

1 July 2025

# Santander acquisition of TSB



# Important information

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- climate-related conditions, regulations, targets and weather events;

# Important information

- exposure to market risks (e.g., risks from interest rates, foreign exchange rates, equity prices and new benchmark indices);
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## **Past performance does not indicate future outcomes**

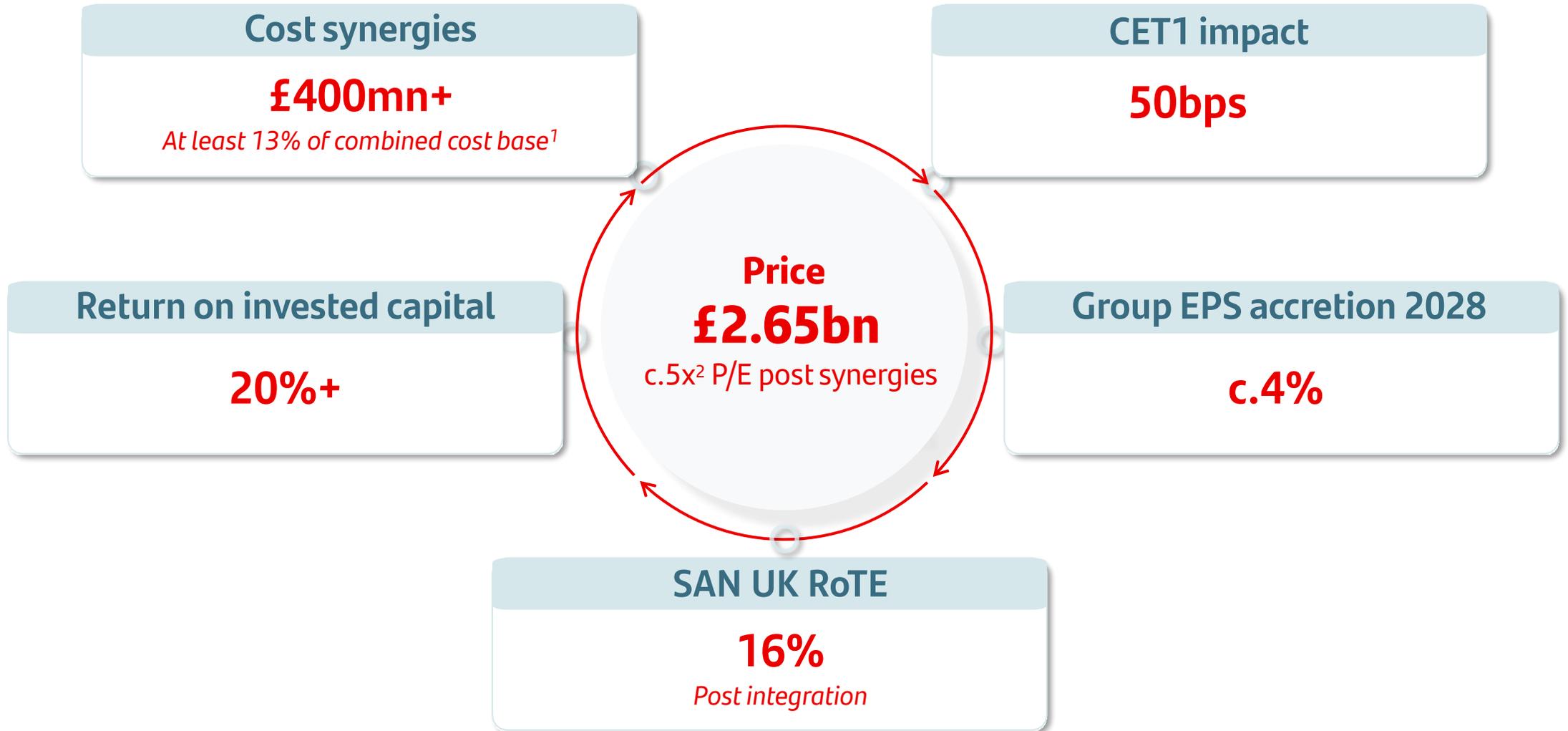
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# All-cash acquisition of TSB – Transaction highlights

## Acquisition of 100% of TSB

- £2.65 billion valuation in cash, on closing
- 9.8x consensus 2026 earnings, or c.5x post identified cost synergies
- 1.45x Q1'25 TNAV

