

Q3 2021 Results**Banco Sabadell earns 370 million euros in profit in the first three quarters of the year (+82.4%) and is on track to meet all of the goals set out in its strategic plan**

- **The bank's recurring income (net interest income + fees and commissions - recurring costs) grew 12.56% year-on-year and 5.4% in the quarter**
- **TSB is contributing positively to the Group's consolidated results, with 82 million euros up to September, in contrast with 155 million euros of losses in 2020**
- **Efficiency plan supported by 100% of represented trade unions and, together with other additional cost containment measures, will deliver annual cost savings of 130 million euros**

28 October 2021. Banco Sabadell Group has ended the month of September 2021 with net attributable profit of 370 million euros, representing a year-on-year increase of 82.4%. Net attributable profit ex-TSB amounted to 288 million euros compared to 358 million in 2020, which included the extraordinary net capital gain of 293 million euros from the sale of Sabadell Asset Management.

The bank's recurring income (net interest income + fees and commissions - recurring costs) grew 12.6% year-on-year and 5.4% in the quarter. According to Chief Executive Officer César González-Bueno, *"The third quarter results put us on track to meet all of the goals set out in our strategic plan with regard to the transformation of our Institution"*, and he also referred to the *"growth of our commercial activity and the positive development of TSB"*.

Banco Sabadell's Chief Financial Officer, Leopoldo Alvear, for his part, highlighted that *"we are satisfied with the development of all income statement items: net interest income, fees and commissions, recurring costs and provisions, and with our comfortable solvency position, in line with the targets we have set for ourselves"*.

Revenue (net interest income + net fees and commissions) reached 3,633 million euros, increasing by 2.5% year-on-year. Compared to the previous quarter, the increase was 1.5%. **Net interest income** increased by 0.7% year-on-year to 2,563 million euros, while in the quarter it increased by 2.9% to 877 million euros.

Net fees and commissions amounted to 1,070 million euros, representing year-on-year growth of 7.0%, due to the good performance of service fees and mutual fund fees. In the quarter, they declined by 1.9%, as service fees were not only lower due to seasonality (August), but they were also affected by the sale of the depositary business.

Annual cost savings of 130 million euros

Recurrent costs fell by 2.9% compared to the previous year, due to the improvement of staff expenses in Spain and of general expenses in TSB. Compared to the previous quarter, the decrease was 1%. Following the agreement reached with 100% of the trade unions represented at the negotiating table on 15 October, the second phase of the efficiency plan in Spain, which will go hand in hand with additional cost containment measures, will deliver annual cost savings of 130 million euros.

New mortgage lending above pre-pandemic levels

Banco Sabadell's performing loans ended the month of September 2021 with a balance of 152,197 million euros (110,247 million euros ex-TSB). Lending growth excluding the APS impact was 5.9% year-on-year, driven by the good performance of mortgages in Spain and in TSB, as well as the positive momentum of business loans granted to corporates, SMEs and the self-employed in Spain. It remained stable in the quarter (-0.1%).

New mortgage lending in Spain has continued to follow a positive trend, reaching 1,372 million euros on the quarter after recording a 33% year-on-year increase and even surpassing pre-pandemic levels. New mortgage lending in the UK amounted to 2,197 million pounds on the quarter, 19% more than in the same period of the previous year.

As of 30 September, close to 9 billion euros of ICO loans had been drawn down, out of a total of 13.5 billion euros granted. With regard to payment holidays in Spain, 90% of those granted have now expired. In the United Kingdom, of the 4,816 million pounds of payment holidays granted, none remain outstanding.

As of the end of September, **on-balance sheet customer funds** amounted to a total of 157,930 million euros (116,421 million euros ex-TSB), representing a year-on-year increase of 6.6% (4.5% ex-TSB). In the quarter, this item grew by 0.4%, both at the Group level and ex-TSB.

