

Q2 2022 Results**Banco Sabadell earns net profit of 393 million euros up to June and its ROTE climbs to 7%**

- **Group lending grows by 4.1% year-on-year, breaking the previous record for new mortgage lending in Spain during the quarter**
- **Core results (net interest income + fees and commissions – costs) increase by 18.5% year-on-year**
- **TSB earns 61 million pounds in standalone profit to June and makes positive contribution to Group for sixth consecutive quarter**
- **Risk profile improves, with balance of non-performing loans falling by 500 million euros over the past three months**
- **Fully-loaded CET1 capital ratio rises to 12.48%**

28 July 2022. Banco Sabadell Group has ended the first six months of 2022 with net attributable profit of 393 million euros, in contrast to 220 million euros profit in the same period of 2021. The Institution's core results (net interest income + fees and commissions – costs) increased by 18.5% year-on-year. The Institution's ROTE reached 7%, beating the targets of the strategic plan.

Chief Executive Officer César González-Bueno indicated that *“we remain focused on the Institution's transformation and we are meeting all of our targets for this year”*.

Banco Sabadell's Chief Financial Officer Leopoldo Alvear, for his part, noted that *“our risk profile continues to improve, with reductions in both our NPL ratio and non-performing assets, while our capital ratio stands at 12.48%, improving by 30 bps in the first six months of this year”*.

Net interest income + fees & commissions

Core banking revenue (net interest income + net fees and commissions) reached 2,486 million euros, 3.8% higher year-on-year. **Net interest income** increased to 1,757 million euros, growing by 4.2% year-on-year thanks to TSB's increased contribution (14.3% higher than in the previous year).

Net fees and commissions amounted to 729 million euros, representing a year-on-year increase of 2.8%, also supported by TSB's increased contribution (14.8% higher than in the previous year).

Total costs amounted to 1,440 million euros as of June 2022 and fell by 4.8% in the year, mainly due to savings on staff expenses following the execution of the efficiency plans, and also to reduced general expenses. Total costs fell in the quarter by 1.6%, in line with the estimated savings of 110 million euros in 2022 (130 million annually as from 2023).

Lending volumes rise, with record-breaking mortgage levels in Spain

The balance of Banco Sabadell's **performing loans** at the end of the first half of 2022 was 158,074⁽¹⁾ million euros (114,171 million euros ex-TSB). Lending volumes grew by 4.1% year-on-year⁽²⁾, driven by good performance in all regions, and by 2.2% quarter-on-quarter.

In the past quarter, **new mortgage lending** in Spain amounted to a record-breaking 1,501 million euros, growing by 19% relative to the previous quarter. New **consumer loans** were up by 17% quarter-on-quarter, standing at 805 million euros. **Card** turnover increased by 16% relative to the first quarter of the year, reaching 5,541 million euros, while **PoS** turnover grew by 27% in the same period, standing at 12,111 million euros in the quarter. These figures mark a new record for both card and PoS turnover. **Mutual funds** amounted to 22,538 million euros, falling by 5% quarter-on-quarter due to financial market volatility.

⁽¹⁾ Excludes impact of CAM APS ⁽²⁾ Excludes previous year's contribution of BancSabadell d'Andorra

As of the end of June 2022, **on-balance sheet customer funds** amounted to a total of 163,391 million euros (122,286 million euros ex-TSB), representing year-on-year growth of 3.8% (5.5% ex-TSB). They also increased in the quarter, by 1.3% (2.7% ex-TSB), due to the positive evolution of sight deposit accounts and term deposits. Sight deposit account balances amounted to 147,892 million euros (108,447 million euros ex-TSB), having increased by 5.6% year-on-year (7.6% ex-TSB) and by 0.9% in the quarter (2.0% ex-TSB).

Term deposits amounted to 15,980 million euros (14,320 million euros ex-TSB), declining by 9.4% year-on-year (7.3% ex-TSB). In the quarter, however, they grew by 3.9% (6.6% ex-TSB).

As of the end of June 2022, **off-balance sheet customer funds** amounted to 38,831 million euros, having declined by 4.7% year-on-year by the sale of BancSabadell d'Andorra and by 4.4% in the quarter, impacted by financial market volatility.

The Group's **total assets** amounted to 257,229 million euros (205,047 million euros ex-TSB), representing an increase of 2.8% year-on-year and of 1.6% in the quarter.

The capital ratio stands at 12.48%

The **phase-in CET1** ratio stood at 12.61% as of the end of June, growing by 2 bps relative to the previous quarter. The **fully-loaded CET1 ratio**, on the other hand, stood at 12.48%, increasing by 3 bps in the quarter. The phase-in Total Capital ratio stood at 17.11% at the end of the quarter, above the regulatory requirement, with an **MDA buffer** of 415 bps. In terms of liquidity management, the **Liquidity Coverage Ratio (LCR)** reached 225% at the Group level.

