

2021 year-end results**Banco Sabadell earns profit of 530 million euros and brings forward the profitability target of its strategic plan by one year**

- The Bank meets its targets one year ahead of schedule and ends the year with ROTE of 5% (ROTE forecast to stand above 6% in 2022)
- Core results (net interest income + fees and commissions – recurrent costs) increase by 12.6% year-on-year and by 3.6% in the quarter
- TSB consolidates its positive contribution to the Group with 118 million euros (22.3% of total), in contrast to 220 million euros of losses in 2020
- The Board of Directors approves a dividend of 0.03 euros to be paid out of 2021 earnings (31.8% pay-out ratio)

**27 January 2022.** Banco Sabadell Group has ended 2021 with net attributed profit of 530 million euros, in contrast to 2 million euros profit at year-end 2020. The Institution's core results (net interest income + fees and commissions – recurrent costs) increased by 12.6% year-on-year and by 3.6% quarter-on-quarter, in line with the targets set out in its strategic plan.

According to the CEO, César González-Bueno, “*we end a good year with a new team, governance, organisational structure, and strategic plan. The commercial thrust with profitability metrics, the digital transformation, as well as the radical turnaround of TSB and the labour agreement in Spain, have contributed to a substantial improvement in results*”. He further stated that “*we have brought forward the profitability target set out in our plan by one year and we look forward with optimism to the future of this great franchise*”.

Banco Sabadell's Chief Financial Officer, Leopoldo Alvear, for his part, noted that “*we have increased lending volumes and have gained market share, both in Spain and in the UK, further improving our comfortable solvency position. The execution of efficiency plans and cost savings have had a positive impact on the financial statements for the year, and we will continue to see this reflected in the results of upcoming quarters*”.

## **The Bank brings forward its profitability target by one year**

On 28 May 2021, Banco Sabadell presented its new strategic plan based on the transformation of its retail business, the consolidation of its leadership in the business segment and a focus on improving efficiency and profitability. The Institution ends the year with ROTE of 5% and expects to achieve ROTE of over 6% in 2022, meaning that it will meet the profitability targets of its plan one year ahead of schedule.

The fully-loaded CET1 ratio has been kept above 12% in all quarters of the year, despite loan volume growth, with an MDA buffer of 391bps, higher than the 350bps set as the target for the year. Cost of risk continues to decrease. Commercial activity is displaying excellent dynamism, with market share growth observed in mortgages, consumer loans and business lending, and with core revenue (interest income + fees and commissions) improving, in line with market announcements.

### **Net interest income + fees & commissions**

**Core banking revenue** (net interest income + net fees and commissions) reached 4,893 million euros, 3.0% higher year-on-year. Quarter-on-quarter, core banking revenue growth was 1.8%. **Net interest income** increased year-on-year by 0.8% to reach 3,425 million euros, mainly supported by loan volume growth, while quarter-on-quarter it fell by 1.6% due to a lower contribution from the fixed income portfolio, reaching 863 million euros.

**Net fees and commissions** amounted to 1,468 million euros, representing year-on-year growth of 8.7%, due to the good performance of asset management fees, as well as service fees. Asset management fees grew by 10.1% in the quarter, driven by seasonality and by mutual fund growth.

### **Positive impact of cost reductions**

Recurrent costs amounted to 2,988 million euros and fell by 2.3% compared to the previous year, due to the improvement of staff expenses in Spain and of general expenses in TSB. Total costs amounted to 3,307 million euros and decreased by 4.4% in the year. In the fourth quarter, total costs fell sharply following extraordinary costs of 301 million euros intended to fund the efficiency plan in the third quarter. The aforesaid plan will bring annual savings of 130 million euros in Spain. 2022 will deliver total cost savings of 85% (110 million euros).

## Lending growth in Spain and UK

Banco Sabadell **performing loans** had a balance of 154,912 million euros at year-end 2021 (110,862 million euros ex-TSB). Lending grew by 6.7% year-on-year<sup>(1)</sup> driven by a good performance across all segments in Spain, and strong growth of TSB's mortgage portfolio. Quarter-on-quarter it also grew, by 1.7%.

**New mortgage lending** continued to follow a positive trend in Spain, reaching 1,369 million euros in the quarter, representing year-on-year growth of 5%. Meanwhile, new mortgage lending in the UK amounted to 2,169 million pounds in the quarter, 56% more than in the same period of the previous year. TSB ended 2021 with the best mortgage lending volume in its history.