## Transaction rationale

- In-market, low risk transaction with high cost-synergies
- Improves our franchise to Top 3 in Personal Current accounts (PCAs) in the UK
- Accelerates and enhances our returns in the UK
- In line with our capital allocation policy following a disciplined financial assessment

## Synergies

- Significant synergy potential compounded by One Transformation benefits
- At least £400mn pre-tax cost synergies, equivalent to around 13% of the combined cost base, 50% of standalone
- £520mn pre-tax restructuring costs<sup>1</sup>, equivalent to 1.3x cost synergies

## Financial impacts

- 50bps Group CET1 impact at closing
- Return on invested capital of above 20%<sup>2</sup>
- EPS accretive from start, reaching c.4% accretion in 2028
- UK RoTE to improve from 11% standalone in 2024 to 16% pro forma in 2028

## Expected closing

- 1Q 26, subject to regulatory approvals and Sabadell shareholder approval

# TSB at a glance



## UK Retail focused bank

- With low-risk retail mortgages

**£34bn**  
Mortgage book

**>70%**  
% of book with <70% LTV



## High quality deposit franchise

- Higher proportion of current accounts

**£35bn**  
Customer deposits

**1.5%**  
Cost of deposits



## Limited scale benefits

- Small market shares

**2%**  
Mortgage market share

**2%**  
PCA market share



## Elevated cost income ratio

- Scope for efficiency gains

**72%**  
Cost income ratio

**12.5%\***  
RoTE

# Clear strategic and financial rationale for a high risk-adjusted return asset

## Strategic

Opportunity to gain **scale in a core market for Santander**

Attractive franchise comprising **high quality current account deposits and low LTV mortgages**

**Complementary customer base** and footprint

**High execution certainty given Santander's operational track record**

## Financial

**Significant cost synergies** from operational overlap and One Transformation

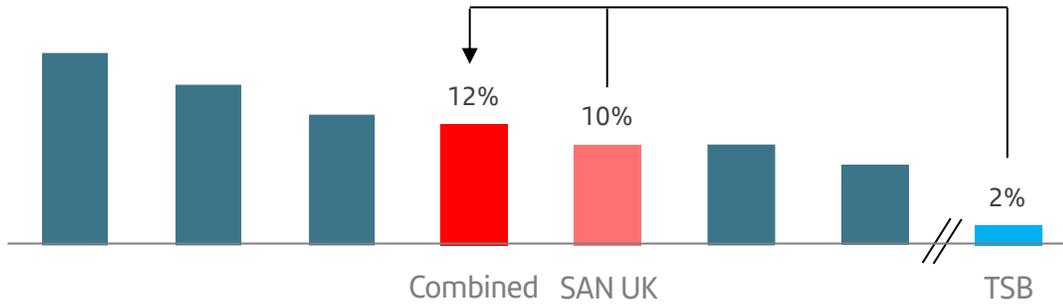
**Enhances our UK franchise returns** with RoTE increasing to 16% in 2028

Efficient use of capital and **attractive risk-adjusted returns**

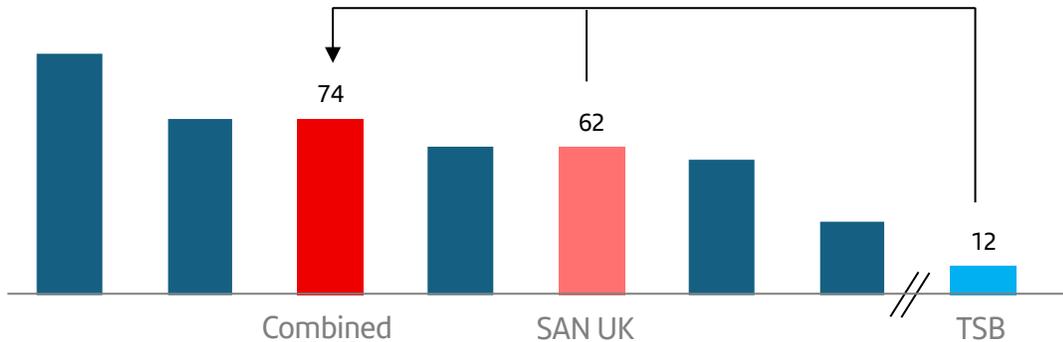
**No impact on planned distributions** with our at least €10bn share buyback target reiterated <sup>1</sup>

