving Agent will on behalf of Sabadell accept the purported acceptance as an Electronic Acceptance on the terms of this document (as so waived, varied or modified) by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, the Receiving Agent will on behalf of Sabadell reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message.

Each Restricted Escrow Transfer must, in order for it to be valid and settle, include the following details:

- the ISIN number for the TSB Shares (this is GB00BMQX2Q65);
- the number of TSB Shares in respect of which the Offer is to be accepted;
- the member account ID and participant ID of the TSB Shareholder;
- the participant ID of the Escrow Agent (this is 6RA64) and its member account ID specific to a Restricted Escrow Transfer (this is RESTRICT);
- the intended settlement date;
- the corporate action reference number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input standard delivery instruction of priority 80; and
- contact name and telephone number to be inserted in the shared note field.



Each Restricted ESA instruction must, in order for it to be valid and settle, include the following details:

- the ISIN number for the TSB Shares (this is GB00BMQX2Q65);
  - the number of TSB Shares relevant to that Restricted ESA Instruction;
  - the member account ID and participant ID of the accepting TSB Shareholder;
  - the participant ID of the Escrow Agent. This is 6RA64;
  - the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer;
  - the participant ID and the member account ID of the Escrow Agent relevant to the form of consideration required (details of which are set out in the letter from Sabadell contained in this document);
  - the transaction reference number of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates;
  - the intended settlement date;
  - the corporate action number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
  - input standard delivery instruction priority of 80.
- (i) The Offer is being made in the United States pursuant to Section 14(e) of, and Regulation 14E under, the Exchange Act, subject to the exemptions provided by Rule 14d-1(c) and otherwise in accordance with the requirements of the Code. Accordingly, the Offer is subject to disclosure and other procedural requirements including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which are different from those applicable under US domestic tender offer procedures and law.

The Offer is being made for the securities of an English company with a listing on the London Stock Exchange. The Offer is subject to UK disclosure requirements which are different from certain United States disclosure requirements. The financial information on the TSB Group included in this document has been prepared in accordance with IFRS and the financial information on the Sabadell Group included in this document has been prepared in accordance with IFRS, and thus neither may be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The receipt of cash pursuant to the Offer by a US holder of TSB Shares may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each TSB Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of accepting the Offer. Furthermore, the payment and settlement procedure with respect to the Offer complies with the relevant United Kingdom rules, which differ from the United States payment and settlement procedures, particularly with regard to the date of payment of consideration.

The Offer is made (including in the United States) by Sabadell and no one else. Neither Goldman Sachs, Citigroup, Rothschild nor RBC Capital Markets, nor any of their respective affiliates, is or will be making the Offer in or outside the United States.

It may be difficult for US holders of TSB Shares to enforce their rights and any claim arising out of US federal securities laws, since Sabadell is incorporated under the laws of Spain and TSB is incorporated under the laws of Spain, and some or all of their officers and directors are residents of non-US jurisdictions. In addition, most of the assets of Sabadell and TSB are located outside the United States. US holders of TSB Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved the Offer, or passed comment upon the adequacy or completeness of this document. Any representation to the contrary is a criminal offence in the United States.

This document does not constitute an offer of securities for sale in the United States. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than: (i) in accordance with the tender offer requirements under the Exchange Act, or the securities laws of such other country, as the case may be, or: (ii) pursuant to an available exemption from such requirements.

To the extent permitted by applicable law, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Sabadell or its nominees or brokers (acting as agents) or their respective affiliates may from time to time make certain purchases of, or arrangements to purchase, shares or other securities in TSB, other than pursuant to the Offer, at any time prior to completion of the Offer. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any such purchases, or arrangements to purchase, will comply with all applicable UK rules, including the Code, the rules of the London Stock Exchange and Rule 14e-5 under the Exchange Act to the extent applicable. In addition, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Goldman Sachs, Citigroup, Rothschild and RBC Capital Markets and their respective affiliates will continue to act as exempt principal traders in TSB Shares on the London Stock Exchange and engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law. To the extent required by the applicable law (including the Code), any information about such purchases will be disclosed on a next day basis to the Panel and a Regulatory Information Service including the Regulatory News Service on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com). To the extent that such information is made public in the United Kingdom, this information will also be deemed to be publicly disclosed in the United States.

- (j) The Offer is being made for the securities of a UK company with a listing on the London Stock Exchange and is regulated primarily by UK laws. Accordingly, the Offer is not made under or regulated by Chapter 6 of the Corporations Act 2001 (Cth). The content of this document is subject to UK disclosure requirements which are different from the disclosure requirements under Australian law. Neither the Australian Securities and Investments Commission nor the Australian Securities Exchange has: (i) approved or disapproved of the Offer; (ii) passed judgment over the merits or fairness of the Offer; or (iii) passed judgment upon the adequacy or accuracy of the disclosure in this document.

**Overseas shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your appropriate adviser in the relevant jurisdiction.**

## **6. General**

- (a) Sabadell reserves the right (subject to the requirements of the Code and the Panel) to waive all or any of the Conditions in paragraphs (b), (c) and (e) to (l) (inclusive) of Part A, in whole or in part, at its absolute discretion.
- (b) Sabadell shall be under no obligation to waive or treat as fulfilled any of the Conditions in paragraphs (a), (c) and (e) to (l) of Part A by a date earlier than the latest date specified below for the fulfilment of them notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
- (c) At such time as the Conditions in paragraphs (a), (b) and (d) of Part A have been satisfied, Sabadell will declare the Offer unconditional in all respects unless it has at that time notified the Panel and TSB of some fact or circumstance which entitles (or might reasonably be expected with further investigation to entitle) it to declare the Offer to have lapsed in reliance on some other condition.
- (d) If Phase 2 European Commission proceedings are initiated, or there is a Phase 2 CMA Reference (following a referral by the European Commission under Article 9(3) of the EU Merger Regulation to the CMA or otherwise), the Offer will lapse. If the Offer does so lapse, not only will the Offer cease to be capable of further acceptance but also shareholders and Sabadell will thereafter cease to be bound by prior acceptances.

- (e) Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
  - (f) Except with the consent of the Panel, the Offer will lapse unless all Conditions have been fulfilled or (if capable of waiver) waived, or, where appropriate, have been determined by Sabadell to be, and continue to be, satisfied by midnight (London time) on 29 May 2015 or by midnight (London time) on the date which is 21 days after the date on which the Offer becomes unconditional, whichever is the later, or such later date as Sabadell, with the consent of the Panel, may decide.
  - (g) If the Offer lapses, it will cease to be capable of further acceptance and accepting TSB Shareholders, and Sabadell will cease to be bound by: (i) in the case of TSB Shares held in certificated form, Forms of Acceptance; and (ii) in the case of holders of TSB Shares held in uncertificated form, Electronic Acceptances inputted and settled, in each case submitted before the time the Offer lapses.
  - (h) If all Conditions are satisfied, fulfilled or, to the extent permitted, waived and sufficient acceptances are received and/or sufficient TSB Shares are otherwise acquired, Sabadell intends to exercise its rights to acquire compulsorily any outstanding TSB Shares. Sabadell intends, after the Offer becomes or is declared unconditional in all respects, to procure the making of an application by TSB to the appropriate authorities for the cancellation of the listing and the admission to trading of TSB Shares, both not less than 20 Business Days after the Offer becomes or is declared unconditional in all respects provided Sabadell has attained issued share capital representing at least 75 per cent. or more of the voting rights of TSB or otherwise as soon as Sabadell attains: (i) 75 per cent. or more of such voting rights; and (ii) acceptances of the Offer or acquired or agreed to acquire TSB Shares from independent shareholders that represent a majority of the voting rights held by the independent shareholders on 20 March 2015.
  - (i) The expression **Offer Period** when used in this document means, in relation to the Offer, the period commencing on (and including) 12 March 2015 until whichever of the following dates will be the latest:
    - (i) 1.00 p.m. (London time) on the First Closing Date;
    - (ii) the date on which the Offer lapses; and
    - (iii) the date on which the Offer becomes unconditional.
  - (j) Except with the consent of the Panel, settlement of the consideration to which any TSB Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Sabadell may otherwise be, or claim to be, entitled as against such TSB Shareholder and will be effected:
    - (i) in the case of acceptances of the Offer received, complete in all respects (including the relevant transfer to escrow or (as applicable) receipt of relevant share certificate(s) and/or other documents of title or indemnities satisfactory to Sabadell) by the date on which the Offer becomes or is declared unconditional in all respects, within 14 calendar days of such date; or
    - (ii) in the case of acceptances of the Offer received, complete in all respects, after the date on which the Offer becomes or is declared unconditional in all respects, but while it remains open for acceptance, within 14 calendar days of such receipt.
- All cash payments (other than payments made by means of CREST) will be made by cheque drawn on a branch of a United Kingdom clearing bank. No consideration will be sent to an address in a Restricted Jurisdiction.
- (k) Notwithstanding the right reserved by Sabadell to treat an acceptance of the Offer as valid (even though, in the case of TSB Shares held in certificated form, the relevant Form of Acceptance is not entirely in order or not accompanied by the relevant share certificate(s) and/or other documents of title), except as otherwise agreed with the Panel:
    - (i) an acceptance of the Offer will only be counted towards fulfilling the Acceptance Condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it;
    - (ii) a purchase of TSB Shares by Sabadell or its nominee (or, if relevant, any person acting in concert with Sabadell, or its nominee) will only be counted towards fulfilling the Acceptance Condition if

