

Q3 2023 Results**Banco Sabadell earns net profit of 1,028 million euros in the year to September bringing its profitability to 11.6%**

- **Core results (net interest income + fees and commissions – costs) increase by 38.8% year-on-year**
- **Fully-loaded CET1 capital ratio increases by 59bps year-to-date to reach 13.13%**
- **TSB's standalone net profit increases by 48% year-on-year, and its contribution to the Group reaches 161 million euros**
- **The Board of Directors approves an interim cash dividend of three euro cents per share, 50% more than the corresponding payout last previous year**

26 October 2023. Banco Sabadell Group has ended the third quarter of the year with attributable net profit of 1,028 million euros, 44.9% more than in the same period of the previous year. The Institution's core results (obtained by adding net interest income to fees & commissions and subtracting costs) increased by 38.8% year-on-year, while its ROTE reached 11.6%.

Chief Executive Officer, César González-Bueno, stated that *“the third quarter results once again reveal significant progress, thanks to the involvement of all of the Bank's teams. We continue with the radical transformation of our business, with the aim of growing our customer base and increasing brand loyalty, whilst offering service of the highest quality. In this context, the Board has approved an interim dividend of three euro cents per share to be paid in December, 50% more than the corresponding payout last year”*.

Chief Financial Officer, Leopoldo Alvear, commented that *“once again, this quarter we have been able to generate capital organically, which has enabled us to increase our fully-loaded CET1 ratio to 13.13%. This was possible thanks to the improvement*

in our profitability, which is increasing beyond expectations and which is already close to covering our cost of capital. The results are certainly pleasing, as they reflect the solid growth of core results and the improvement of credit cost of risk, among other key elements”.

Net interest income and fees

Core banking revenue (net interest income plus net fees and commissions) reached 4,559 million euros, 18.7% higher year-on-year, and in the same period **net interest income** grew by 29.0%, to reach 3,512 million euros.

On the other hand, **net fees and commissions** decreased by 6.3% in the first nine months of the year, to reach 1,047 million euros, while **total costs** grew by 3.2%, reaching 2,231 million euros.

As a result of income growth and cost containment, despite inflation, the Group's **cost-to-income ratio** has improved by 5.3 percentage points in one year, to reach 48.7% (43.1% excluding TSB).

In addition, **customer spread** has continued to trend upwards and reached 2.99% by the end of September, having grown by almost half a percentage point in one year.

Commercial activity

Banco Sabadell's **performing loans** at the end of September 2023 showed a balance of 151,627 million euros, which represents a decline of 3.3% year-on-year due to higher mortgage repayments, weaker momentum of business investment, and maturities of general government loans. A quarter-on-quarter comparison reveals that lending decreased by 1.4%, partially impacted by seasonality.

In Spain, new **business lending**, specifically, medium- and long-term financing excluding working capital, amounted to 9,024 million euros in the first nine months of the year, representing growth of 8% compared with the same period of the previous year. However, **mortgage** lending decreased by 29%, to reach 3,010 million euros.

More subdued demand for home purchase loans contrasts with the dynamic evolution of **consumer loans**, which grew by 27% in the first three quarters, reaching 1,581 million euros.

A similar upward trend is observed in **credit card turnover** (up by 7% and reaching 17,281 million euros in the first nine months of the year) and **PoS** turnover (up by 12% to reach 39,307 million euros). Between January and September, 1,201 million transactions were made using Banco Sabadell card readers.

Meanwhile, **on-balance sheet customer funds** ended the third quarter at 161,973 million euros, 0.8% lower year-on-year and 0.5% lower quarter-on-quarter. **Demand**

deposit balances stand at 136,511 million euros, having decreased by 7.6% year-on-year. **Term deposits** stand at 24,184 million euros, an increase of 52.1% compared with September 2022 and of 12.6% relative to the previous quarter.

Off-balance sheet customer funds reached 39,342 million euros at the end of September 2023, representing an increase of 3.4% year-on-year. This increase is mainly explained by the good evolution of mutual funds.

The Group's **total assets** amounted to 243,261 million euros, which represents a decrease of 6.6% year-on-year due to the early repayment of TLTRO III. This item remained broadly stable in the quarter.

The capital ratio increased by 26bps in the quarter and stands at 13.13%

The **fully-loaded CET1** ratio stands at 13.13% at the end of September having increased by 26 basis points in the quarter, while the total capital ratio stands at 18.35%. The **MDA buffer** stands at 428 basis points, providing an ample buffer that is well above requirements.

