

This is not a battle between the Montagues and Capulets

In recent months, we have witnessed relentless social, political and media posturing around BBVA's offer to Banco Sabadell shareholders. Recently, my decision as a member of the Board of Banco Sabadell and a shareholder to accept BBVA's offer has been met with incorrect interpretations, baseless accusations and innuendo, intended to bias and obfuscate the important decision that we face as Sabadell shareholders.

As with many other investments in my fund, some of which have an investment horizon of over twenty years, my involvement in Banco Sabadell has been no short-term affair. During the last twelve years, like many retail shareholders, we have maintained our trust in the Bank's future, despite the high volatility of the share price and, at times, a lower-than-expected dividend yield. Together we have faced various European crises, the TSB integration issues, COVID, increased supervision and regulatory requirements, and negative interest rates, among others. We even participated in the capital increase for the acquisition of TSB, despite our view that it lacked strategic focus.

Our investment strategy in Sabadell always centered on the expected share price appreciation upon the following achievements: (1) recovery from the financial crisis through a clean-up of non-performing assets, strengthening capitalization, and becoming more resilient to financial and economic volatility; (2) sale of non-core businesses and entering into JVs in areas where specialized players could offer a better product; (3) cost reduction and improvement in efficiency; (4) return to consistent profitability above cost of capital; (5) return to consistent and attractive shareholder distributions; and (6) further consolidation of the Spanish financial sector. I have consistently commended the management and employees of Banco Sabadell for the execution and achievement of the first five of these milestones.

Now that the Bank is fairly valued, in my view, it is the right time to reap further benefits through consolidation. Mergers unto themselves are not the point; what I truly value is SCALE. Banking is, not exclusively, but importantly, an infrastructure and technology business, where scale is a fundamental factor. Put simply, I see structural advantages in a bank with a 22% market share versus one with 8%. I believe that the merger in Spain of Sabadell and BBVA will create an even more competitive and profitable entity with greater potential upside. I trust that these two competitive meritocracies will work together to create the best bank in Spain. I respect those who have different opinions based on a different view of this industry. But this is the core of what should be analysed, not the false suggestion, without any evidence, of hidden agreements and ulterior motives.

DAVID MARTÍNEZ GUZMÁN

It is true that I specialize in investments in emerging markets and may be more familiar with the macro dynamics of these economies than most of the Sabadell shareholders and analysts that cover the European banking sector. At the same time, this allows me to recognize the exceptional value of the best-in-class franchises that BBVA has in Mexico and in Turkey. Their growth potential, profitability and resilience are unquestionable. Furthermore, I consider the valuation of these subsidiaries within BBVA to be attractive.

As I have formally represented in the Board's opinion, and as BBVA has affirmed in the prospectus filed with the CNMV, there is absolutely no agreement or conflict of interest between BBVA and myself. Nor is there any conflict with Sabadell for expressing my decision to accept the offer. On the contrary, it is my duty as a Director. Unfounded, irresponsible and defamatory accusations only seek to confuse the conversation by trying to discredit others. I have asked my advisers to remain in contact with the CNMV for any clarification that they may deem appropriate.

I would have preferred a friendly merger. From the very first day of this process, I expressed my positions with complete clarity and transparency, especially to the Chairman of the Board. Even if not shared by the Board, my views were always discussed with due mutual respect. In any case, the decision is now in the hands of the shareholders, to whom it rightly belongs, to determine the direction of Banco Sabadell.

I have made my decision and accepted BBVA's offer because I believe in its potential, without seeking to be anyone else's reference point. This is not at a battle between the Montagues and Capulets. Words like 'traitor' and 'sellout' reflect only the blindness and bias of those who use them. As a shareholder, I have no interest other than to maximize the return on my investment, and I recommend that other shareholders seek independent professional advice rather than guide themselves based on information which may be unfounded, incorrect or uncertain.