the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it; and

- (iii) the Offer will not become unconditional unless the Receiving Agent has issued a certificate to Sabadell or its agents stating the number of TSB Shares in respect of which acceptances have been received which comply with subparagraph (i) above and the number of TSB Shares otherwise acquired, whether before or during the Offer Period, which comply with subparagraph (ii) above. Sabadell will procure that a copy of such certificate is sent to the Panel and to TSB's financial advisers as soon as possible after it is issued.
- (l) For the purposes of determining whether the Acceptance Condition has been satisfied, Sabadell will not be bound (unless otherwise required by the Panel) to take into account any TSB Shares which have been issued or unconditionally allotted or which arise as the result of the exercise of subscription or conversion rights before that determination takes place unless written notice containing relevant details of the allotment, issue, subscription or conversion has been received from TSB or its agents before that time by Sabadell or the Receiving Agent on behalf of Sabadell at the address specified in paragraph 3(a) of this Part B. Notification by telex or facsimile or other electronic transmissions or copies will not be sufficient.
- (m) Except with the consent of the Panel, TSB Shares which have been borrowed by Sabadell may not be counted towards fulfilling the Acceptance Condition.
- (n) The terms, provisions, instructions and authorities contained or deemed to be incorporated in the Form of Acceptance, and such further terms as may be required to comply with the applicable rules and regulations of the London Stock Exchange and the Code, constitute part of the terms of the Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Appendix 1 shall be deemed to be incorporated into and form part of the Form of Acceptance.
- (o) All references in this document and in the Form of Acceptance to the First Closing Date will (except in paragraphs 1(a) and 6(i) of this Part B and where the context otherwise requires) be deemed, if the expiry date of the Offer is extended, to refer to the expiry date of the Offer as so extended.
- (p) References in paragraph 5 of this Part B and in Part C and Part D of this Appendix 1 to a TSB Shareholder will include references to the person or persons executing a Form of Acceptance or Electronic Acceptance and in the event of more than one person executing a Form of Acceptance or Electronic Acceptance, such paragraphs will apply to them jointly and severally.
- (q) The Offer is made in respect of all TSB Shares issued and unconditionally allotted or issued before the date on which the Offer closes (or such earlier date as Sabadell, subject to the rules of the Code or with the consent of the Panel, may determine). Any omission to despatch this document, the Form of Acceptance or any notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made, or should be made, will not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to the provisions of paragraph 5 of this Part B, the Offer is made to any TSB Shareholder to whom this document and the Form of Acceptance or any related document may not be sent or by whom such documents may not be received, and these persons may collect these documents from the Receiving Agent at the address set out in paragraph 3(f) of this Part B. The Offer is not being made, and will not be made, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, internet or other forms of electronic transmission) of interstate or foreign commerce of, or by any facility of a national, state or other securities exchange of any Restricted Jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction.
- (r) Subject to the Code, and notwithstanding any other provision of this Part B, Sabadell reserves the right to treat as valid in whole or in part any acceptance of the Offer received by the Receiving Agent or otherwise on behalf of Sabadell which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant document(s) or the relevant TTE Instruction or is received by it at any place or places or in any form or manner determined by either the Receiving Agent or Sabadell otherwise than as set out in this document or in the Form of Acceptance. In that event, no payment of cash under the Offer will be made until after the acceptance is entirely in order

and (as applicable) the relevant transfer to escrow has settled or the relevant document(s) of title or satisfactory indemnities have been received by the Receiving Agent.

- (s) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) or other document(s) of title will be given by, or on behalf of, Sabadell. All communications, notices, certificates, documents of title and remittances to be delivered by, or sent to or from, TSB Shareholders (or their designated agent(s)) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.
- (t) The Offer extends to persons to whom the Offer is made or should be made to whom this document, the Form of Acceptance or any related documents may not be despatched and such persons may collect copies of these documents from the Receiving Agent at the address set out in paragraph 3(a) of this Part B.
- (u) The Offer is made at 1.00 p.m. on 17 April 2015 and is capable of acceptance from and after that date.
- (v) If the Offer does not become unconditional in all respects:
  - (i) in respect of TSB Shares held in certificated form, the Form of Acceptance, share certificates and/or other documents of title will be returned by post (or such other method as may be approved by the Panel) within 14 calendar days of the Offer lapsing to the person or agent whose name and address outside a Restricted Jurisdiction is set out in the relevant box in the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside a Restricted Jurisdiction (no such documents will be sent to an address in a Restricted Jurisdiction); and
  - (ii) in respect of TSB Shares held in uncertificated form, the Receiving Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing of the Offer), give TFE instructions to Euroclear to transfer all TSB Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the TSB Shareholders concerned.
- (w) All powers of attorney, appointments of agents and authorities conferred by this Appendix 1 or in the Form of Acceptance are given by way of security for the performance of the obligations of the TSB Shareholder concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971 except in the circumstances where the donor of such power of attorney or authority or appointor is entitled to withdraw his acceptance in accordance with paragraph 3 of this Part B and duly does so.
- (x) In relation to any acceptance of the Offer in respect of a holding of TSB Shares held in uncertificated form, Sabadell reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided any such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.
- (y) For the purposes of this document, the time of receipt of a TTE Instruction, an ESA instruction or an Electronic Acceptance shall be the time at which the relevant instruction settles in CREST.
- (z) Neither Sabadell nor any subsidiary of Sabadell nor any person acting on behalf of any of them, shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Offer or otherwise in connection therewith.
- (aa) The Offer will be governed by the laws of England and Wales and be subject to the jurisdiction of the Courts of England and Wales and to the Conditions and further terms set out in this document. The Offer will be subject to the applicable requirements of the UK Listing Authority, the PRA, the FCA, the Financial Services Commission, the CMA, FSMA, the London Stock Exchange, the Code, the European Commission and US federal securities law (except to the extent that exemptive relief has been granted by the SEC).
- (bb) Any non-contractual obligations arising out of or in connection with the Offer and/or the Forms of Acceptance and all acceptances and elections in respect thereof will be governed by English law.
- (cc) Where the Offer is validly accepted in respect of TSB Shares held in uncertificated form in accordance with Part D of this Appendix 1, unless the relevant TSB Shareholder has become the

registered shareholder of the related TSB Shares, no separate acceptance of the Offer may be made by the relevant holder of the TSB Shares, the custodian in respect of the TSB Shares and no person other than Sabadell shall have any rights whatsoever under the Offer in respect of the TSB Shares (save for the rights of such TSB Shareholder under paragraph 3 of this Part B).

- (dd) The TSB Shares will be acquired by Sabadell fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching to them as at 20 March 2015 or subsequently attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the date 20 March 2015. Accordingly, insofar as a dividend and/or distribution and/or a return of capital is proposed, declared, made, paid or payable by TSB in respect of a TSB Share on or after 20 March 2015 Sabadell reserves the right to reduce by the amount of the dividend and/or distribution and/or return of capital, the price payable under the Offer in respect of a TSB Share, except insofar as the TSB Share is or will be transferred pursuant to the Offer on a basis which entitles Sabadell alone to receive the dividend and/or distribution and/or return of capital but if that reduction in price has not been effected, the person to whom the Offer Price is paid in respect of that TSB Share, will be obliged to account to Sabadell for the amount of such dividend and/or distribution and/or return of capital.
- (ee) If Sabadell is required to make a mandatory offer for TSB Shares under Rule 9 of the Code, Sabadell may make such alterations to the conditions of the Offer as are necessary to comply with the Code.
- (ff) Save in respect of the Acceptance Condition set out in Part A of this Appendix 1, in accordance with Rule 13 of the Code, Sabadell shall not invoke any Condition so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Sabadell in the context of the Offer.
- (gg) Sabadell reserves the right, subject to the prior consent of the Panel, to implement the Offer by way of a Scheme of Arrangement. In such event, the Offer will be implemented on the same terms, so far as applicable, as those which would apply under a contractual offer, subject to appropriate amendments to reflect the change in method of effecting the Offer.

**Part C : Form of Acceptance for TSB Shares in certificated form**

Each TSB Shareholder by whom, or on whose behalf, any Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with Sabadell and the Receiving Agent (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the execution of the Form of Acceptance shall constitute:
- (i) an acceptance of the Offer in respect of the number of TSB Shares in certificated form inserted or deemed to be inserted in Box 1 of the Form of Acceptance; and
  - (ii) an undertaking to execute any further documents, take any further action and give any further assurances which may be required in connection with the foregoing,

in each case on and subject to the terms and conditions set out in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix 1, each such acceptance, election and undertaking shall be irrevocable.

If Box 1 is left blank or a number greater than such TSB Shareholder's registered holding appears in Box 1 or the Form of Acceptance is otherwise completed incorrectly, but the Form of Acceptance is signed, it will be deemed to be an acceptance by such TSB Shareholder of the basic terms of the Offer in respect of the total number of TSB Shares in certificated form registered in his name;

- (b) that he is irrevocably and unconditionally entitled to transfer the TSB Shares in respect of which the Form of Acceptance is completed and that the TSB Shares in certificated form in respect of which the Offer is accepted, or is deemed to be accepted, are sold fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of this document or subsequently attaching to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions, if any, declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made, on or after the date of this document;
- (c) that unless "NO" is inserted or deemed to be inserted in Box 3 of the Form of Acceptance, such TSB Shareholder:
- (i) has not received or sent copies of this document, the Form of Acceptance or any related offer documents in, into or from any Restricted Jurisdiction or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
  - (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex and telephone) of interstate or foreign commerce, or any facilities of a national securities exchange, of any Restricted Jurisdiction;
  - (iii) is accepting the Offer from outside any Restricted Jurisdiction and was outside such jurisdictions when the Form of Acceptance was delivered and at the time of accepting the Offer, and in respect of the TSB Shares to which the Form of Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Offer from within any Restricted Jurisdiction;
  - (iv) warrants that the Form of Acceptance and any related offer documents have not been mailed or otherwise sent in, into or from any Restricted Jurisdiction; and
  - (v) if such TSB Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom or the United States, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Sabadell or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;
- (d) that, in relation to TSB Shares in certificated form, the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting TSB Shareholder not having validly

withdrawn his acceptance, the irrevocable separate appointment of each of Sabadell as such TSB Shareholder's attorney and/or agent (**attorney**), with an irrevocable instruction to the attorney to:

- (i) complete and execute all or any form(s) of transfer and/or renunciation and/or other document(s) in the attorney's discretion in relation to the TSB Shares referred to in paragraph (a)(i) of this Part C in favour of Sabadell or as Sabadell or its agents may direct;
  - (ii) deliver such form(s) of transfer and/or renunciation and/or other document(s) at the attorney's discretion together with any certificate(s) and/or other document(s) of title relating to such TSB Shares for registration within six months of the Offer becoming unconditional in all respects; and
  - (iii) do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the acceptance or deemed acceptance of the Offer pursuant to the Form of Acceptance and to vest in Sabadell or its nominee the TSB Shares as aforesaid;
- (e) that, in relation to TSB Shares in certificated form, the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting TSB Shareholder not having validly withdrawn his acceptance, a separate and irrevocable authority and request:
- (i) to TSB or its agents to procure the registration of the transfer of those TSB Shares pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Sabadell or as it may direct; and
  - (ii) to Sabadell or its agents to procure the despatch by post (or such other method as may be approved by the Panel) of a cheque drawn on a branch of a United Kingdom clearing bank in respect of any cash consideration to which he is entitled under the Offer, at the risk of such TSB Shareholder, to the person or agent whose name and address (outside any Restricted Jurisdiction) is set out in Box 4B of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address (outside any Restricted Jurisdiction);
- (f) that the execution of the Form of Acceptance and its delivery constitutes a separate authority to each of Sabadell and/or its agents within the terms of Parts B and C of this Appendix 1;
- (g) subject to the Offer becoming unconditional in all respects or if the Panel otherwise gives its consent, and pending registration, that:
- (i) Sabadell or its agents be entitled to direct the exercise of any votes and any other rights and privileges (including the right to requisition the convening of a general meeting of TSB or of any class of its shareholders) attaching to any TSB Shares in certificated form in respect of which the Offer has been accepted, or is deemed to have been accepted, and such acceptance is not validly withdrawn;
  - (ii) the execution of a Form of Acceptance by a TSB Shareholder constitutes, in respect of the TSB Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
    - (A) an authority to TSB and/or its agents from such TSB Shareholder to send any notice, warrant, document or other communication which may be required to be sent to him as a member of TSB at its registered office or care of the Receiving Agent;
    - (B) an authority to Sabadell and/or its agents to sign any consent to short notice on his behalf and/or attend and/or execute a form of proxy in respect of such TSB Shares appointing any person nominated by Sabadell to attend general meetings and separate class meetings of TSB or its members (or any of them) (and any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding Condition of the Offer; and
    - (C) the agreement of such TSB Shareholder not to exercise any of such rights without the consent of Sabadell and the irrevocable undertaking of such TSB Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;
- (h) that he will deliver (or procure the delivery) to the Receiving Agent at the address referred to in paragraph 3(a) of Part B of this Appendix 1 his share certificate(s) or other document(s) of title in respect of all TSB Shares held by him in certificated form in respect of which the Offer has been



accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to Sabadell in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;

