

Q1 2021 Results

**Banco Sabadell earns profit of 73 million euros and TSB returns to profitability**

- As a result of both cost savings from the restructuring plan and improved revenues, TSB has contributed positively to the Group's results and witnessed a period of significant growth in its commercial business
- The materialisation of the efficiency plan in Spain will have a positive impact of 141 million euros per year from Q2 onwards
- Lending volumes grow in all regions, increasing by 5.9% year-on-year and by 3.4% in the quarter
- New mortgage lending increases by 35% year-on-year, with Sabadell recording the best month of March in its history
- Strategic partnership between Sabadell Renting and ADL will result in efficiency gains, scalability and improved customer experience
- CET1 ratio remains stable at 12.4%
- Cost of risk falls by 17bp in the quarter
- The Bank will be presenting its new strategic plan on 28 May

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*30 April 2021.* Banco Sabadell Group ended the month of March 2021 with 73 million euros of net attributable profit in a quarter marked, according to the Bank's Chief Executive Officer, César González-Bueno, "**due to outstanding results in its commercial business and strong growth in credit investment, meeting the needs of both families and companies**". Sabadell's CEO also emphasised that "**our business in the UK has performed strongly, with TSB returning to profit as a result of cost savings delivered by the restructuring plan and improved revenues; in addition, TSB delivered a strong performance in its commercial division during the quarter**".

Sabadell's CFO, Leopoldo Alvear, further highlighted that "**recent strong performance in the fourth quarter of last year has improved the risk profile of the bank , which is now in line with our peers in the sector.**" Moreover he commented that "**we anticipate improved performance in Spain as a result of both revenue line growth and the positive impact of cost savings achieved since the second quarter**".

**Core banking revenue** (net interest income + net fees and commissions) amounted to 1,175 million euros, a year-on-year reduction of 4.8%, as the effects of the pandemic eased off in the first quarter of 2020. **Net interest income** as at the end of March 2021 amounted to 833 million euros, down by 5.8% year-on-year. The reduction in the quarter was of 2.4%. **Net fees and commissions** amounted to 342 million euros, representing a year-on-year decline of 2.2%, due to the sale of Sabadell Asset Management. Stripping out this impact, fees and commissions grew by 2.5%, due to fees from both mutual funds and sight accounts.

**Total costs** amounted to 769 million euros as at the end of March 2021, decreasing by 1.2% year-on-year due to the improvement in personnel costs, mainly in the UK.. The efficiency plan announced in the fourth quarter of 2020 materialised, will entail cost savings of 141 million euros.

## **Liquidity and capital position**

The CET1 ratio stood at 12.4% at the end of March 2021. This CET1 ratio includes 42bps of IFRS 9 transitional adjustments, therefore the fully-loaded CET1 ratio stood at 12.0%, thus remaining stable quarter-on-quarter.

The Total Capital ratio stands at 16.7% at the end of March 2021 and is therefore above the required level with an MDA buffer of 366bps. As regards liquidity management, the Bank has a solid position, with a Group-level LCR (Liquidity Coverage Ratio) of 207% as at the end of the first quarter of 2021.



## Lending volumes increase in all regions

Banco Sabadell's gross **performing loans** ended the first quarter of 2021 with a balance of 150,334 million euros (110,441 million euros ex-TSB). Organic growth<sup>(1)</sup> of lending was 5.9% year-on-year and 3.4% in the quarter, driven by the growth across regions.

In Spain, gross performing loans stock grew by 4.2% year-on-year and 2.0% quarter-on-quarter. New mortgage lending in Spain increased by 35% year-on-year, in Banco Sabadell's best ever month of March in terms of mortgage performance.

In TSB, lending was up by 14.5% year-on-year and 7.9% in the quarter. New mortgage lending increases strongly in TSB by 14% quarter-on-quarter.

As at 31 March 2021, in Spain, drawdowns of ICO loans amounted to 8,847 million euros, while in the UK, Bounce Back Loans amounted to 606 million pounds. In terms of moratoria, the balance of live payment holidays was 2,218 million euros in Spain and 340 million pounds in the UK.

As at the end of March 2021, **on-balance sheet customer funds** amounted to a total of 153,800 million euros (112,656 million euros ex-TSB), representing a year-on-year increase of 6.8% (3.0% ex-TSB). In the quarter, this item grew by 2.0%.

**Sight account balances** amounted to 135,397 million euros (96,844 million euros ex-TSB), representing an increase of 13.9% year-on-year (10.7% ex-TSB) and 3.9% (2.2% ex-TSB) in the quarter.

(1) Excludes CAM APS

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**Term deposits** amounted to 18,573 million euros (15,981 million euros ex-TSB), falling by 26% (27% ex-TSB) year-on-year and by 10.7% (11.6% ex-TSB) in the quarter, as deposits flowed through to sight accounts.

