

Q3 2022 Results**Banco Sabadell earns net profit of 709 million euros in the year to September and pushes its ROTE up to 8%**

- **New lending to corporates in the quarter increased by 6% relative to 2021 and mortgage origination increased by 7%**
- **Card billing and PoS turnover in the quarter reached record-breaking levels, with year-on-year growth of 17% and 33% respectively**
- **Core results (interest income + fees and commissions – costs) increase by 21.1% year-on-year**
- **TSB achieves standalone profit of 103 million pounds in the year to September driven by higher income and continued cost control**
- **The fully loaded CET1 capital ratio increases to reach 12.52%**
- **The Board of Directors approves a payout ratio increase to at least 40% and an interim dividend of 2 euro cents per share**

27 October 2022. Banco Sabadell Group has ended the third quarter of 2022 with net attributable profit of 709 million euros, in contrast to 370 million euros profit in the same quarter of 2021. The Institution's core results (net interest income + fees and commissions – costs) increased by 21.1% year-on-year. The Bank's ROTE reached 8%, outstripping its strategic plan targets.

CEO, César González-Bueno, remarked: *"This quarter we are once again presenting some great results. We are all doing our very best to continue to develop our commitment to customer service, in line with the tradition that is the hallmark of Banco Sabadell."* González-Bueno further stated: *"we end the third quarter with vigorous commercial activity and meeting all our targets"*.

Banco Sabadell's Chief Financial Officer Leopoldo Alvear, for his part, noted that *“our risk profile continues to improve year-on-year, our NPL ratio remains low and our solvency ratio stands at 12.52%, having improved by 34 bps in the first nine months of this year”*.

Net interest income + fees & commissions

Core banking revenue (net interest income + net fees and commissions) reached 3,840 million euros, 5.7% higher year-on-year. **Net interest income** increased by 6.2% year-on-year to reach 2,722 million euros.

Net fees and commissions amounted to 1,118 million euros at the end of September, representing year-on-year growth of 4.5%.

Total costs amounted to 2,162 million euros at the end of the third quarter, having dropped by 15.2% in the year. Recurrent costs also decreased year-on-year by 3.8%, mainly due to savings in staff expenses following execution of the efficiency plans in Spain, as well as a reduction of general expenses.

Good dynamic in lending and payment services

Banco Sabadell's **performing loans** ended the third quarter of 2022 with a balance of 156,675 million euros (113,818 million euros ex-TSB). Lending volumes grew by 2.9% year-on-year, driven by good performance in all regions.

Comparing 3Q22 against 3Q21, the 6% increase in new lending to corporates in the quarter is noteworthy, having reached 2,056 million euros between July and September 2022.

Mortgage origination in Spain reached 1,472 million euros in the third quarter, representing a 7% increase compared with the same quarter of the previous year. New **consumer loans** were up by 18% year-on-year and reached 439 million euros. New card services business and PoS turnover reached an all-time high for the Bank. **Card turnover** grew by 17% year-on-year, reaching 5,826 million euros, and **PoS turnover** climbed by 33% in the same period, reaching 13,604 million euros at the end of September. **Mutual funds** amounted to 22,024 million euros, falling by 10% year-on-year due to financial market volatility.

At the end of September 2022, **on-balance sheet customer funds** amounted to 163,247 million euros (123,084 million euros ex-TSB), representing year-on-year growth of 3.4% (5.7% ex-TSB) due to the positive evolution of sight deposit accounts and term deposits. They remained stable in the quarter (0.7% growth ex-TSB). Sight deposit account balances amounted to 147,664 million euros (109,315 million euros ex-TSB), increasing by 3.8% year-on-year (6.2% ex-TSB). Term deposits amounted to 15,905 million euros (14,091 million euros ex-TSB), up by 0.9% (3.3% ex-TSB). They decreased by 0.5% in the quarter (1.6% decline ex-TSB).

Total **off-balance sheet customer funds** amounted to 38,049 million euros at the end of September 2022, falling by 8.7% year on-year and by 2.0% in the quarter, mainly due to mutual funds, which were impacted by financial market volatility.

The Group's **total assets** amount to 260,407 million euros (207,677 million euros ex-TSB), which represents an increase of 4.2% year-on-year (3.2% ex-TSB) and of 1.2% in the quarter (1.3% ex-TSB).

The capital ratio stands at 12.52%

The **phase-in CET1** ratio stood at 12.65% at the end of September, growing by 4 bps relative to the previous quarter. The **fully-loaded CET1 ratio**, on the other hand, stood at 12.52%, increasing by 4 bps in the quarter. The phase-in total capital ratio stood at 17.08% at the end of the quarter, above the regulatory requirement, with an **MDA buffer** of 418 bps. In terms of liquidity management, the **Liquidity Coverage Ratio (LCR)** reached 217% at Group level.

Reduction of NPLs

Non-performing assets amounted to 7,039 million euros at the end of September 2022, including 5,830 million euros of non-performing loans and 1,209 million euros of foreclosed assets. The NPA coverage ratio, including total provisions, stood at 52.3%, with the NPL (stage 3) coverage ratio, including total provisions, standing at 55.1% and the foreclosed asset coverage ratio standing at 38.9%.