- (i) that, if he accepts the Offer, he will do all such acts and things as shall, in the opinion of Sabadell or the Receiving Agent, be necessary or expedient to vest in Sabadell or its nominee(s) or such other person as Sabadell may decide the number of TSB Shares inserted or deemed to be inserted in Box 1 of the Form of Acceptance and all such acts and things as may be necessary or expedient to enable the Receiving Agent to perform its functions for the purposes of the Offer;
- (j) that the terms and conditions of the Offer contained in this document will be incorporated and deemed to be incorporated in, and form part of, the Form of Acceptance which will be read and construed accordingly;
- (k) that he will ratify each and every act or thing which may be done or effected by Sabadell, the Receiving Agent or any director of Sabadell or the Receiving Agent or their respective agents or TSB or its agents, as the case may be, in the exercise of any of his or its powers and/or authorities hereunder (and to indemnify each such person against any losses arising therefrom);
- (l) that, if any provision of Part B of this Appendix 1 or this Part C will be unenforceable or invalid or will not operate so as to afford Sabadell, the Receiving Agent or any director or duly authorised representative of any of them or their respective agents the benefit of the authority expressed to be given therein, he agrees with all practicable speed to do all such acts and things and execute all such documents that may be required to enable those persons to secure the full benefits of Part B of this Appendix 1 and this Part C;
- (m) the ejusdem generis principle of construction shall not apply to the terms and conditions of the Offer and/or the Form of Acceptance. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words;
- (n) that the execution of the Form of Acceptance constitutes his submission, in relation to any dispute arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof (including a dispute relating to any non-contractual obligations arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof), to the exclusive jurisdiction of the courts of England and that nothing shall limit the right of Sabadell to bring any action, suit or proceedings arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof (including in relation to any non-contractual obligations arising out of or in connection with the Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof) in any other court of competent jurisdiction or concurrently in more than one court of competent jurisdiction; and
- (o) the Form of Acceptance will be deemed to be delivered on the date of its execution and will take effect as a deed.

References in this Part C to a TSB Shareholder shall include references to the person or persons executing a Form of Acceptance, and in the event of more than one person executing a Form of Acceptance, the provisions of this Part C shall apply to them jointly and to each of them.

#### **Part D : Electronic Acceptance**

For the purposes of this Part D of this Appendix 1, the phrase “TSB Shares in uncertificated form comprised in the acceptance” shall mean the number of TSB Shares which are transferred by the relevant TSB Shareholder by Electronic Acceptance to an escrow account by means of a TTE Instruction.

Each TSB Shareholder by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents, warrants and agrees to and Sabadell and the Receiving Agent (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the Electronic Acceptance shall constitute:
  - (i) an acceptance of the Offer in respect of the number of TSB Shares in uncertificated form to which the TTE Instruction relates; and
  - (ii) an undertaking to execute any further documents, take any further action and give any further assurances which may be required in connection with the foregoing,  
in each case on and subject to the terms and conditions set out or referred to in this document and that, subject to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix 1, each such acceptance, election and undertaking shall be irrevocable;
- (b) that such TSB Shareholder:
  - (i) has not received or sent copies of this document, the Form of Acceptance or any related offer documents, in, into or from any Restricted Jurisdiction or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
  - (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any Restricted Jurisdiction;
  - (iii) is accepting the Offer from outside any Restricted Jurisdiction and was outside those jurisdictions at the time of the input and settlement of the relevant TTE Instruction(s) and in respect of the TSB Shares to which an Electronic Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Offer from within any Restricted Jurisdiction;
  - (iv) no TTE Instruction has been sent from any Restricted Jurisdiction; and
  - (v) if such TSB Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom or the United States, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Sabadell or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;
- (c) that the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting TSB Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of Sabadell, or any of the directors of Sabadell, or any person authorised by Sabadell, as such TSB Shareholder’s attorney and/or agent (**attorney**), with an irrevocable instruction to the attorney to purpose of, or in connection with, the acceptance or deemed acceptance of the Offer;
- (d) that the Electronic Acceptance constitutes the irrevocable appointment of the Receiving Agent as such TSB Shareholder’s attorney and/or agent (**attorney**) and an irrevocable instruction and authority to the attorney:
  - (i) subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting TSB Shareholder not having validly withdrawn his acceptance, to transfer (if Sabadell so requests) to Sabadell (or to such other person or persons as Sabadell or its agents may direct) by means of CREST all or any of the TSB Shares in uncertificated form which are the subject of a TTE Instruction in respect of that Electronic Acceptance; and

- (ii) if the Offer does not become unconditional in all respects, to give instructions to Euroclear, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days from the lapsing of the Offer), to transfer all such TSB Shares to the original available balance of the accepting TSB Shareholder;
- (e) that the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting TSB Shareholder not having validly withdrawn his acceptance, a separate and irrevocable authority and request to Sabadell or its agents to procure the making of a CREST payment obligation in favour of the TSB Shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which such shareholder is entitled under the Offer, provided that: (i) Sabadell may (if, for any reason, it wishes to do so) determine that all or any part of any such cash consideration shall be paid by cheque drawn on a branch of a United Kingdom clearing bank despatched by post; and (ii) if the TSB Shareholder concerned is a CREST member whose registered address is in a Restricted Jurisdiction, any cash consideration to which such shareholder is entitled shall be paid by cheque drawn on a branch of a United Kingdom clearing bank despatched by post, at the risk of such shareholder, such cheques shall be despatched to the first-named holder at an address outside a Restricted Jurisdiction stipulated by such holder or as otherwise determined by Sabadell;
- (f) that the Electronic Acceptance constitutes a separate authority to Sabadell or the Receiving Agent and/or their respective agents within the terms of Parts B and D of this Appendix 1;
- (g) subject to the Offer becoming unconditional in all respects or if the Panel otherwise gives its consent, and pending registration, that:
  - (i) Sabadell or its agents be entitled to direct the exercise of any votes and any other rights and privileges (including the right to requisition the convening of a general meeting of TSB or of any class of its shareholders) attaching to any TSB Shares represented by the TSB Shares comprised or deemed to be comprised in the Electronic Acceptance, and in respect of which such acceptance has not been validly withdrawn; and
  - (ii) an Electronic Acceptance by a TSB Shareholder constitutes, in respect of the TSB Shares in uncertificated form comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
    - (A) an authority to TSB and/or its agents from such TSB Shareholder to send any notice, warrant, document or other communication which may be required to be sent to him as a member of TSB (including any share certificate(s) or other document(s) of title issued as a registered office or care of the Receiving Agent;
    - (B) an irrevocable authority to any directors or managers of, or persons authorised by Sabadell and/or their respective agents to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the TSB Shares represented by the TSB Shares held by him (including, without limitation, signing any consent to short notice on his behalf and/or attending and/or executing a form of proxy in respect of such TSB Shares represented by the TSB Shares held in uncertificated form appointing any person nominated by Sabadell to attend general meetings and separate class meetings of TSB or its members (or any of them) (and any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding Condition of the Offer); and
    - (C) the agreement of such TSB Shareholder not to exercise any of such rights without the consent of Sabadell and the irrevocable undertaking of such TSB Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;
- (h) that if, for any reason, any TSB Shares in respect of which a TTE Instruction has been effected in accordance with paragraph 16.2 of the letter from Sabadell contained in Part 2 of this document converted to certificated form, he will (without prejudice to paragraph (g)(ii)(A) of this Part D) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of the TSB Shares that are so converted to the Receiving Agent at the address referred to in paragraph 3(a) of Part B of this Appendix 1 or to Sabadell at its registered office or as Sabadell or its agents may direct, and he shall be deemed upon conversion to undertake, represent,

warrant and agree in the terms set out in Part C of this Appendix 1 in relation to such TSB Shares without prejudice to the application of this Part D so far as Sabadell deems appropriate;

- (i) that the creation of a CREST payment obligation in favour of his payment bank in accordance with the CREST payment arrangements referred to in paragraph (e) of this Part D shall, to the extent of the obligation so created, discharge in full any obligation of Sabadell to pay to him the cash consideration to which he is entitled pursuant to the Offer;
- (j) he will do all such acts and things as shall, in the reasonable opinion of Sabadell be necessary or desirable to enable the Receiving Agent to perform its function as Escrow Agent for the purposes of the Offer or to vest in Sabadell or its nominee(s), upon the Offer becoming unconditional in all respects and subject to the Electronic Acceptance not having been validly withdrawn, the TSB Shares in uncertificated form comprised or deemed to be comprised in the acceptance;
- (k) he will ratify each and every act or thing which may be done or effected by Sabadell, the Escrow Agent or the Receiving Agent or any of their respective directors or agents or TSB or its agents, as the case may be, in the exercise of any of his or its powers and/or authorities hereunder (and to indemnify each such person against any losses arising therefrom);
- (l) that, if any provision of Part B of this Appendix 1 or this Part D will be unenforceable or invalid or will not operate so as to afford Sabadell, the Escrow Agent or the Receiving Agent or any director or duly authorised representative of any of them or their respective agents the benefit of the authority expressed to be given therein, he agrees with all practicable speed to do all such acts and things and execute all such documents that may be required to enable those persons to secure the full benefits of Part B of this Appendix 1 and this Part D;
- (m) the ejusdem generis principle of construction shall not apply to the terms and conditions of the Offer and/or the Form of Acceptance. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words; and
- (n) the making of an Electronic Acceptance constitutes his submission, in relation to any dispute arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof (including a dispute relating to any non-contractual obligations arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof), to the exclusive jurisdiction of the courts of England and that nothing shall limit the right of Sabadell to bring any action, suit or proceedings arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof (including in relation to any non-contractual obligations arising out of or in connection with the Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof) in any other court of competent jurisdiction or concurrently in more than one court of competent jurisdiction.

References in this Part D to a TSB Shareholder shall include references to the person or persons making an Electronic Acceptance.