The Loan-to-Deposit ratio stands at 94.6% at the end of September 2023, with a balanced retail funding structure, while the **Liquidity Coverage Ratio (LCR)** reached 220% at the end of September.

Reduction of non-performing assets

Non-performing assets showed a balance of 6,930 million euros at the end of September 2023, of which 5,891 million euros are non-performing loans and 1,039 million euros are foreclosed assets. Problematic assets were reduced by 109 million euros in the last year and by 41 million euros in the quarter.

Because of the reduced balance of performing loans, the fall in problematic assets does not translate into a fall in the **NPL ratio**, which stood at 3.54% at the end of September, compared with 3.40% one year ago. However, compared with the previous quarter it remains broadly stable.

The improved quality of the balance sheet is reflected in better problematic asset coverage which, including total provisions, stands at 53.9%, while NPL coverage (stage 3) stands at 56.5%, and foreclosed asset coverage stands at 38.9%.

As a result, **credit cost of risk** has improved relative to the previous quarter and now stands at 43 basis points. The Group's total cost of risk is also on a positive trend and now stands at 55 basis points, five points lower than it was at the start of the year.

TSB continues to increase its positive contribution

TSB ends the third quarter of 2023 with **standalone profit after tax** of 152 million pounds sterling, 48% higher year-on-year. The positive contribution to Banco Sabadell Group earnings amounts to 161 million euros.

The British bank has increased its **core results** by 15.4% year-on-year, reaching 280 million pounds, while **net interest income** has grown by 9.3% to reach 784 million pounds. **Net fees and commissions** fell by 9.6% to 79 million pounds, and **costs** increased by 3.7% and stand at 583 million pounds.

The Bank executes 88.8% of its share buyback programme

Banco Sabadell has so far executed 88.8% of its share buyback programme. This programme, set up for a maximum amount of 204 million euros, 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.

Interim dividend of three cents of a euro, 50% higher

On 25 October 2023, the Board of Directors of Banco Sabadell agreed to distribute a gross interim dividend, against 2023 earnings, amounting to three cents of a euro per share in cash, to be paid on 29 December. This dividend is 50% more than the figure paid out the previous year, when a gross interim dividend of two euro cents per share was distributed.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Sep 22	Sep 23	Change YoY	Sep 22	Sep 23	Change YoY
Net interest income	2.722	3.512	29,0%	1.875	2.611	39,3%
Fees & commissions	1.118	1.047	-6,3%	1.015	956	-5,7%
Core banking revenue	3.840	4.559	18,7%	2.890	3.568	23,5%
Trading income& forex	113	64	-43,8%	102	50	-51,1%
Other income & expenses	-46	-175	280,3%	-16	-146	--
Gross operating income	3.907	4.448	13,8%	2.976	3.472	16,7%
Operating expenses	-1.753	-1.838	4,8%	-1.185	-1.252	5,7%
Depreciation & amortisation	-409	-393	-4,0%	-289	-287	-0,8%
Total costs	-2.162	-2.231	3,2%	-1.474	-1.538	4,4%
Pre-provisions income	1.744	2.217	27,1%	1.502	1.933	28,7%
Total provisions & impairments	-709	-683	-3,8%	-636	-637	0,2%
Gains on sale of assets and other results	-16	-30	90,6%	-16	-31	94,6%
Profit before taxes	1.019	1.504	47,5%	851	1.265	48,7%
Taxes and minority interest	-310	-476	53,4%	-234	-398	69,9%
Attributable net profit	709	1.028	44,9%	616	867	40,7%
<i>Promemoria:</i>						
<i>Core results (NII + fees & commissions - costs)</i>	<i>1.677</i>	<i>2.328</i>	<i>38,8%</i>	<i>1.416</i>	<i>2.029</i>	<i>43,3%</i>

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Sep 22	Sep 23	Change YoY	Sep 22	Sep 23	Change YoY
Total assets	260.407	243.261	-6,6%	207.677	191.188	-7,9%
Performing gross loans	156.745	151.627	-3,3%	113.889	109.834	-3,6%
Customer-based funding on balance sheet	163.247	161.973	-0,8%	123.084	121.764	-1,1%
Customer-based funding off balance sheet	38.049	39.342	3,4%	38.049	39.342	3,4%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Sep 22	Sep 23	Sep 22	Sep 23
Core capital / Common equity fully-loaded (%)	12,5	13,1	--	--
NPL ratio (%)	3,40	3,54	4,10	4,27
NPL coverage ratio of stage 3	55,1	56,5	56,9	58,3
Number of branches	1.523	1.414	1.303	1.203
Number of employees	18.987	19.331	13.484	13.821

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