# Opportunity to gain scale in a core market for Santander

## Mortgage market shares



## Personal current account deposit balances (£bn)<sup>1</sup>



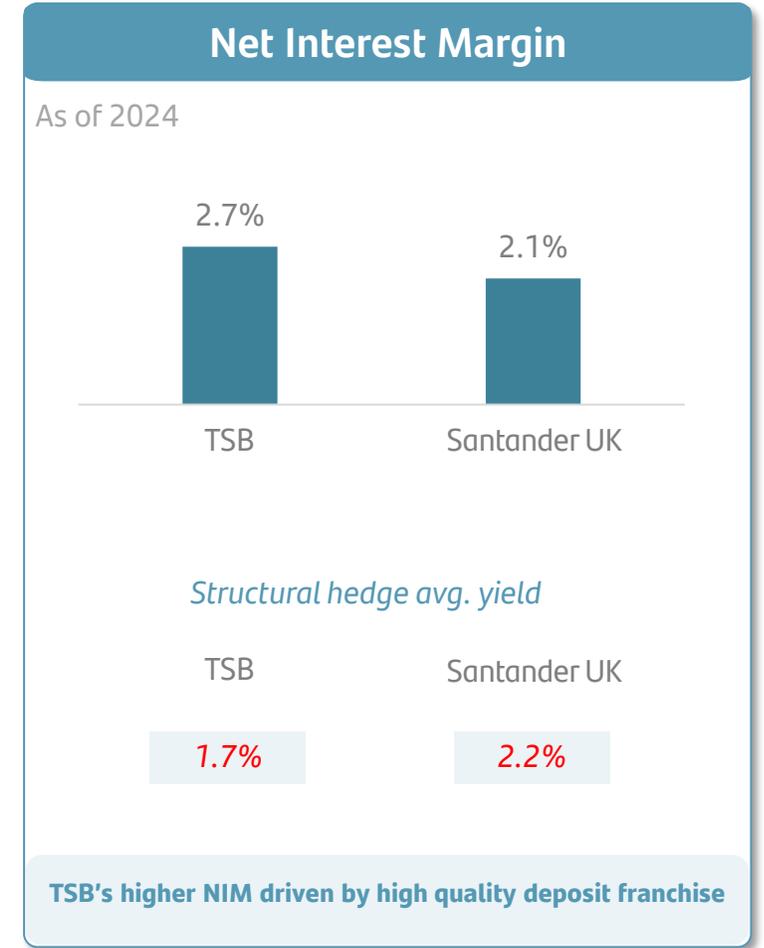
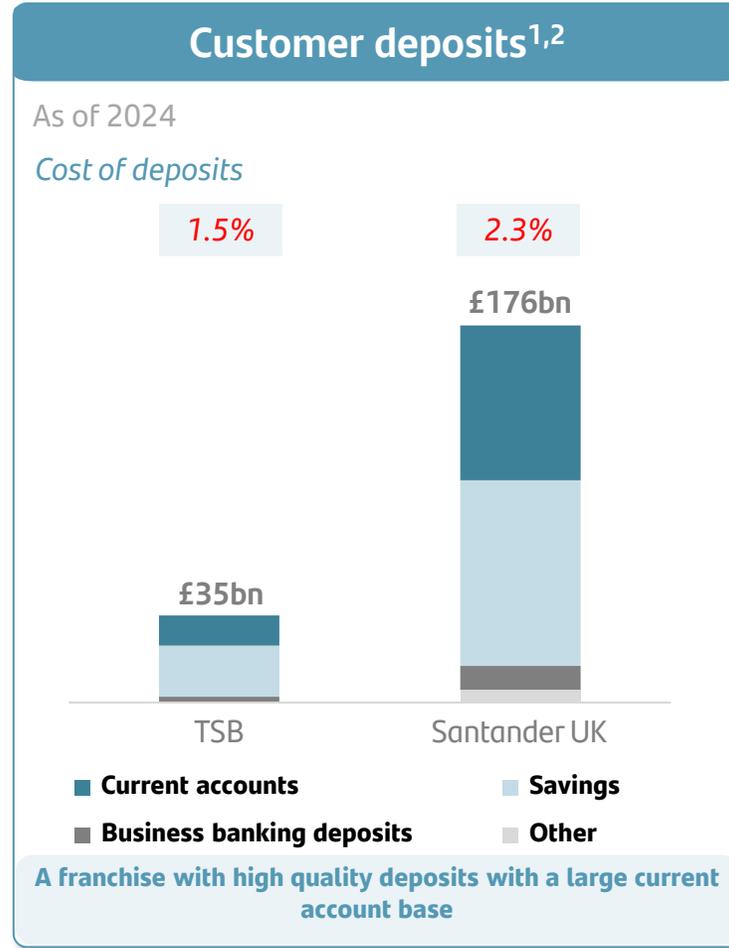
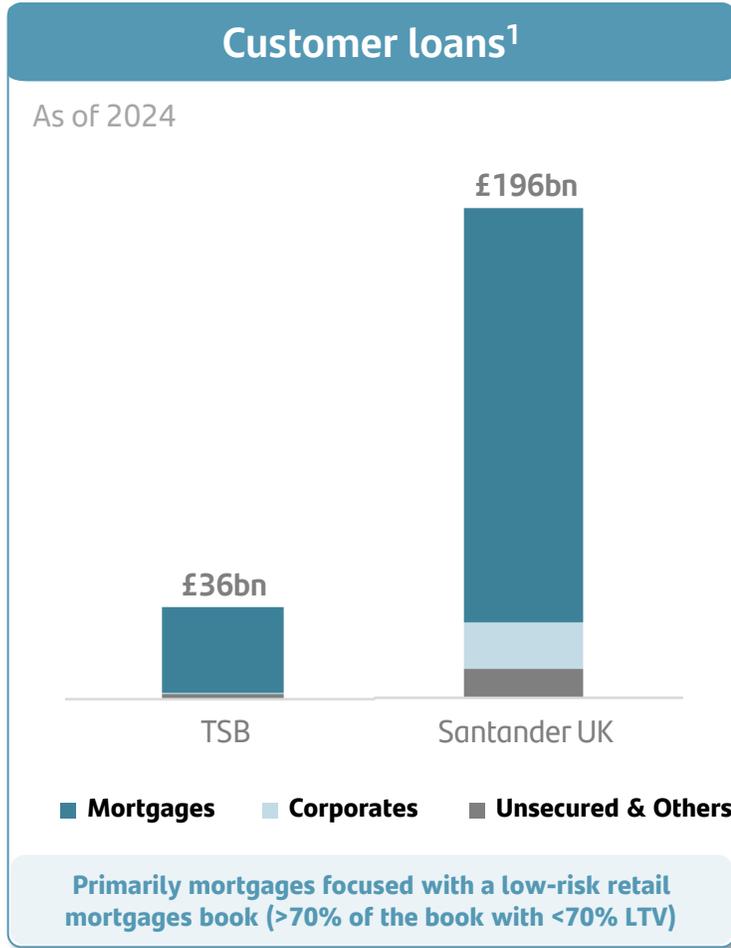
## Combined UK franchise