## APPENDIX 2 : INFORMATION INCORPORATED BY REFERENCE

Your attention is drawn to the following documents that are incorporated by reference into this offer document in accordance with Rule 24.15:

This information is available in “read-only” format and can be printed from the web addresses detailed below.

<u>Document</u>	<u>Website where document is available for inspection</u>
<i>Sabadell Financials:</i> Consolidated annual accounts for the year ended 31 December 2014 Annual report and consolidated annual accounts for the year ended 31 December 2013	<a href="https://www.grupbancsabadell.com/en/">https://www.grupbancsabadell.com/en/</a>
<i>TSB Financials:</i> Annual report and accounts for the year ended 31 December 2014	<a href="http://www.tsb.co.uk/investors/results-reports/">http://www.tsb.co.uk/investors/results-reports/</a>
<i>TSB material contracts:</i> The summaries of material contracts set out on pages 297 - 308 of the TSB IPO Prospectus	<a href="http://www.tsb.co.uk/investors/sabadell-offer-information/">http://www.tsb.co.uk/investors/sabadell-offer-information/</a>

### **Request for hard copies**

You may request a hard copy of the above information incorporated into this document by contacting the Receiving Agent, Equiniti Limited, on 0871 384 2965 from within the UK (or on +44 (0)121 415 0184 if calling from outside the UK) with an address to which the hard copy may be sent. Calls to the 0871 384 2965 number cost 8 pence per minute (excluding VAT), plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

A hard copy of the information incorporated into this document by reference will not be sent to you unless requested in accordance with the instructions above.

### **No incorporation of website information**

Neither the content of Sabadell’s nor TSB’s website, nor the content of any website accessible from hyperlinks on Sabadell’s nor TSB’s website, is incorporated by reference into, or forms part of, this document.

### APPENDIX 3 : SOURCES OF INFORMATION AND BASES OF CALCULATION

In this document, unless otherwise stated, or the context otherwise requires, the following bases and sources have been used:

- (a) Unless otherwise stated, the financial information relating to Sabadell is extracted (without adjustment) from the audited consolidated financial statements of Sabadell for the relevant years or from the unaudited interim consolidated financial statements of Sabadell for the relevant quarters, prepared in accordance with IFRS.
- (b) Unless otherwise stated, the financial information relating to TSB is extracted (without adjustment) from the audited consolidated financial statements of TSB for the relevant years or from the unaudited interim consolidated financial statements of TSB for the relevant half years, prepared in accordance with IFRS.
- (c) The saving numbers are unaudited and are based on analysis by Sabadell's management and on Sabadell's and TSB's internal records.
- (d) Any references to the existing issued share capital of TSB are based on 500,000,000 TSB Shares in issue as at 19 March 2015 (being the last practicable date prior to the release of the Rule 2.7 Announcement).
- (e) Any reference to TSB's book value are based on TSB's book value as at 31 December 2014.
- (f) Unless otherwise stated all prices for TSB Shares are closing prices derived from Bloomberg.

## APPENDIX 4 : ADDITIONAL INFORMATION

### 1. Responsibility

- 1.1** The Sabadell Directors, whose names are set out in paragraph 2.1 below, accept responsibility for the information contained in this document other than the information contained in this document relating to: (i) the TSB Group; (ii) the TSB Directors and their close relatives and related trusts and controlled companies; and (iii) the information contained in the Employee Representatives' Opinion set out in Appendix 6 to this document. To the best of the knowledge and belief of the members of the executive board of Sabadell (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2** The TSB Directors, whose names are set out in paragraph 2.2 below, accept responsibility for the information contained in this document relating to the TSB Group, the TSB Directors and their close relatives and related trusts and controlled companies, other than the information contained in the Employee Representatives' Opinion set out in Appendix 6 to this document. To the best of the knowledge and belief of the TSB Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2. Directors

- 2.1** The members of the executive board of Sabadell and their respective positions are set out below:

<u>Name</u>	<u>Position</u>
José Oliu Creus . . . . .	Chairman
José Javier Echenique Landiribar . . . . .	Deputy Chairman
Jaime Guardiola Romojaro . . . . .	CEO
Aurora Catá Sala . . . . .	Non-executive director
Héctor María Colonques Moreno . . . . .	Non-executive director
Joaquim Folch-Rusiñol i Corachán . . . . .	Non-executive director
M. Teresa Garcia-Milà i Lloveras . . . . .	Non-executive director
Joan Llonch Andreu . . . . .	Non-executive director
David Martínez Guzmán . . . . .	Non-executive director
José Manuel Martínez Martínez . . . . .	Non-executive director
José Ramón Martínez Sufrategui . . . . .	Non-executive director
António Vitor Martins Monteiro . . . . .	Non-executive director
José Luis Negro Rodríguez . . . . .	Director and General Manager
José Permanyer Cunillera . . . . .	Non-executive director

The registered office of Sabadell and the business address of each of the members of the executive board of Sabadell is Pl. Sant Roc 20 08201-Sabadell.

- 2.2** The TSB Directors and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
Will Samuel . . . . .	Chairman
Paul Pester . . . . .	CEO
Darren Pope . . . . .	CFO
Philip Augar . . . . .	Independent Non-executive director
Norval Bryson . . . . .	Non-executive director
Professor Dame Sandra Dawson . . . . .	Senior Independent Non-executive director
Mark Fisher . . . . .	Non-executive director
Alexandra Kinney Pritchard . . . . .	Independent Non-executive director
Godfrey Robson . . . . .	Non-executive director
Stuart Sinclair . . . . .	Independent Non-executive director
Polly Williams . . . . .	Independent Non-executive director

The registered office of TSB and the business address of each of the TSB Directors (save for Godfrey Robson and Norval Bryson) is 20 Gresham Street, London EC2V 7JE. The business address of Godfrey Robson and Norval Bryson is Henry Duncan House, 120 George Street, Edinburgh, Scotland EH2 4LH.

### 3. Market quotations

Set out below are the Closing Prices of TSB Shares taken from the Daily Official List on:

- (a) the first dealing day in each of the six months immediately before the date of this document;
- (b) 11 March 2015 (the last dealing day before the start of the Offer Period); and
- (c) 15 April 2015 (the latest practicable date before the publication of this document).

<u>Date</u>	<u>TSB Share (pence per share)</u>
1 October 2014 . . . . .	277.10
3 November 2014 . . . . .	274.00
1 December 2014 . . . . .	265.00
2 January 2015 . . . . .	283.80
2 February 2015 . . . . .	269.40
2 March 2015 . . . . .	260.80
11 March 2015 . . . . .	264.10
1 April 2015 . . . . .	333.80
15 April 2015 . . . . .	335.10

### 4. Irrevocable undertakings

Lloyds and Sabadell have entered into a sale and purchase, irrevocable undertaking and option deed, which includes the following elements:

- an unconditional sale and purchase agreement under which Sabadell will acquire from Lloyds 49,999,999 TSB Shares (representing 9.99 per cent. of the issued ordinary share capital of TSB), such sale having completed on 24 March 2015;
- an irrevocable undertaking over Lloyds's entire remaining holding of 200,000,003 TSB Shares following the acquisition of the 9.99 per cent. holding, representing 40.01 per cent. of the issued ordinary share capital of TSB, less any TSB Shares acquired by Sabadell pursuant to the Call Option, as outlined below. The undertaking from Lloyds shall remain binding in the event of a competing offer being made for TSB; and
- a call option (the **Call Option**) in favour of Sabadell to acquire from Lloyds up to 100,000,000 TSB Shares (representing 20 per cent. of the issued ordinary share capital of TSB) (the **Option Cap**), such Call Option exercisable up to four times over any number of TSB Shares up to the Option Cap and at any time following the receipt of certain regulatory approvals until such time as the Offer is unconditional in all respects, lapses or is withdrawn.

Sabadell has also received irrevocable undertakings to accept (or procure acceptance of) the Offer from each of the TSB Directors who hold TSB Shares in respect of their own shareholdings (and/or those of their close family, as relevant) being, in aggregate, 47,901 TSB Shares, representing approximately 0.01 per cent. of the issued ordinary share capital of TSB. The undertakings from TSB Directors remain binding in the event of a competing offer being made for TSB.

As a result, Sabadell has received irrevocable undertakings or has acquired, in aggregate, 250,047,903 TSB Shares representing approximately 50.01 per cent. of the issued ordinary share capital of TSB as at 19 March 2015 (being the latest practicable date before the Rule 2.7 Announcement).



Further details of these irrevocable undertakings are as follows:

Name	Total number of TSB Shares in respect of which the undertaking has been given	Percentage of issued ordinary share capital of TSB
Lloyds Bank plc . . . . .	200,000,003	40.01%
Paul Pester . . . . .	1,518	0.000%
Darren Pope . . . . .	568	0.000%
Will Samuel . . . . .	42,470	0.008%
Norval Bryson . . . . .	2,230	0.000%
Dame Sandra Dawson . . . . .	1,115	0.000%
<b>Total</b> . . . . .	<b>200,047,904</b>	<b>40.01%</b>

## 5. Interests and dealings

### 5.1 For the purposes of this paragraph 5:

**acting in concert** with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the Code and/or the Offer. Persons who will be presumed to be acting in concert with other persons in the same category include:

- (a) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);
- (b) a company with any of its directors (together with their close relatives and related trusts);
- (c) a company with any of its pensions schemes and the pension schemes of any company covered in (a);
- (d) a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant accounts; and
- (e) connected advisers (and persons controlling, controlled by or under the same control as such connected advisers) with their clients;

**arrangement** includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

**connected adviser** includes an organisation which: (i) is advising Sabadell or (as the case may be) TSB in relation to the Offer; (ii) is a corporate broker to Sabadell or (as the case may be) TSB; or (iii) is advising a person acting in concert with Sabadell or (as the case may be) TSB in relation to the Offer or in relation to the matter which is the reason for that person being a member of the concert party;

**control** means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings gives de facto control;

**dealing** includes: (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or of general control of relevant securities; (ii) the taking, granting, acquisition, disposal of, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities; (iii) subscribing or agreeing to subscribe for relevant securities; (iv) the exercise or conversion, whether in respect of any new or existing securities, or any relevant securities carrying conversion or subscription rights; (v) the acquisition, disposal of, entering into, closing out, exercising (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities; (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;

**derivative** includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;

**disclosure date** means 15 April 2015, being the latest practicable date before publication of this document;

**disclosure period** means the period which began on 12 March 2014 (the date 12 months before the start of the Offer Period) and ended on 15 April 2015 (being the latest practicable date before the publication of this document);

**exempt fund manager** means a person who manages investment accounts on a discretionary basis and is recognised by the Panel as an exempt fund manager for the purposes of the Code;

a person has an **interest** or is **interested** in relevant securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he only has a short position in such securities) and in particular if: (i) he owns them; (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them; (iii) by virtue of any agreement to purchase, option or derivative, he: (A) has the right or option to acquire them or call for their delivery; or (B) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or (iv) he is party to any derivative: (I) whose value is determined by reference to their price; and (II) which results, or may result, in his having a long position in them; and

**relevant securities** includes: (i) TSB Shares and any other securities of TSB conferring voting rights; (ii) equity share capital of TSB or, as the context requires, Sabadell; and (iii) securities of TSB or, as the context requires, Sabadell, carrying conversion or subscription rights into any of the foregoing.