At year-end 2021, **on-balance sheet customer funds** amounted to a total of 162,020 million euros (119,242 million euros ex-TSB), representing year-on-year growth of 7.5% (5.9% ex-TSB). This item grew by 2.6% in the quarter (2.4% ex-TSB).

**Sight account balances** amounted to 147,268 million euros (106,578 million euros ex-TSB), representing an increase of 13.0% year-on-year (12.4% ex-TSB) and 3.5% in the quarter (3.6% ex-TSB).

**Term deposits** amounted to 14,813 million euros (12,725 million euros ex-TSB), falling by 28.8% (29.6% ex-TSB) year-on-year and by 6.0% in the quarter (6.7% ex-TSB), as deposits flowed through to sight accounts.

At the end of December, **off-balance sheet customer funds** amounted to a total of 41,678 million euros and increased by 9.5% year-on-year due to an increase in net mutual fund subscriptions. They remained stable in the quarter, despite the sale of BancSabadell d'Andorra. Not including this impact, they grew by 11.6% in the year and by 2.1% in the quarter.

## Comfortable solvency and liquidity position

The **phase-in CET1 ratio** stood at 12.43% at the end of December and included 25 bps of IFRS 9 transitional adjustments. The **fully-loaded CET1 ratio**, on the other hand, stood at 12.18%, increasing by 6 bps quarter-on-quarter. The phase-in total capital ratio stood at 17.90% at year-end, above the regulatory requirement, with an **MDA buffer** of 391 bps. In terms of liquidity management, the **liquidity coverage ratio (LCR)** reached 221% at the Group level.

(1) Excludes the impact of the CAM APS

## **The NPL ratio remains stable**

**Non-performing assets** amounted to 7,565 million euros in total, of which 6,203 million euros are non-performing loans and 1,362 million euros are foreclosed assets. The NPA coverage ratio stood at 53.1%, with the NPL (stage 3) coverage ratio, including total provisions, standing at 56.3% and the foreclosed asset coverage ratio standing at 38.2%, while the NPL ratio stands at 3.65%.

Credit **cost of risk** decreased and stood at 49 bps at year-end 2021, 2 bps lower than the previous quarter, representing a 37 bps improvement year-on-year.

## **Transformation process in Spain**

In 2021, Banco Sabadell carried out a number of initiatives concerning the transformation of the Bank in Spain, with the aim of enhancing customer experience, improving efficiency and boosting profitability. In retail banking, fully digital processes have been implemented for arranging personal loans, setting up accounts and ordering cards. In addition, the Bank's offering of pre-approved consumer loans has been improved and the first phase of the deployment of relationship managers specialised in mortgages, insurance and savings/investment products has been carried out. In Business Banking new value-added services have been introduced in PoS terminals and a specific sectoral offering aimed at eleven differentiated business segments and sectors has been developed.

## **The Board of Directors approves dividend payment**

The Board of Directors of Banco Sabadell has approved a cash dividend payment of 0.03 euros per share, which represents a pay-out ratio of 31.8% on 2021 results. This agreement will be submitted for ratification at the next Annual General Meeting.

## **TSB consolidates its positive contribution to the Group with 118 million euros**

TSB has ended 2021 with a **positive contribution to Group results** of 118 million euros, in contrast to losses of 220 million euros in 2020, due to the growth of core revenues, lower costs and fewer provisions. This figure represents 22.3% of the Group's consolidated results, in line with the weight of its capital in the Group's total capital, and the British subsidiary completes its fourth consecutive quarter in positive territory. Its contribution to the Group's income statement during the quarter amounted to 36 million euros. TSB obtained standalone pre-tax **profit of 157.5 million pounds in 2021**.

**Net interest income** was 10.5% higher at the end of December at £869 million, due to the strong growth in mortgage volumes. **Net fees** were 20.8% higher year-on-year at £104 million, due to higher service fees, particularly from cards. **Total expenses** declined 4% year-on-year to £770 million. **Recurrent income** was £203 million, compared to £69 million a year earlier.