	As of FY2024	Santander UK	+ TSB	Combined
Total assets		£255bn	+£46bn	£301bn
Mortgages		£165bn	+£34bn	£199bn
Deposits		£181bn	+£35bn	£216bn
Current accounts		£62bn	+£12bn	£74bn



Peers: Barclays, HSBC, Lloyds, Nationwide, NatWest.  
 (1) Based on public information.

# Attractive franchise comprising high quality deposits and prime mortgages



Note:

(1) SAN UK perimeter excluding SCF.

(2) TSB savings including instant access savings deposits and deposit with agreed maturity.

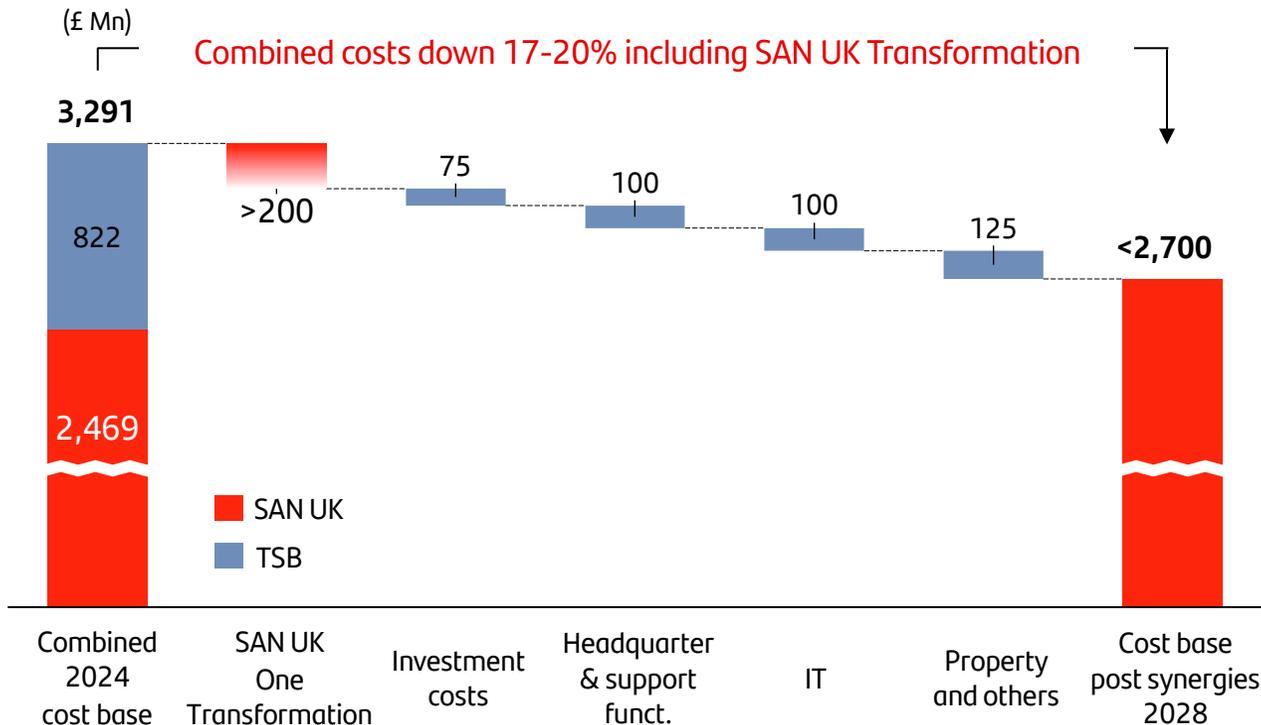
# In-depth analysis provided high degree of visibility into potential cost synergies

➤ **One single organization focused on Talent retention and minimizing duplicities**, leading to efficiencies in Tech., Ops., Staff, Property

➤ **Rationalisation of branch network and structure** optimizing overlaps involving properties

➤ **Discontinue non-mandatory IT until migration** then focus on **decommissioning** TSB Platform, generating efficiencies from IT contracts, external resources and operational contracts

## Action plan drives efficiencies



## Phasing in of synergies

2028

- Contract re-negotiation
- Branch optimization
- HQ efficiencies
- IT costs
- Systems decommissioning
- Properties and others
- Full run-rate synergies