At the end of September, the **NPL ratio** demonstrated a positive evolution and stood at 3.40%, compared with 3.59% in the same month of the previous year.

Credit **cost of risk** stood at 39 bps at the end of the third quarter of 2022, a reduction of 12 bps in year-on-year terms.

TSB earned profit of 103 million pounds and achieved an ROTE of 7.8%, in line with that of the Group.

TSB has ended the month of September 2022 with a positive contribution to Banco Sabadell Group's results of 93 million euros, compared with 82 million euros contributed in the same quarter of 2021.

The UK subsidiary earned standalone **pre-tax profit** of 167 million pounds at the end of September, compared with 110 million pounds in the same quarter of 2021. Its standalone **net profit** amounted to 103 million pounds at the end of the third quarter of 2022, with core revenue growth driven by its strong commercial momentum.

TSB has increased its core results (**interest income + fees and commissions – costs**) by 81% year-on-year, and by 27% quarter-on-quarter. **Net interest income** amounts to 718 million pounds at the end of September, increasing by 11.7% year-on-year on the back of strong growth of mortgage volumes in the year. **Net fees and commissions** increased by 17.9% year-on-year and amounted to 88 million pounds, driven by higher service fees, particularly card fees. **Costs** amounted to 562 million pounds and fell by 3.6% year-on-year.

Minimum 40% payout ratio and interim dividend of 2 euro cents per share

On 26 October 2022, the Board of Directors of Banco Sabadell agreed to increase the payout ratio to a minimum of 40% of earnings for the current financial year. Additionally, the Board of Directors approved the distribution of a gross interim dividend from 2022 earnings of 2 euro cents per share, to be paid on 30 December 2022.

S&P upgrades Sabadell's credit rating

The credit rating agency, S&P Global, has upgraded several of Banco Sabadell's debt issuer credit ratings. Specifically, its issuer credit ratings for long- and short-term debt have been upgraded from BBB-/A3 to BBB/A2, with a stable outlook. It also upgraded the Bank's credit ratings for senior preferred debt from BBB- to BBB, and its long-term resolution counterparty rating from BBB to BBB+. Other credit ratings remain unchanged. S&P notes that Sabadell has accumulated a considerable buffer, which provides it with "significant" protection from its major creditors in a resolution scenario. It also highlighted the "progress" made by the Bank in the implementation of its restructuring plan.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Sep 21	Sep 22	Change YoY	Sep 21	Sep 22	Change YoY
Net interest income	2.563	2.722	6,2%	1.818	1.875	3,1%
Fees & commissions	1.070	1.118	4,5%	984	1.015	3,1%
Core banking revenue	3.633	3.840	5,7%	2.803	2.890	3,1%
Trading income& forex	348	113	-67,5%	344	102	-70,3%
Other income & expenses	-73	-46	-36,8%	-52	-16	-69,5%
Gross operating income	3.908	3.907	0,0%	3.095	2.976	-3,8%
Operating expenses	-2.160	-1.753	-18,8%	-1.578	-1.185	-24,9%
Depreciation & amortisation	-389	-409	5,1%	-276	-289	4,5%
Recurrent costs	-2.549	-2.162	-15,2%	-1.854	-1.474	-20,5%
Pre-provisions income	1.359	1.744	28,3%	1.241	1.502	21,1%
Total provisions & impairments	-911	-709	-22,1%	-890	-636	-28,5%
Gains on sale of assets and other results	78	-16	--	79	-16	--
Profit before taxes	527	1.019	93,4%	430	851	98,0%
Taxes and minority interest	-157	-310	97,0%	-142	-234	64,9%
Attributable net profit	370	709	91,9%	288	616	114,3%
<i>Promemoria:</i>						
<i>Core results (NII + fees & commissions - costs)</i>	<i>1.385</i>	<i>1.677</i>	<i>21,1%</i>	<i>1.249</i>	<i>1.416</i>	<i>13,3%</i>

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Sep 21	Sep 22	Change YoY	Sep 21	Sep 22	Change YoY
Total assets	249.922	260.407	4,2%	201.246	207.677	3,2%
Performing gross loans	152.438	156.745	2,8%	110.488	113.889	3,1%
Performing gross loans ex APS	152.197	156.675	2,9%	110.247	113.818	3,2%
Customer-based funding on balance sheet	157.930	163.247	3,4%	116.421	123.084	5,7%
Customer-based funding off balance sheet	41.669	38.049	-8,7%	41.669	38.049	-8,7%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Sep 21	Sep 22	Sep 21	Sep 22
Core capital / Common equity fully-loaded (%)	12,1	12,5	--	--
NPL ratio (%)	3,59	3,40	4,30	4,10
NPL coverage ratio of stage 3	57,9	55,1	59,8	56,9
Number of branches	1.814	1.523	1.524	1.303
Number of employees	21.022	18.987	15.096	13.484

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