| Figures in € million   | Sabadell Group |               |               | Sabadell ex-TSB |               |               |
|--|----------------|---------------|---------------|-----------------|---------------|---------------|
|  | Dec 20         | Dec 21        | Change YoY    | Dec 20          | Dec 21        | Change YoY    |
| <b>Net interest income</b>   | <b>3.399</b>   | <b>3.425</b>  | <b>0,8%</b>   | <b>2.514</b>    | <b>2.414</b>  | <b>-4,0%</b>  |
| Fees & commissions   | 1.350          | 1.468         | 8,7%          | 1.254           | 1.347         | 7,4%          |
| <b>Core banking revenue</b>  | <b>4.749</b>   | <b>4.893</b>  | <b>3,0%</b>   | <b>3.768</b>    | <b>3.761</b>  | <b>-0,2%</b>  |
| Trading income& forex  | 800            | 344           | -57,0%        | 774             | 342           | -55,9%        |
| Other income & expenses  | -247           | -211          | -14,5%        | -249            | -178          | -28,5%        |
| <b>Gross operating income</b>  | <b>5.302</b>   | <b>5.026</b>  | <b>-5,2%</b>  | <b>4.294</b>    | <b>3.925</b>  | <b>-8,6%</b>  |
| Operating expenses   | -2.938         | -2.781        | -5,4%         | -2.063          | -1.996        | -3,3%         |
| Depreciation & amortisation  | -523           | -527          | 0,6%          | -363            | -370          | 1,9%          |
| <i>Promemoria:</i>   |                |               |               |                 |               |               |
| <i>Recurrent costs</i>   | <i>-3.058</i>  | <i>-2.988</i> | <i>-2,3%</i>  | <i>-2.112</i>   | <i>-2.065</i> | <i>-2,2%</i>  |
| <i>Non-recurrent costs</i>   | <i>-403</i>    | <i>-320</i>   | <i>-20,7%</i> | <i>-314</i>     | <i>-301</i>   | <i>-4,1%</i>  |
| <b>Pre-provisions income</b>   | <b>1.841</b>   | <b>1.719</b>  | <b>-6,6%</b>  | <b>1.868</b>    | <b>1.560</b>  | <b>-16,5%</b> |
| Total provisions & impairments                                       | -2.275         | -1.225        | -46,2%        | -2.035          | -1.225        | -39,8%        |
| Gains on sale of assets and other results                            | 313            | 126           | -59,7%        | 317             | 135           | -57,5%        |
| <b>Profit before taxes</b>   | <b>-121</b>    | <b>620</b>    | <b>--</b>     | <b>150</b>      | <b>470</b>    | <b>212,7%</b> |
| Taxes and minority interest  | 123            | -90           | --            | 72              | -58           | --            |
| <b>Attributable net profit</b>                                       | <b>2</b>       | <b>530</b>    | <b>--</b>     | <b>222</b>      | <b>412</b>    | <b>85,7%</b>  |
| <i>Promemoria:</i>   |                |               |               |                 |               |               |
| <i>Core results (NII + fees &amp; commissions - recurrent costs)</i> | <i>1.691</i>   | <i>1.905</i>  | <i>12,6%</i>  | <i>1.656</i>    | <i>1.697</i>  | <i>2,5%</i>   |

| PRO MEMORIA<br>Balances in € million     | Sabadell Group |         |            | Sabadell ex-TSB |         |            |
|--|----------------|---------|------------|-----------------|---------|------------|
|  | Dec 20         | Dec 21  | Change YoY | Dec 20          | Dec 21  | Change YoY |
| Total assets                             | 235.763        | 251.947 | 6,9%       | 191.230         | 199.369 | 4,3%       |
| Performing gross loans                   | 146.878        | 154.912 | 5,5%       | 109.902         | 110.862 | 0,9%       |
| Performing gross loans ex APS            | 145.117        | 154.842 | 6,7%       | 108.141         | 110.791 | 2,5%       |
| Customer-based funding on balance sheet  | 150.778        | 162.020 | 7,5%       | 112.565         | 119.242 | 5,9%       |
| Customer-based funding off balance sheet | 38.064         | 41.678  | 9,5%       | 38.064          | 41.678  | 9,5%       |

| RATIOS  | Sabadell Group |        | Sabadell ex-TSB |        |
|---|----------------|--------|-----------------|--------|
|   | Dec 20         | Dec 21 | Dec 20          | Dec 21 |
| Core capital / Common equity fully-loaded (%) | 12,0           | 12,2   | --              | --     |
| NPL ratio (%)                                 | 3,60           | 3,65   | 4,28            | 4,44   |
| NPL coverage ratio of stage 3                 | 56,5           | 56,3   | 56,4            | 58,4   |
| Number of branches                            | 2.083          | 1.593  | 1.629           | 1.303  |
| Number of employees                           | 23.458         | 20.070 | 16.749          | 14.308 |

#### Communications Division

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