

Q2 2023 Results**Banco Sabadell earns net profit of 564 million euros in the year to end of June and its ROTE climbs to 10.8%**

- **Core results (net interest income + fees and commissions – costs) increase by 42.3% year-on-year**
- **Fully-loaded CET1 capital ratio increases by 33bps in the year to reach 12.87%**
- **TSB contributes 106 million euros to the Group's profit**
- **The bank executes 19% of its share buyback programme for 204 million euros**
- **The bank's transformation in Spain is progressing and its results are increasingly evident**

**27 July 2023.** Banco Sabadell Group has ended the first half of the year with attributable net profit of 564 million euros, 43.6% more than in the same period of the previous year. The Institution's core results (net interest income + fees and commissions – costs) increased by 42.3% year-on-year, while its ROTE reached 10.8%.

Chief Executive Officer, César González-Bueno, has stated that *“the strategic lines of the plan that we launched two years ago are undoubtedly bearing fruit. We have a well-defined and stable perimeter, all of the business units are currently profitable, we have laid the foundations for the transformation of our business, and all this with a dedicated and close-knit team. This effort is reflected in another good set of results at the end of June”*.

For his part, Chief Financial Officer of Banco Sabadell, Leopoldo Alvear, indicated that *“we should be well satisfied with the end of the first half-year. Core results have improved 42% year-on-year, which brings our ROTE at the end of the first six-month period to 10.8%. We have generated capital organically, increasing the CET1 fully loaded ratio by 33 basis points to 12.87%, earning a payout ratio of 50%, and the Group maintains a comfortable*

*liquidity position, with a liquidity coverage ratio of 200%, having repaid all TLTRO borrowings that were due to mature in 2023.”*

## **Net interest income and fees**

**Core banking revenue** (net interest income + net fees and commissions) reached 2,967 million euros, 19.4% higher year-on-year, and in the same period **net interest income** grew by 29.2%, to reach 2,270 million euros.

At the end of June, **net fees and commissions** amounted to 697 million euros, representing a year-on-year decline of 4.4%, and **total costs** stood at 1,478 million euros, 2.7% higher than the previous year.

## **Commercial activity**

The balance of Banco Sabadell's **performing loans** stands at 153,834 million euros at the end of June 2023, representing a decline of 2.7% year-on-year due to lower volumes of mortgage and business lending. A quarter-on-quarter comparison reveals lending growth of 0.8%.

The level of commercial activity in Spain has remained dynamic. In Spain, new **business lending** at the end of June amounts to 3.801 million euros, having increased by 7% year-on-year, and by 44% quarter-on-quarter. New **mortgage lending** amounts to 1,095 million euros, 27% less than it was in the same period of the previous year. Quarter-on-quarter analysis reveals that new lending recovered in the period, with a 7% increase.

New **consumer credit** stands at 532 million euros, which indicates 23% growth year-on-year and a 9% increase in the quarter.

At the end of June, **card turnover** reached 5,803 million euros, up by 5% year-on-year, while **PoS turnover** amounted to 13,247 million euros, a 9% increase compared with the same quarter of the previous year.

**On-balance sheet customer funds** amount to 162,790 million euros at the end of the second quarter of 2023, representing a 0.4% decline year-on-year, but 0.3% growth quarter-on-quarter. **Demand deposit** balances stand at 140,056 million euros, having decreased by 5.3% year-on-year. Term deposits stand at 21,484 million euros, an increase of 34.4% compared with end of June 2022 and 16.9% relative to the previous quarter.

**Off-balance sheet customer funds** reached 39,720 million euros as at the end of June 2023, representing an increase of 2.3% year-on-year. A quarter-on-quarter comparison also reveals lending growth of 0.5%. This increase is mainly explained by the good evolution of mutual funds and assets under management.

The Group's **total assets** amounted to 243,453 million euros, which represents a decrease of 5.4% year-on-year, and 2.0% quarter-on-quarter due to the early repayment of TLTRO III.

### **The capital ratio increased by 9 bps in the quarter and stands at 12.87%**

The **fully-loaded CET1** ratio stands at 12.87% at the end of June having increased by 9 bps in the quarter, while the total capital ratio stands at 18.10%. The **MDA buffer** stands at 422 bps, above requirements.

The loan to deposits ratio at the end of June 2023 stands at 95.4%, with a balanced retail funding structure.

With regard to liquidity management, a solid position is evident, with the Group's **Liquidity Coverage Ratio (LCR)** reaching 200% at the end of June.

### **Reduction of non-performing assets in the quarter**

**Non-performing assets** had a balance of 6,971 million euros at the end of June 2023, of which 5,888 million euros are non-performing loans and 1,083 million euros are foreclosed assets. In the last year, problematic assets were reduced by 20 million euros, while the reduction amounted to 37 million euros in the quarter.