## 5.2 Sabadell's interests in TSB Shares

Pursuant to the sale and purchase, irrevocable undertaking and option deed entered into between Sabadell and Lloyds, as at close of business on the disclosure date, Sabadell had an interest in the following TSB relevant securities:

<u>Nature of interest</u>	<u>Number of TSB Shares</u>	<u>Percentage of issued ordinary share capital of TSB (%)</u>
Legal and beneficial ownership of TSB Shares . . . . .	49,999,999	9.99
Call option over TSB Shares . . . . .	100,000,000	20
<b>TOTAL:</b> . . . . .	<b>149,999,999</b>	<b>29.99</b>

## 5.3 Persons acting in concert with Sabadell

In addition to the Sabadell Directors (together with their close relatives and related trusts and controlled companies), the persons who are acting in concert with Sabadell for the purposes of the Offer and which are required to be disclosed are:

<u>Person acting in concert</u>	<u>Type of company</u>	<u>Relationship with Sabadell</u>	<u>Address</u>
Goldman Sachs International . . . . .	Private unlimited company	Financial adviser	Peterborough Court, 133 Fleet Street London EC4A 2BB, United Kingdom
Goldman, Sachs & Co. . . . .	Limited partnership	Entity under the same control as Goldman Sachs International	200 West Street, New York, NY 10282, United States

#### 5.4 Persons acting in concert with TSB

In addition to the TSB Directors (together with their close relatives and related trusts and controlled companies), the persons who are acting in concert with TSB for the purposes of the Offer and which are required to be disclosed are:

<u>Person acting in concert</u>	<u>Type of company</u>	<u>Relationship with TSB</u>	<u>Address</u>
Citigroup . . . . .	Limited liability company	Financial Advisor and Corporate Broker	Canada Square, Canary Wharf, London, E14 5LB
Automated Trading Desk LLC . . . . .	Limited liability company	Entity under the same control as Citigroup	11 Ewall Street, South Carolina, United States of America
Rothschild . . . . .	Limited liability company	Financial adviser	New Court, St Swithin's Lane, London, EC4N 8AL, United Kingdom
RBC Capital Markets	Limited liability company	Corporate Broker	Riverbank House, 2 Swan Lane, London, United Kingdom, EC4R 3BF

#### 5.5 Interests in relevant securities of TSB

(a) As at close of business on the disclosure date, the following TSB Directors (together with their respective close relatives and related trusts and controlled companies) had an interest in the following TSB relevant securities:

<u>Name</u>	<u>Number of TSB Shares</u>
Paul Pester . . . . .	1,571 <sup>(1)</sup> 4,411 <sup>(2)</sup>
Darren Pope . . . . .	622 <sup>(1)</sup> 2,836 <sup>(2)</sup>
Will Samuel . . . . .	3,458 42,470
Norval Bryson . . . . .	2,230
Dame Sandra Dawson . . . . .	1,115

Notes:

1. TSB Shares held beneficially under the TSB Share Incentive Plan 2014
2. TSB Shares held subject to a retention period in accordance with the FCA and PRA Remuneration Codes

(b) As at the disclosure date, the following TSB Directors had an interest in options/awards over TSB Shares under (or on the terms of) certain of the following TSB Share Plans:

<u>Name</u>	<u>Plan</u>	<u>Description of option/awards</u>	<u>Number of TSB Shares under option/ awards</u>	<u>Date of grant</u>	<u>Exercise Price (pence)</u>	<u>Exercise period/ vesting dates</u>
Paul Pester	Sharesave Scheme		3,991	24 July 2014	225.48	1 October 2017 (six month exercise period)
	Sustainable Performance Award	Sustainable Performance Award	169,172	9 March 2015	—	9 March 2016 to 9 March 2020
	Sustainable Performance Award	Legacy Lloyds Deferred Bonus	115,697	9 March 2015	—	June 2015 to March 2018
	2014 Share Plan	TSB Substitution Award	149,854 (42,316 shares for 2013 award; 107,538 shares for 2014 award)	24 March 2015	0	March 2016 (for 2013 award); March 2017 (for 2014 award)
Darren Pope	Sharesave Scheme		3,991	24 July 2014	225.48	1 October 2017 (six month exercise period)
	Sustainable Performance Award	Sustainable Performance Award	108,754	9 March 2015	—	9 March 2016 to 9 March 2020
	Sustainable Performance Award	Legacy Lloyds Deferred Bonus	48,670	9 March 2015	—	June 2015 to March 2018
	2014 Share Plan	TSB Substitution Award	97,640 (30,429 shares for 2013 award; 67,211 for 2014 award)	24 March 2015	0	March 2016 (for 2013 award); March 2017 (for 2014 award)

(c) As at close of business on the disclosure date, Automated Trading Desk LLC had an interest in or right to subscribe for, or a short position in (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, the following TSB relevant securities:

<u>Name</u>	<u>Nature of interest</u>	<u>Number</u>
Automated Trading Desk LLC	TSB Shares	3,616

## 5.6 Dealings in relevant securities of TSB

(a) The following dealings in relevant securities of TSB by Sabadell have taken place during the disclosure period.

Party	Date	Nature of dealing	Number of TSB Shares	Price per unit (£)
Banco de Sabadell, S.A. . . . .	20 March 2015	Purchase—call option over TSB Shares	100,000,000	3.40
Banco de Sabadell, S.A. . . . .	24 March 2015	Purchase	49,999,999	3.40

Note: these dealings were made pursuant to the sale and purchase, irrevocable undertaking and option deed described in paragraph 4 of this Appendix 4, and the interests representing these dealings are set out in paragraph 5.2 of this Appendix 4.

(b) The following dealings in relevant securities of TSB by Goldman, Sachs & Co. have taken place during the disclosure period:

Type of TSB relevant security	Trade Date	Nature of Dealing	Number of TSB Shares	Price per unit (£)
Ordinary shares . . . . .	27/06/2014	Buy	1,143	2.8298
Ordinary shares . . . . .	27/06/2014	Buy	92	2.8299
Ordinary shares . . . . .	27/06/2014	Sell	1,143	2.8298
Ordinary shares . . . . .	27/06/2014	Buy	77	2.8299
Ordinary shares . . . . .	27/06/2014	Sell	92	2.8299
Ordinary shares . . . . .	27/06/2014	Sell	77	2.8299
Ordinary shares . . . . .	27/06/2014	Buy	5,707	2.7996
Ordinary shares . . . . .	27/06/2014	Sell	5,707	2.7996
Ordinary shares . . . . .	28/07/2014	Buy	1,368	2.8159
Ordinary shares . . . . .	28/07/2014	Sell	1,368	2.8159
Ordinary shares . . . . .	04/08/2014	Buy	2,851	2.8975
Ordinary shares . . . . .	04/08/2014	Sell	2,851	2.8975
Ordinary shares . . . . .	11/09/2014	Buy	16,601	2.8425
Ordinary shares . . . . .	11/09/2014	Sell	16,601	2.8425
Ordinary shares . . . . .	17/09/2014	Buy	26,793	2.8593
Ordinary shares . . . . .	17/09/2014	Buy	1,729	2.8593
Ordinary shares . . . . .	17/09/2014	Sell	26,793	2.8593
Ordinary shares . . . . .	17/09/2014	Sell	1,729	2.8593
Ordinary shares . . . . .	23/10/2014	Sell	7,500	2.5807
Ordinary shares . . . . .	23/10/2014	Buy	7,500	2.5807
Ordinary shares . . . . .	03/11/2014	Buy	520	2.7165
Ordinary shares . . . . .	03/11/2014	Sell	520	2.7165
Ordinary shares . . . . .	17/11/2014	Buy	274	2.646
Ordinary shares . . . . .	17/11/2014	Sell	274	2.646
Ordinary shares . . . . .	25/11/2014	Buy	169,207	2.6333
Ordinary shares . . . . .	25/11/2014	Sell	169,207	2.6333
Ordinary shares . . . . .	08/12/2014	Buy	3,177	2.7262
Ordinary shares . . . . .	08/12/2014	Sell	3,177	2.7262
Ordinary shares . . . . .	02/01/2015	Sell	11,515	2.7374
Ordinary shares . . . . .	02/01/2015	Buy	11,515	2.7374
Ordinary shares . . . . .	12/01/2015	Sell	2,375	2.771
Ordinary shares . . . . .	12/01/2015	Buy	2,375	2.771
Ordinary shares . . . . .	02/02/2015	Sell	9,672	2.662
Ordinary shares . . . . .	02/02/2015	Buy	9,672	2.662
Ordinary shares . . . . .	02/02/2015	Sell	10,809	2.694
Ordinary shares . . . . .	02/02/2015	Buy	10,809	2.694
Ordinary shares . . . . .	05/02/2015	Sell	18,453	2.6879
Ordinary shares . . . . .	05/02/2015	Buy	18,453	2.6879
Ordinary shares . . . . .	09/02/2015	Sell	4,248	2.6676
Ordinary shares . . . . .	09/02/2015	Buy	4,248	2.6676
Ordinary shares . . . . .	02/03/2015	Sell	29,443	2.6094
Ordinary shares . . . . .	02/03/2015	Buy	29,443	2.6094

## 5.7 General

Save as disclosed in this paragraph 5, as at the disclosure date:

(a) none of:

(i) Sabadell;

(ii) the Sabadell Directors (and their close relatives and related trusts and controlled companies); nor

(iii) any other person acting in concert with Sabadell,

held any interest or right to subscribe for or any short position, including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in any relevant securities of TSB, nor, save for any borrowed shares which have either been on-lent or sold, had borrowed or lent any relevant securities of TSB (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code), nor had any such person dealt in any relevant securities of TSB during the disclosure period;

(b) none of:

(i) the TSB Directors (and their close relatives and related trusts and controlled companies); nor

(ii) any other person acting in concert with TSB,

has an arrangement, held any interest or right to subscribe for or any short position, including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in any relevant securities of TSB;

(c) none of:

(i) TSB;

(ii) the TSB Directors (and their close relatives and related trusts and controlled companies); nor

(iii) any other person acting in concert with TSB,

save for any borrowed shares which have either been on-lent or sold, had borrowed or lent any relevant securities of TSB (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code), nor had any such person dealt in relevant securities of TSB between 12 March 2015 and the disclosure date; and

(d) neither TSB nor any of the TSB Directors had an interest or right to subscribe for or any short position, including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in any relevant securities of Sabadell, nor has any such person dealt in relevant securities of Sabadell between 12 March 2015 and the disclosure date.