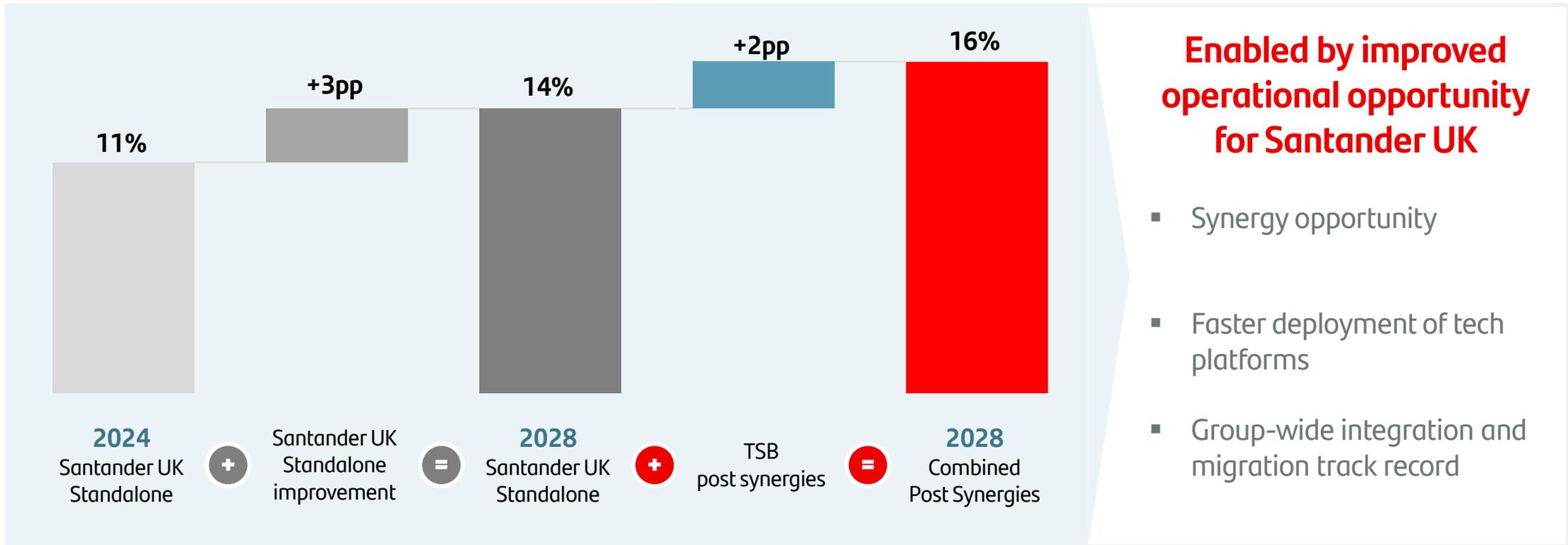
## Restructuring costs

**1.3x** Synergies

# Enhancing the returns from our UK franchise to 16% in 2028

➤ **One Transformation benefits** compounded by additional scale, despite only considering benefits from cost synergies for TSB integration

## RoTE improvement path



# We have a proven track record in execution with a strong team

- Confidence in TSB integration is underpinned by consistent operational track record and implementation of One Transformation.
- Santander is one of the few global banks which builds and operates its own core systems
- The integration team will be led by Pedro Castro, Juan Olaizola and Mike Regnier who together have deep expertise in banking integrations, technology migrations and the TSB operations



**Pedro Castro e Almeida**  
CEO of Santander Portugal and  
Non-Executive Director of  
Santander UK

- Strong experience in successful integrations, UK board member, and former Head of Europe at Santander Group.



**Juan Olaizola**  
CEO of Payments Hub. Former COO  
Santander UK 2005–2017

- Led the successful integrations of Abbey National, Alliance & Leicester, Bradford & Bingley and Popular. Former COO of Santander UK.