The NPA coverage ratio, including total provisions, stood at 53.1%, with the NPL (stage 3) coverage ratio, including total provisions, standing at 55.7% and the foreclosed asset coverage ratio standing at 38.7%.

The **NPL ratio** at the end of June demonstrated a positive evolution quarter-on-quarter, standing at 3.50%, compared with 3.52% in the first quarter of 2023.

Credit cost of risk stands at 45 bps and remains stable at the end of the second quarter.

### **TSB contributes 106 million euros to the Group's profit**

TSB ends the first half-year of 2023 with **standalone profit after tax** of 105 million pounds sterling. The positive contribution to Banco Sabadell Group earnings amounts to 106 million euros.

TSB has increased its **core results** (net interest income + fees and commissions – costs) by 36% year-on-year. **Net interest income** totals 528 million pounds at the end of June 2023 and increased by 13.9% year-on-year. **Net fees and commissions** amount to 51 million pounds, down by 5.5% year-on-year, while **costs** stand at 386 million pounds, up by 2.8%.

## **The bank executes 19% of its share buyback programme**

Banco Sabadell has launched a share buyback programme for a maximum amount of 204 million euros. This programme was launched at the beginning of July, having received the corresponding authorisations, and its aim is to reduce Banco Sabadell's share capital through the redemption of the repurchased shares. To date, 19% of the buyback programme has been executed.

## **Fitch upgrades outlook for Banco Sabadell**

The credit rating agency Fitch has upgraded Banco Sabadell's long-term outlook from Stable to Positive, maintaining the 'BBB-' rating. The upgraded outlook is based on the improved profitability in view of the prospect of higher interest rates, the containment of charges associated with credit impairment and the positive evolution of results at TSB, the institution's British subsidiary. Fitch also notes the solid position of Banco Sabadell's business in Spain, particularly in the SME segment. It also highlights the Bank's good capitalisation, funding and liquidity profiles.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	1H 22	1H 23	Change YoY	1H 22	1H 23	Change YoY
<b>Net interest income</b>	<b>1.757</b>	<b>2.270</b>	<b>29,2%</b>	<b>1.206</b>	<b>1.667</b>	<b>38,3%</b>
Fees & commissions	729	697	-4,4%	665	639	-4,0%
<b>Core banking revenue</b>	<b>2.486</b>	<b>2.967</b>	<b>19,4%</b>	<b>1.871</b>	<b>2.306</b>	<b>23,3%</b>
Trading income& forex	83	31	-62,1%	80	26	-67,5%
Other income & expenses	-62	-189	204,6%	-41	-169	--
<b>Gross operating income</b>	<b>2.507</b>	<b>2.809</b>	<b>12,1%</b>	<b>1.910</b>	<b>2.163</b>	<b>13,2%</b>
Operating expenses	-1.167	-1.204	3,1%	-789	-817	3,5%
Depreciation & amortisation	-272	-274	0,5%	-190	-198	4,1%
Total costs	-1.440	-1.478	2,7%	-979	-1.014	3,6%
<b>Pre-provisions income</b>	<b>1.067</b>	<b>1.331</b>	<b>24,8%</b>	<b>931</b>	<b>1.149</b>	<b>23,3%</b>
Total provisions & impairments	-475	-468	-1,4%	-443	-446	0,5%
Gains on sale of assets and other results	-19	-13	-30,7%	-19	-14	-28,4%
<b>Profit before taxes</b>	<b>572</b>	<b>849</b>	<b>48,4%</b>	<b>469</b>	<b>689</b>	<b>47,1%</b>
Taxes and minority interest	-180	-286	58,8%	-130	-231	77,4%
<b>Attributable net profit</b>	<b>393</b>	<b>564</b>	<b>43,6%</b>	<b>338</b>	<b>458</b>	<b>35,4%</b>
<i>Promemoria:</i>						
<i>Core results (NII + fees &amp; commissions - costs)</i>	<i>1.046</i>	<i>1.489</i>	<i>42,3%</i>	<i>892</i>	<i>1.292</i>	<i>44,8%</i>

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	1H 22	1H 23	Change YoY	1H 22	1H 23	Change YoY
Total assets	257.229	243.453	-5,4%	205.047	190.823	-6,9%
Performing gross loans	158.144	153.834	-2,7%	114.241	111.307	-2,6%
Customer-based funding on balance sheet	163.391	162.790	-0,4%	122.286	121.587	-0,6%
Customer-based funding off balance sheet	38.831	39.720	2,3%	38.831	39.720	2,3%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	1H 22	1H 23	1H 22	1H 23
Core capital / Common equity fully-loaded (%)	12,5	12,9	--	--
NPL ratio (%)	3,31	3,50	4,00	4,23
NPL coverage ratio of stage 3	55,3	55,7	57,0	57,4
Number of branches	1.525	1.447	1.305	1.236
Number of employees	18.975	19.405	13.380	13.787

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