## 6. United Kingdom taxation

The following statements are intended to apply only as a general guide to certain UK tax considerations, and are based on current UK tax law and current published practice of HM Revenue and Customs, both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of the UK taxation treatment of shareholders who (a) for UK tax purposes are resident in the UK (except to the extent that the position of non-UK resident shareholders is expressly referred to) and, in the case of individuals, domiciled in the UK, (b) who hold the TSB Shares as investments (other than under an individual savings account or a self invested personal pension) and (c) who are the beneficial owners of both the TSB Shares and any dividends paid on them. The statements may not apply to certain classes of shareholders such as (but not limited to) persons acquiring their TSB Shares in connection with an office or employment, dealers in securities, insurance companies and collective investment schemes.

**The summary below does not constitute tax or legal advice and TSB Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.**

### *Capital Gains Tax*

TSB Shareholders selling their TSB Shares pursuant to the Offer will be disposing of them for the purposes of UK taxation of chargeable gains. A disposal or deemed disposal of ordinary shares by a shareholder who is resident in the UK for tax purposes may, depending on the shareholder's circumstances and subject to any available exemptions and reliefs (such as the annual exempt amount for individuals and indexation allowance for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

An individual shareholder who has ceased to be resident in the UK for tax purposes for a period of less than five years and who disposes of ordinary shares during that period may also be liable on his return to the UK to UK taxation on any capital gain realised (subject to any available exemption or relief).

If an individual shareholder who is subject to income tax at either the higher or the additional rate becomes liable to UK capital gains tax on the disposal of ordinary shares, the applicable rate will be 28 per cent. For an individual shareholder who is subject to income tax at the basic rate and liable to UK capital gains tax on such disposal, the applicable rate would be 18 per cent.

## **7. Material contracts and offer related arrangements**

### **(a) Sabadell Material Contracts**

Save as disclosed below, there have been no contracts entered into by Sabadell or its subsidiaries during the period commencing on 12 March 2013 (the date two years before the start of the Offer Period) which are outside the ordinary course of business and which are or may be considered material.

### *Confidentiality Agreement*

Sabadell and TSB entered into the Confidentiality Agreement on 6 March 2015 pursuant to which Sabadell has undertaken to keep confidential information relating to TSB and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations will remain in force for a period of two years from the date of the Confidentiality Agreement and are also enforceable by Lloyds in respect of confidential information disclosed by Lloyds to Sabadell in relation to its arrangements with TSB.

### *Co-operation Agreement*

Sabadell and TSB entered into a **Co-operation Agreement** on 20 March 2015 pursuant to which, amongst other things: (i) Sabadell and TSB have agreed that certain of their respective representatives will form an implementation committee with a view to satisfying the PRA Condition; (ii) Sabadell has undertaken to use its reasonable endeavours to satisfy the PRA Condition as promptly as reasonably practicable; (iii) TSB and Sabadell have each agreed to co-operate regarding the implementation of appropriate proposals regarding the TSB Share Plans; (iv) Sabadell has agreed to seek the Panel's consent to an extension to the Code timetable at the relevant time in the event it becomes apparent that the PRA Condition is not likely to be satisfied within the normal Code timetable; and (v) Sabadell has undertaken not to lapse the Offer on a closing date in reliance on the Acceptance Condition unless it has given TSB not less than five days' notice of its intention to do so.

### *Underwriting Agreement*

Sabadell and Goldman Sachs entered into an underwriting agreement (the **Underwriting Agreement**) dated 20 March 2015 in connection with the Rights Issue. On 22 March 2015, Goldman Sachs, J.P. Morgan Securities plc, Deutsche Bank AG, London Branch, Nomura International plc (together, the **Underwriters**) and Sabadell entered into an accession agreement to the Underwriting Agreement pursuant to which the Underwriters have agreed to seek to place any Rights Issue shares that are not subscribed for during the preferential subscription period or the additional allocation period with qualified institutional investors during a discretionary allocation period, and any such Rights Issue shares that remain unsold after such discretionary allocation period will, subject to the terms of the Underwriting Agreement, be acquired by the Underwriters, pro rata to their respective commitments, at the Rights Issue subscription price.

### *Award of asset management contract by SAREB*

In November 2014, the Spanish Company for the Management of Assets proceeding from Restructuring of the Banking System (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.*) (**SAREB**) awarded to the Sabadell Group the management of a portfolio of 42,900 assets (mainly real estate assets and real-estate backed loans) through Sabadell's subsidiary Solvia Servicios Inmobiliarios, S.L. (**Solvia**) for an initial term of seven years, commencing on 1 July 2015. The services include the migration of data to the Solvia platform, asset administration and management and legal advice on such assets, which SAREB acquired from Bankia, Banco Gallego and Banco Ceiss.

In accordance with the rules of the tender called for the awarding of this contract, Solvia set up a performance bond which is to be returned by SAREB to Solvia as the fees agreed by the parties for Solvia's services accrue and are paid.

This contract will be measured based on a number of performance indicators applicable to the agreed services. Penalties will apply to the fees under the contract based on the degree of compliance, in addition to advance termination events under certain circumstances. The contract also envisages the possibility of advance termination by SAREB at any time after providing at least three months' notice and paying compensation to Solvia which would be calculated in accordance with the terms of the contract.

The assets portfolio to be managed under the contract was migrated to Solvia by February 2015.

### *Exclusivity agreement with Zurich for life insurance, pension plans and general insurance products*

On 20 May 2014, Sabadell entered into an agreement with Zurich Insurance Company, Ltd. and Zurich Vida, Compañía de Seguros y Reaseguros, S.A. pursuant to which BanSabadell Vida, BanSabadell Pensiones and BanSabadell Seguros Generales (each of which is jointly owned by Sabadell and the Zurich group) became the exclusive suppliers of life insurance, pension plans and general insurance through Sabadell's branch network in Spain.

This has led to, among others consequences, the assignment of Mediterráneo Vida's individual pension plan portfolio to BanSabadell Pensiones and the sale of 100 per cent. of the share capital of Mediterráneo Seguros Diversos, S.A., an entity derived from the merger with Banco CAM, to BanSabadell Seguros Generales.

The agreement also provides for the payment of a variable amount linked to the fulfilment of a business plan.

#### (b) TSB Material Contracts

Save for the Co-operation Agreement and the Confidentiality Agreement (in each case, as disclosed in paragraph 7(a) of this Appendix 4) and as described in pages 297-308 of the TSB IPO Prospectus, no contracts have been entered into by TSB or any of its subsidiaries other than in the ordinary course of business within the period of two years prior to the date of this document and which are or may be considered to be material.

## **8. Service contracts and remuneration**

Save as disclosed below, there are no other service contracts or letters appointing a director in force between any TSB Director with TSB or any of its subsidiaries, and no such contract or letter has been entered into or amended during the six months preceding the date of this document. Set out below is a summary of the key terms of the service contracts and letters of appointment of the TSB Directors.

#### (a) TSB Executive Directors

<u>Name</u>	<u>Date of contract</u>	<u>Unexpired term</u>	<u>Notice period</u>	<u>Basic annual salary/current fee</u>
Paul Pester . . . . .	9 June 2014	N/A	6 months/12 months <sup>(1)</sup>	£700,000
Darren Pope . . . . .	9 June 2014	N/A	6 months/12 months <sup>(1)</sup>	£450,000 <sup>(2)</sup>



(b) TSB Non-Executive Directors

<u>Name</u>	<u>Date of contract</u>	<u>Unexpired term</u>	<u>Notice period</u>	<u>Basic annual salary/current fee</u>
Will Samuel . . . . .	7 March 2014	23 months	1 month	£325,000
Philip Augar . . . . .	16 May 2014	25 months	1 month	£ 85,000
Norval Bryson . . . . .	31 January 2014 30 March 2014 <sup>(3)</sup>	12 months	1 month	£ 80,000
Professor Dame Sandra Dawson . . . . .	16 May 2014	25 months	1 month	£110,000
Alexandra Kinney Pritchard . . . . .	16 May 2014	25 months	1 month	£ 95,000
Mark Fisher . . . . .	27 June 2014	26 months	1 month	£ 70,000
Godfrey Robson <sup>(4)</sup> . . . . .	31 January 2014	—	1 month	£ 70,000
Stuart Sinclair . . . . .	16 May 2014	25 months	1 month	£ 85,000
Polly Williams . . . . .	16 May 2014	25 months	1 month	£105,000

Notes:

1. The service contracts of each of Paul Pester and Darren Pope are terminable by Paul Pester and Darren Pope with no less than six months' notice or by TSB with no less than 12 months' notice.
2. With effect from 1 April 2015, Darren Pope's basic salary was increased by £85,000.
3. Subject to re-election at TSB's annual general meeting in April 2015, Norval Bryson has agreed to serve as Non-executive Director of TSB for a further approximately one year period.
4. Godfrey Robson will not stand for re-election at TSB's annual general meeting in April 2015.

Under the terms of their service contracts, each of Paul Pester and Darren Pope is entitled to a salary, participation in certain TSB Share Plans, pension contributions, private health cover, life assurance cover, health screening and participation in TSB's flexible benefits scheme. TSB may elect to put each of Paul Pester and Darren Pope on garden leave during his notice period and can elect to terminate employment by making a payment equivalent to up to six months' (if the service contract is terminated by Paul Pester or Darren Pope, as applicable) or 12 months' base salary (if the service contract is terminated by TSB) in lieu of the whole or remaining part of the notice period. Any payments in lieu of notice may be paid in instalments and be subject to mitigation. In addition, the employment of each of Paul Pester and Darren Pope is terminable with immediate effect in certain specific circumstances, including where he commits any material or continued breach of his service agreement.

Under their letters of appointment, the non-executive Directors of TSB (being all TSB Directors other than Paul Pester and Darren Pope) serve for an initial three year period (other than Godfrey Robson, who will serve for a one year period, and Norval Bryson, who was initially appointed to serve for a one year period but will serve a further approximately one year period) subject to annual re-election at each annual general meeting of TSB. The appointment of the non-executive Directors is terminable by each non-executive Director on one month's notice.

Save as disclosed above, no TSB Director participates in any commission or profit sharing arrangements.

Save as disclosed above, there is no provision for compensation payable upon early termination of any of the TSB Directors' service contracts or letters of appointment.

## 9. Other information

Goldman Sachs has given and has not withdrawn its written consent to the issue of this document and the inclusion in it of the references to its name in the form and context in which they are included.

Citigroup has given and has not withdrawn its written consent to the issue of this document and the inclusion in it of the references to its name in the form and context in which they are included.

Rothschild has given and has not withdrawn its written consent to the issue of this document and the inclusion in it of the references to its name in the form and context in which they are included.

Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Sabadell or any concert party of Sabadell and any of the directors, recent directors, shareholders or recent shareholders of TSB or any person interested or recently interested in TSB Shares having any connection with or dependence on the Offer.

Save as disclosed in this document, no agreement, arrangement or understanding of whatever nature, whether formal or informal (including indemnity or option arrangements), relating to relevant securities which may be an inducement to deal or refrain from dealing exists between: (i) TSB or any concert party of TSB and any other person; or (ii) Sabadell or any concert party of Sabadell and any other person.

Save as disclosed in this document, there is no agreement, arrangement or understanding by which any securities acquired in pursuance of the Offer will be transferred to any other person.

There has been no significant change in the financial or trading position of TSB since 31 December 2014 (being the end of the financial period for which the latest full year end results of TSB have been prepared).

## **10. Fees and expenses**

**10.1** The aggregate fees and expenses expected to be incurred by Sabadell in connection with the Offer are estimated to amount to approximately €18.5 million (excluding applicable VAT and disbursements). This aggregate number consists of the following categories:

- (a) financial and corporate broking advice: approximately €12 million (excluding applicable VAT and disbursements);
- (b) legal advice: approximately €4.5 million (excluding applicable VAT and disbursements);
- (c) public relations advice: approximately €1.4 million (excluding applicable VAT and disbursements);
- (d) other professional services approximately €160,000; and
- (e) other costs and expenses: approximately €360,000 (excluding applicable VAT and disbursements).

**10.2** The aggregate fees and expenses which are expected to be incurred by TSB in connection with the Offer are estimated to amount to between £9.5 million and £10.8 million (excluding applicable VAT and disbursements). This aggregate number consists of the following categories:

- (a) financial and corporate broking advice: between £7.2 million and £8.5 million (excluding applicable VAT and disbursements);
- (b) legal advice: £2 million (excluding applicable VAT and disbursements);
- (c) public relations advice: £240,000 (excluding applicable VAT and disbursements); and
- (d) other costs and expenses: £60,000 (excluding applicable VAT and disbursements).

## **11. Documents on display**

Copies of the following documents will be available, free of charge, for inspection on Sabadell's website at [www.sabadelltsbinfo.com](http://www.sabadelltsbinfo.com) and on TSB's website at [www.tsb.co.uk/investors/sabadell-offer-information/](http://www.tsb.co.uk/investors/sabadell-offer-information/) until the end of the Offer (including any related competition reference period):

- (a) the Rule 2.7 Announcement;
- (b) this document and the Form of Acceptance;
- (c) the articles of association of Sabadell;
- (d) the articles of association of TSB;
- (e) the irrevocable undertakings referred to in paragraph 4 of this Appendix 4;
- (f) the Confidentiality Agreement;
- (g) the Co-operation Agreement; and
- (h) the letters of consent referred to in paragraph 9 of this Appendix 4.

For the avoidance of doubt, the contents of the Sabadell website and the TSB website are not incorporated into, and do not form part of, this document, save for the information specifically incorporated by reference pursuant to Appendix 2.

## **12. Employee Representatives' Opinion**

On 16 April 2015, TSB received the Employee Representatives' Opinion from Unite the Union and Accord as set out in Appendix 6 to this document.

Dated: 17 April 2015

## APPENDIX 5 : DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>Acceptance Condition</b> . . . . .	the Condition as to acceptances set out in paragraph 1(a) of Part A of Appendix 1 to this document;
<b>BanSabadell Pensiones</b> . . . . .	BanSabadell Pensiones, Entidad Gestora de Fondos de Pensiones, S.A.;
<b>BanSabadell Seguros Generales</b> . . . . .	BanSabadell Seguros Generales, Sociedad Anónima de Seguros y Reaseguros;
<b>BanSabadell Vida</b> . . . . .	BanSabadell Vida, Sociedad Anónima de Seguros y Reaseguros;
<b>Business Day</b> . . . . .	a day (not being a Saturday or Sunday) on which clearing banks are generally open in London for the transaction of normal banking business;
<b>Call Option</b> . . . . .	the call option in favour of Sabadell to acquire from Lloyds up to 100,000,000 TSB Shares (representing 20 per cent. of the fully diluted share capital of TSB);
<b>certificated or certificated form</b> . . . . .	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST);
<b>Citigroup</b> . . . . .	Citigroup Global Markets Limited;
<b>Closing Price</b> . . . . .	the price of a TSB Share at the close of business on the day to which such price relates, as derived from Bloomberg in the case of the average Closing Price for the relevant period;
<b>CMA</b> . . . . .	the UK Competition and Markets Authority;
<b>Code</b> . . . . .	the UK's City Code on Takeovers and Mergers;
<b>Companies Act</b> . . . . .	the (UK) Companies Act 2006 (including the schedules thereto), as amended;
<b>Conditions</b> . . . . .	the conditions to this Offer set out in Part A of Appendix 1 to this document, and <b>Condition</b> means any one of them;
<b>Confidentiality Agreement</b> . . . . .	has the meaning given to it in paragraph 11 of the letter from Sabadell contained in Part 2 of this document;
<b>Co-operation Agreement</b> . . . . .	has the meaning given to it in paragraph 11 of the letter from Sabadell contained in Part 2 of this document;
<b>CREST</b> . . . . .	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the operator (as defined in the Uncertificated Securities Regulations 2001);
<b>CREST Manual</b> . . . . .	the manual issued by Euroclear for further information on the CREST procedure;
<b>CREST member</b> . . . . .	a person who is, in relation to CREST, a system member (as defined in the Regulations);
<b>CREST participant</b> . . . . .	a person who is, in relation to CREST, a systems participant (as defined in the Regulations);
<b>CREST payment</b> . . . . .	has the meaning given to it in the CREST Manual;
<b>CREST sponsor</b> . . . . .	a person who is, in relation to CREST, a sponsoring system participant (as defined in the Regulations);
<b>Daily Official List</b> . . . . .	the daily Official List of the London Stock Exchange;

<b>Dealing Disclosure</b> . . . . .	a dealing disclosure made in accordance with Rule 8 of the Code;
<b>Disclosed</b> . . . . .	the information which has been fairly disclosed: (i) by TSB in its published annual report and accounts for the year ended 31 December 2014; (ii) in any public announcement made via a regulatory information service by, or on behalf of, TSB in accordance with the Listing Rules or Disclosure and Transparency Rules before 18 March 2015 (being the date two Business Days prior to the date of the Rule 2.7 Announcement); (iii) the TSB IPO Prospectus; (iv) electronically or in writing to the Sabadell Group or its professional advisors during the course of negotiations leading up to the Rule 2.7 Announcement before 18 March 2015 (being the date two Business Days prior to the date of the Rule 2.7 Announcement); or (v) in the Rule 2.7 Announcement;
<b>Electronic Acceptance</b> . . . . .	the inputting and settling of a TTE Instruction which constitutes or is deemed to constitute an acceptance of the Offer on the terms set out in this document;
<b>Employee Representatives' Opinion</b> . . . . .	the opinion received on 16 April 2015 from Unite the Union and Accord, pursuant to Rule 25.9 of the Code on the effect of the Offer on employment, as set out in Appendix 6 to this document;
<b>ESA instruction</b> . . . . .	an Escrow Account Adjustment Input (AESN), transaction type "ESA" (as described in the CREST Manual);
<b>Escrow Agent</b> . . . . .	the Receiving Agent in its capacity as escrow agent (as described in the CREST Manual issued by Euroclear);
<b>Exchange Act</b> . . . . .	the US Securities Exchange Act of 1934, as amended;
<b>First Closing Date</b> . . . . .	1.00 p.m. (London time) on 8 May 2015;
<b>Form of Acceptance</b> . . . . .	the form of acceptance for use by TSB Shareholders holding TSB Shares in certificated form in connection with the Offer;
<b>EU Merger Regulation</b> . . . . .	has the meaning given to it in paragraph (b) of Part A of Appendix 1 of this document;
<b>FCA</b> . . . . .	the Financial Conduct Authority or its successor from time to time;
<b>Franchise</b> . . . . .	TSB's business excluding the Mortgage Enhancement;
<b>FSMA</b> . . . . .	the Financial Services and Markets Act 2000 (as amended from time to time);
<b>Goldman Sachs</b> . . . . .	Goldman Sachs International;
<b>IFRS</b> . . . . .	international accounting standards and international financial reporting standards and interpretations thereof, approved or published by the International Accounting Standards Board and adopted by the European Union;
<b>IPO</b> . . . . .	has the meaning given to it in paragraph 2 of Part 1 of this document;
<b>IRB</b> . . . . .	internal ratings-based;

<b>Lloyds</b> . . . . .	Lloyds Bank plc a company incorporated under the laws of England and Wales with registered number 00002065, whose registered office is 25 Gresham Street, London, EC2V 7HN;
<b>Lloyds Bonus Shares</b> . . . . .	has the meaning given to it in paragraph 8 of the letter from the Chairman of TSB in Part 1 of this document;
<b>London Stock Exchange</b> . . . . .	London Stock Exchange plc, or its successor from time to time;
<b>Mediterráneo Vida</b> . . . . .	Mediterráneo Vida, S.A. de Seguros y Reaseguros;
<b>member account ID</b> . . . . .	the identification code or number attached to any member account in CREST;
<b>Mortgage Enhancement</b> . . . . .	the TSB business segment created to reflect the transfer of the economic benefit of a £3.4 billion portfolio of mortgages to the TSB Group from Lloyds with effect from 28 February 2014;
<b>Offer</b> . . . . .	the recommended cash offer made by Sabadell at the Offer Price to acquire the TSB Shares on the terms and subject to the conditions set out in this document and, in the case of TSB Shares held in certificated form, the Form of Acceptance including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer;
<b>Offer Period</b> . . . . .	the period starting on (and including) 12 March 2015 and ending on whichever of the following dates shall be the latest: (i) 1.00 p.m. on the First Closing Date; (ii) the date on which the Offer lapses; and (iii) the date on which the Offer becomes or is declared unconditional as to acceptances;
<b>Offer Price</b> . . . . .	340 pence per TSB Share;
<b>Official List</b> . . . . .	the Official List of the FCA;
<b>Option Cap</b> . . . . .	has the meaning given to it in paragraph 7 of Part 2 of this document;
<b>overseas shareholder</b> . . . . .	has the meaning given to it in paragraph 5 of Part B of Appendix 1 of this document;
<b>Panel</b> . . . . .	the UK Panel on Takeovers and Mergers;
<b>participant ID</b> . . . . .	the identification code or membership number used in CREST to identify a CREST member or other CREST participant;
<b>Phase 2 European Commission Proceedings</b> . . . . .	where the European Commission initiates proceedings pursuant to Article 6(1)(c), under Article 8(1) or 8(2) of the EU Merger Regulation;
<b>PRA</b> . . . . .	Prudential Regulation Authority;
<b>PRA Condition</b> . . . . .	means the Condition referred to in paragraph 1(d) of Part A of Appendix 1 this document;
<b>Previous Acceptor</b> . . . . .	has the meaning given to it in paragraph 4(a) of Part B of Appendix 1 of this document;
<b>RBC Capital Markets</b> . . . . .	RBC Europe Limited;
<b>Receiving Agent</b> . . . . .	Equiniti Limited of Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
<b>Regulations</b> . . . . .	the Uncertificated Securities Regulations 2001;
<b>Regulatory Information Service</b> . . . . .	a Regulatory Information Service that is approved by the FCA and is on the list maintained by the FCA in LR App 3 to the Listing Rules of the FCA;