Total **off-balance sheet customer funds** amounted to 39,478 million euros as at the end of March 2021, down by 1.4% year-on-year-

## **Risk management**

Problematic assets as at the end March 2021 had a balance of 7,507 million euros, of which 6,127 million euros correspond to non-performing loans and 1,373 million euros correspond to foreclosed assets. The NPA coverage ratio stood at 52.8% and the foreclosed asset coverage ratio was 37.0%, improving on the previous quarter.

The Group's **NPL ratio** was 3.7%, representing an improvement in year-on-year terms.

The Group's credit cost of risk was 69bps as at the end of the first quarter of 2021, compared to 86bps in the previous quarter.

## **TSB returns to profitability**

TSB earned **net profit** of 10 million euros as at the end of March 2021 and is once again contributing positively to the Group's results, with 2 million euros, as a result of both cost savings from the restructuring plan and improved revenues. TSB has witnessed a period of remarkable growth in its commercial business

TSB's **net interest income** amounted to 236 million euros, decreasing by 2.6% due to lower interest rates in the United Kingdom and the exchange rate effect, despite the good performance of volumes. Net fees and commissions increased by 17.7% year-on-year, mainly driven by the growth of service fees. **Operating expenses** amounted to 200 million euros, a 5.5% year-on-year reduction, due to both improved personnel expenses and lower general expenses. Provisions and impairments also decreased, falling to 23 million euros.



**Lending** in TSB increased by 14.5% year-on-year. Considering a constant exchange rate, this item increased by 10.1% year-on-year, due to the good performance of the loan book and the UK government's Bounce Back Loan Scheme.

It is also worth noting that TSB set a new record for its mortgage lending performance, with new mortgages in the first quarter of 2021 amounting to a total volume of 2,418 million pounds.

**On-balance sheet customer funds** amounted to 41,144 million euros, representing an increase of 18.9% year-on-year.

### **International strategic partnership with Sabadell Renting**

Banco Sabadell has signed a strategic partnership with ALD to grow its vehicle rental business. This agreement will allow our subsidiary Sabadell Renting to be more efficient, gain scale and improve customers' experience. The transaction, due to be closed in the last quarter of 2021, will have a positive impact on the capital ratio of 10bps.

### **New strategic plan on 28 May**

Banco Sabadell plans to present its new strategic plan to investors and analysts on 28 May.

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Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Dec 19	Dec 20	Change YoY	Dec 19	Dec 20	Change YoY
<b>Net interest income</b>	<b>884</b>	<b>833</b>	<b>-5,8%</b>	<b>643</b>	<b>597</b>	<b>-7,1%</b>
Fees & commissions	349	342	-2,2%	327	315	-3,6%
<b>Core banking revenue</b>	<b>1.234</b>	<b>1.175</b>	<b>-4,8%</b>	<b>969</b>	<b>912</b>	<b>-5,9%</b>
Trading income& forex	151	23	-84,5%	137	14	-89,7%
Other income & expenses	-14	32	--	-15	32	--
<b>Gross operating income</b>	<b>1.371</b>	<b>1.230</b>	<b>-10,3%</b>	<b>1.092</b>	<b>959</b>	<b>-12,2%</b>
Operating expenses	-652	-640	-1,9%	-441	-440	-0,2%
Depreciation & amortisation	-126	-129	2,5%	-87	-92	5,5%
<b>Pre-provisions income</b>	<b>593</b>	<b>461</b>	<b>-22,3%</b>	<b>564</b>	<b>427</b>	<b>-24,2%</b>
Total provisions & impairments	-454	-354	-22,0%	-416	-331	-20,5%
Gains on sale of assets and other results	1	1	-37,0%	1	4	320,7%
<b>Profit before taxes</b>	<b>141</b>	<b>108</b>	<b>-23,3%</b>	<b>149</b>	<b>100</b>	<b>-32,7%</b>
Taxes and minority interest	-47	-35	-25,6%	-48	-30	-38,7%
<b>Attributable net profit</b>	<b>94</b>	<b>73</b>	<b>-22,1%</b>	<b>101</b>	<b>71</b>	<b>-29,8%</b>

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Dec 19	Dec 20	Change YoY	Dec 19	Dec 20	Change YoY
Total assets	223.286	244.872	9,7%	180.112	197.980	9,9%
Performing gross loans	143.475	150.334	4,8%	108.631	110.441	1,7%
Performing gross loans ex APS	141.714	150.093	5,9%	106.870	110.200	3,1%
Customer-based funding on balance sheet	144.005	153.800	6,8%	109.414	112.656	3,0%
Customer-based funding off balance sheet	40.044	39.478	-1,4%	40.044	39.478	-1,4%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Dec 19	Dec 20	Dec 19	Dec 20
Cost / income (ex amortisation) (%)	49,34	54,64	42,26	48,86
Core capital / Common equity phase-in (%)	12,2	12,4	--	--
NPL ratio (%)	3,84	3,71	4,59	4,33
NPL coverage ratio of stage 3	52,8	56,4	53,1	58,3
Number of branches	2.396	2.001	1.862	1.628
Number of employees	24.415	21.470	17.139	15.019