Reduction of NPL ratio and non-performing assets

Non-performing assets were reduced in the quarter, following the materialisation of the Austro portfolio sale of 400 million euros of unsecured NPLs. Non-performing assets amounted to 6,991 million euros as of the end of June 2022, including 5,714 million euros of non-performing loans and 1,277 million euros of foreclosed assets. The NPA coverage ratio stood at 52.3%, with the NPL (stage 3) coverage ratio including total provisions standing at 55.3% and the foreclosed asset coverage ratio standing at 39.0%.

The **NPL ratio** showed positive performance and stood at 3.31%, having fallen both quarter-on-quarter and year-on-year.

Credit **cost of risk** stood at 40 bps as of the end of the second quarter of 2022, a reduction of 13 bps in year-on-year terms.

Positive contribution from TSB for the sixth consecutive quarter

TSB has ended the month of June 2022 with a positive contribution to Banco Sabadell Group's accounts of 54 million euros, compared with the 39 million euros contributed in June 2021.

The UK subsidiary earned 103 million pounds in standalone **pre-tax profit** as of the end of June, compared with 43 million pounds in the same period in 2021, thus confirming TSB's commercial momentum and the improvement of its financials. Its **net profit** amounted to 61 million pounds as of the end of the first six months of 2022, driven by the growth of core revenue and reduced costs.

Net interest income amounted to a total of 464 million pounds at the end of the first half-year and increased by 11.0% year-on-year due to the strong growth of mortgage volumes during the year. **Net fees and commissions** increased by 11.4% year-on-year and amounted to 54 million pounds, driven by higher service fees, particularly card fees. **Costs** amounted to 376 million pounds and fell by 5.9% year-on-year.

Radical transformation in Retail Banking and evolutionary transformation in Business Banking

The Bank continues to make progress in its business transformation, with the goal of improving customer experience. Notable milestones in this regard include, in Retail Banking, the deployment of relationship managers specialising in mortgages, insurance and savings/investment products, as well as the launch of the new digital account, the mortgage simulator and the new digital landing page for mortgages. In terms of Business Banking, a segment in which Sabadell occupies the top spot in Spain's financial sector NPS rankings, progress continues to be made. Developments in this regard include the rollout of a specific product offering for 22 business sectors, a new online banking service, and smart PoS terminals.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Jun 21	Jun 22	Change YoY	Jun 21	Jun 22	Change YoY
Net interest income	1.685	1.757	4,2%	1.204	1.206	0,2%
Fees & commissions	709	729	2,8%	654	665	1,8%
Core banking revenue	2.395	2.486	3,8%	1.857	1.871	0,7%
Trading income& forex	28	83	195,1%	21	80	280,5%
Other income & expenses	-66	-62	-6,0%	-57	-41	-27,7%
Gross operating income	2.357	2.507	6,4%	1.822	1.910	4,9%
Operating expenses	-1.251	-1.167	-6,7%	-856	-789	-7,9%
Depreciation & amortisation	-261	-272	4,2%	-185	-190	2,8%
Total costs	-1.512	-1.440	-4,8%	-1.041	-979	-6,0%
Pre-provisions income	845	1.067	26,3%	781	931	19,3%
Total provisions & impairments	-621	-475	-23,5%	-593	-443	-25,2%
Gains on sale of assets and other results	74	-19	--	78	-19	--
Profit before taxes	298	572	92,3%	266	469	75,9%
Taxes and minority interest	-77	-180	132,8%	-85	-130	53,1%
Attributable net profit	220	393	78,1%	181	338	86,6%
<i>Promemoria:</i>						
<i>Core results (NII + fees & commissions - costs)</i>	<i>883</i>	<i>1.046</i>	<i>18,5%</i>	<i>816</i>	<i>892</i>	<i>9,3%</i>

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Jun 21	Jun 22	Change YoY	Jun 21	Jun 22	Change YoY
Total assets	250.120	257.229	2,8%	202.889	205.047	1,1%
Performing gross loans	152.515	158.144	3,7%	111.556	114.241	2,4%
Performing gross loans ex APS	152.274	158.074	3,8%	111.315	114.171	2,6%
Customer-based funding on balance sheet	157.345	163.391	3,8%	115.929	122.286	5,5%
Customer-based funding off balance sheet	40.736	38.831	-4,7%	40.736	38.831	-4,7%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Jun 21	Jun 22	Jun 21	Jun 22
Core capital / Common equity fully-loaded (%)	12,0	12,5	--	--
NPL ratio (%)	3,58	3,31	4,23	4,00
NPL coverage ratio of stage 3	56,4	55,3	58,0	57,0
Number of branches	1.918	1.525	1.628	1.305
Number of employees	21.095	18.975	15.117	13.380

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