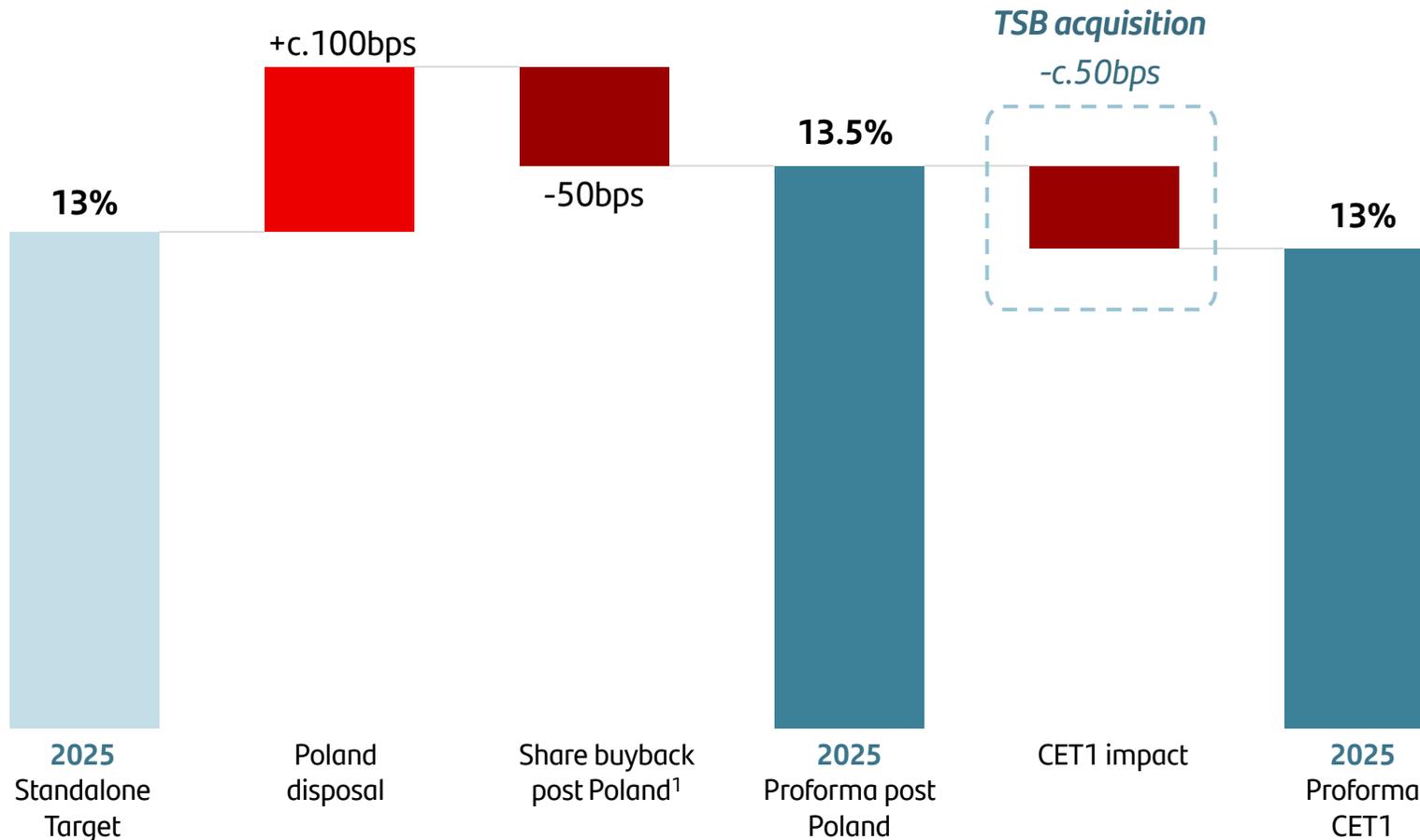


**Mike Regnier**  
CEO of Santander UK plc

- CEO of Santander UK since 2022 and former CEO and Board Member at Yorkshire Building Society.
- Previous head of Technology & Operations for Santander in Europe and Spain.

# A bolt-on consistent with our capital hierarchy with RoIC above 20%

## CET1 path



## 2024 TSB financial metrics<sup>2</sup>

**15.4%** CET1

**5.0%** Leverage ratio

**£11.25bn** RWAs



Note: SBB = Share buyback

(1) See note 3 on slide 16.

(2) CET1 impact calculated using TNAV as Q1'25 therefore not including TNAV variation until the deal is completed.

(3) Reported TSB banking group plc KPI s as of 2024.

# Shareholder remuneration targets re-affirmed<sup>1</sup>

✓ Reiterate at least €10bn in share buybacks for 2025 and 2026 earnings

✓ We have already committed to accelerate the €10bn using 50% of the proceeds of Poland disposal to early 2026

✓ Still potential to exceed SBB commitment through higher organic capital generation in FY 2026

## In summary, the acquisition of TSB is another example of the strong execution of our strategy

1

Complementary to strategic aims

- Significantly improves our franchise in one of our core markets

2

Highly attractive financial impact

- EPS accretive and RoIC well above additional share buybacks.

3

In line with capital hierarchy

- Disciplined utilisation of the excess capital generated through the sale of Poland, while retaining flexibility for further distributions or growth

# Additional notes

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- (2) As announced on 5 February 2025, the board intends to allocate €10bn to shareholder remuneration in the form of share buybacks, corresponding to the 2025 and 2026 results, as well as to the expected excess capital. This share buyback target includes: (i) buybacks that are part of the existing shareholder remuneration policy outlined below, and (ii) additional buybacks following the publication of annual results to distribute year-end excesses of CET1 capital. The ordinary remuneration policy for the 2025 results, which the board intends to apply, will remain the same as for the 2024 results, consisting of a total shareholder remuneration of approximately 50% of the Group's reported profit (excluding noncash and non-capital ratios impact items), distributed in approximately equal parts between cash dividends and share buybacks. The execution of the shareholder remuneration policy and share buybacks to distribute the excess CET1 capital is subject to corporate and regulatory approvals.
- (3) On 5 May 2025 when announcing the agreement for the sale of 49% of Santander Polska, Santander announced that it intended to distribute in early 2026 50% of the capital released from that disposal upon completion, equivalent to approximately €3.2 billion of share buybacks as part of the additional buybacks referred to in the note 2 and subject to approvals as noted there.

# Thank You.

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Our culture is based on believing that everything we do should be:

**Simple Personal Fair**