<b>Relevant Authority</b> . . . . .	any government or governmental, quasi governmental, supranational, statutory or regulatory body, or any court, institution, investigative body, association, trade agency or professional or environmental body or (without prejudice to any of the foregoing) any other person or body in any jurisdiction;
<b>relevant day</b> . . . . .	has the meaning given to it in paragraph 2(a) of Part B of Appendix 1 of this document;
<b>relevant securities</b> . . . . .	as the context requires: (i) TSB Shares and other securities of TSB carrying voting rights; (ii) equity share capital of TSB or, as the context requires, Sabadell; and (iii) securities of TSB or, as the context requires, of Sabadell carrying conversion or subscription rights into any of the foregoing;
<b>Restricted ESA Instruction</b> . . . . .	has the meaning given to it in paragraph 5(h) of Part B of Appendix 1;
<b>Restricted Escrow Transfer</b> . . . . .	has the meaning given to it in paragraph 5(h) of Part B of Appendix 1;
<b>Restricted Jurisdiction</b> . . . . .	any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to TSB Shareholders in that jurisdiction;
<b>Rights Issue</b> . . . . .	has the meaning given to it in Paragraph 6 of Part 2 of this document;
<b>Rothschild</b> . . . . .	N. M. Rothschild & Sons Limited;
<b>Rule 2.7 Announcement</b> . . . . .	the announcement of a firm intention to make the Offer, which was published on 20 March 2015;
<b>Sabadell</b> . . . . .	Banco de Sabadell, S.A., a company incorporated under the laws of Spain and registered with the Mercantile Register in Barcelona (Fiscal Identification Number (NIF) A08000143), whose registered office is Pl. Sant Roc, 20 08201-Sabadell;
<b>Sabadell Directors</b> . . . . .	the directors of Sabadell;
<b>Sabadell Group</b> . . . . .	Sabadell and its subsidiary undertakings and associated undertakings;
<b>SAREB</b> . . . . .	the Spanish Company for the Management of Assets proceeding from Restructuring of the Banking System (Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.);
<b>SME</b> . . . . .	small to medium sized enterprises with an annual turnover of up to £25 million;
<b>Solvia</b> . . . . .	Solvia Servicios Inmobiliarios, S.L.;
<b>subsidiary, subsidiary undertaking, associated undertaking and undertaking</b> . . . . .	shall be construed in accordance with the Companies Act;
<b>TFE instruction</b> . . . . .	a Transfer from Escrow instruction (as described in the CREST Manual);
<b>Triple 2014-2016</b> . . . . .	Sabadell Group's business plan for 2014 to 2016 as referenced in Sabadell's consolidated accounts for the year ended 31 December 2014;
<b>TSB</b> . . . . .	TSB Banking Group plc, a company incorporated under the laws of England and Wales with registered number 08871766 and registered address 20 Gresham Street, London, EC2V 7JE;

<b>TSB Directors</b> . . . . .	the directors of TSB;
<b>TSB Group</b> . . . . .	TSB and its subsidiary undertakings and associated undertakings;
<b>TSB IPO Prospectus</b> . . . . .	TSB’s prospectus dated 9 June 2014;
<b>TSB Shares</b> . . . . .	ordinary shares of one pence each in the capital of TSB;
<b>TSB Shareholders</b> . . . . .	holders of TSB Shares;
<b>TSB Share Plans</b> . . . . .	the share schemes operated by the TSB Group, being the TSB Banking Group plc 2014 Share Plan, the rules applicable to the TSB Sustainable Performance Awards (and awards granted materially on the terms thereof), the rules applicable to the TSB Transitional Awards, the TSB Banking Group plc Sharesave Scheme 2014 and the TSB Banking Group plc Share Incentive Plan 2014;
<b>TTE instruction</b> . . . . .	a Cash Offer TTE instruction or other Transfer to Escrow instruction (as described in the CREST Manual) (as the context requires);
<b>UK or United Kingdom</b> . . . . .	the United Kingdom of Great Britain and Northern Ireland;
<b>Underwriters</b> . . . . .	has the meaning given to it in paragraph 7 of Appendix 4 to this document;
<b>Underwriting Agreement</b> . . . . .	has the meaning given to it in paragraph 7 of Appendix 4 to this document;
<b>US or United States</b> . . . . .	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction;
<b>VAT</b> . . . . .	value added tax as provided for in the Sixth Directive of the European Community, as charged in by the provisions of the Value Added Tax Act 1994 or any tax of a similar nature;
<b>written notice</b> . . . . .	has the meaning given to it in paragraph 3(f) of Part B of Appendix 1 of this document;
<b>€ or EUR</b> . . . . .	Euro;
<b>£, pence or Sterling</b> . . . . .	the lawful currency of the United Kingdom from time to time; and
<b>\$, USD or US\$</b> . . . . .	the lawful currency of the United States from time to time.

All times referred to are London time unless otherwise stated.

References to the singular include the plural and vice versa.

References to a gender include the other genders.



**APPENDIX 6 : EMPLOYEE REPRESENTATIVES' OPINION ON THE EFFECTS OF THE OFFER  
ON EMPLOYMENT**



16th April 2015

Mr Paul Pester  
Chief Executive  
TSB Banking Group plc  
Henry Duncan House  
120 George Street  
Edinburgh  
EH2 4LH

Dear Mr Pester

**STATEMENT OF OPINION OF ACCORD AND UNITE ON THE EFFECTS ON EMPLOYMENT OF  
THE OFFER TO ACQUIRE TSB BY BANCO SABADELL: SUBMITTED IN ACCORDANCE WITH  
PARAGRAPH 25.9 OF THE CITY CODE ON TAKEOVERS AND MERGERS**

Based upon the information currently available on the proposed acquisition of TSB by Banco Sabadell in the announcement of the offer on 20th March 2015 (the Announcement), Accord and Unite are not opposed to the acquisition in principle.

However, the unions remain to be convinced that the proposed acquisition is in the medium to long term interests of TSB employees.

***Background***

Accord & Unite were recognised by TSB for collective bargaining purposes when the business separated from the Lloyds Banking Group on 31 March 2014.

On 5th March 2015 an agreement was reached between TSB, Accord and Unite on new union recognition arrangements within TSB which create a framework for the relationships that supports progress and business growth.

***The Proposed Acquisition***

The unions' general view is that the acquisition will only be a success if the human consequences are fully and meaningfully considered and joint discussions on the key issues take place between the employers and the recognised unions.

The Announcement states that:

“Sabadell confirms that, following the completion of the Transaction, Sabadell will fully safeguard the existing employment rights of all TSB employees, in accordance with contractual and statutory requirements. In addition, Sabadell intends to comply with all of the pensions obligations in relation to TSB’s employees and any other members of TSB’s pensions scheme.”

However, this does not extend to either non contractual terms/policies and matters covered in collective agreements not incorporated into individual terms and conditions of employment.

Accord and Unite also understand that the offer document to be published in connection with the offer (**Offer Document**) will state that:

“As stated in TSB’s Annual Report and Accounts for the year ended 31 December 2014, cost management will have a greater role to play in delivering TSB’s target return on equity of 10% in 2019. In 2015, TSB is expecting to spend no more than £720m, a reduction of at least £30 million against previous guidance of £750m. In the ordinary course of business under its existing strategy TSB may also from time to time open, close or consolidate branches as it seeks to continually review and optimise its distribution network. Sabadell currently has no intention to significantly change TSB’s existing plans with respect to branch network or headcount in the short term after completion of the Offer. Similarly, Sabadell currently has no intention to change TSB’s place of business nor to redeploy fixed assets of TSB”.

Meaningful consultation is required about how the proposed cost reductions will be achieved and exactly what “significantly” and “short term” mean in the context of potential job reductions and/or branch closures.

Nevertheless, the unions may be prepared to support the proposed acquisition, and recommend that their members do so too, if both TSB and Sabadell are prepared to respond positively to the following points:

1. There should be full and timely disclosure of information prior to and about all stages of the proposed acquisition to the unions and to employees. This should include disclosure of proposals which may impact on the existing staff of TSB.
2. There should be a commitment to maintain employment in those parts of the UK in which TSB currently have significant operations. This should be backed by a commitment to take all possible steps to avoid involuntary redundancies in order to avoid the potential impact on local communities and economies of site or branch closures.

The unions require a commitment from Sabadell that it will not outsource or off-shore its UK operations or support functions.

3. There should be a commitment to ensure employment levels remain such that services to customers and local communities are maintained.

Sabadell and TSB should commit that in all cases there should be full consultation in good time and with a view to reaching agreement with the trade unions about any proposal to reduce employee numbers or close branches, and in particular to consult during the development of any implementation plan of cost saving initiatives which may lead to a reduction in employee numbers or branch closures.

4. In the event that, after appropriate consultation, it is agreed that there is a need for reductions in employee numbers arising from the acquisition, then any such reductions should be achieved by normal turnover, early retirement and voluntary redundancies supported by other programmes and policies which seek to avoid involuntary redundancies.
5. There should be a statement from Sabadell that TSB employees’ pay, pension provisions, other terms & conditions of employment and benefits will be protected including both contractual and non-contractual terms, and terms included in collective agreements not incorporated into employees’ terms and conditions of employment. Also, the commitment of TSB to flexible working arrangements should be maintained.
6. Sabadell should commit to maintain or improve the schedule of employer contributions to the TSB defined contribution pension scheme.
7. Sabadell should make a commitment to dignity at work for all employees and to the highest standards in relation to equality, diversity, equal pay and future career development opportunities post acquisition.

8. There should also be agreement to fully observe and continue existing Recognition and Procedural Agreements and other collective agreements in force at the date of the acquisition unless and until such agreements are changed by mutual agreement with Accord and Unite.
9. This should be backed by a commitment to proper and meaningful consultation and negotiations (with a view to reaching agreements) with the unions on organisational change and development as well as issues directly affecting terms and conditions of employment and pensions.

We formally request that this letter be appended to the Offer Document in accordance with paragraph 25.9 of the City Code on Takeovers and Mergers

Yours sincerely



Ged Nichols  
General Secretary, Accord  
Accord, Simmons House,  
46 Old Bath Road,  
Charvil,  
Reading,  
RG10 9QR



Rob MacGregor  
National Secretary, Unite  
Unite, Unite House,  
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