Sight account balances amounted to 142,292 million euros (102,904 million euros ex-TSB), representing an increase of 12.7% year-on-year (11.4% ex-TSB) and of 1.6% (2.1% ex-TSB) in the quarter.

Term deposits amounted to 15,765 million euros (13,643 million euros ex-TSB), falling by 28.9% (29.4% ex-TSB) year-on-year and by 10.7% (11.7% ex-TSB) in the quarter, as deposits flowed through to sight accounts.

At the end of September, **off-balance sheet customer funds** amounted to a total of 41,669 million euros and grew by 2.3% in the quarter. In year-on-year terms, the increase was 13%, due to higher levels of mutual fund subscriptions.

Comfortable liquidity and capital position

The phase-in CET1 ratio stood at 12.40% at the end of September and included 28 bps of IFRS 9 transitional adjustments. The fully-loaded CET1 ratio, meanwhile, stood at 12.12%, increasing by 12 bps from the previous quarter. The phase-in Total Capital ratio stood at 17.01% at the end of the quarter, above the regulatory requirement, with an MDA buffer of 388 bps. In terms of liquidity management, the liquidity coverage ratio (LCR) reached 223% at the Group level.

NPL ratio remains stable

Non-performing assets remained stable in the quarter, amounting to a total of 7,377 million euros, of which 6,004 million euros are non-performing loans and 1,373 million euros are foreclosed assets. The NPA coverage ratio stood at 54.0%, with the NPL (stage 3) coverage ratio including total provisions standing at 57.9% and the foreclosed asset coverage ratio standing at 37.0%.

The **NPL ratio** also remained stable at 3.59%.

Cumulative credit cost of risk in the Group dropped to 51 bps as of the end of September, 2 bps better than at the end of the previous quarter and also improving by 37 bps in year-on-year terms.

TSB contributes 82 million euros to the Group up to September

TSB has consolidated its positive contributions to the Group's income statement (22.1% of the total), making a positive contribution for the third consecutive quarter with 82 million euros as of the end of September, in contrast with the losses of 155 million euros recorded in 2020. Its contribution during the quarter amounted to 43 million euros. TSB obtained net profit of 97 million pounds as of the end of September 2021, following the improvement of its net interest income and the reduction of its costs and provisions.

Net interest income amounted to 744 million euros as of the end of September, increasing by 13.0% due to the strong growth of mortgage volumes during the year. **Net fees and commissions** increased by 23.7% year-on-year, driven by higher service fees, particularly card fees. **Operating expenses** amounted to 582 million euros, 13.8% lower

year-on-year, due to improved general and staff expenses. Provisions and impairments were also significantly reduced, standing at 21 million euros.

Sale of BancSabadell d'Andorra

In October, Banco Sabadell closed the sale of its 51.61% stake held in BancSabadell d'Andorra to Mora Banc for 68 million euros. The transaction will add 7 basis points to the fully-loaded Common Equity Tier 1 (CET1) ratio in the fourth quarter.

Commitment to Sustainability

Banco Sabadell has joined the Net Zero Banking Alliance (NZBA) promoted by the United Nations.

Sustainability is one of the Bank's priorities, and it is addressing this field with a realistic and effective approach. Intensive work is underway to define long, medium and short term goals in order to set both quantitative and qualitative targets. This will be reflected in the Sustainability Report to be presented at the next General Meeting of Shareholders.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Sep 20	Sep 21	Change YoY	Sep 20	Sep 21	Change YoY
Net interest income	2.545	2.563	0,7%	1.887	1.818	-3,6%
Fees & commissions	1.000	1.070	7,0%	931	984	5,7%
Core banking revenue	3.546	3.633	2,5%	2.818	2.803	-0,5%
Trading income& forex	177	348	96,2%	155	344	121,3%
Other income & expenses	-87	-73	-16,2%	-93	-52	-44,2%
Gross operating income	3.636	3.908	7,5%	2.880	3.095	7,5%
Recurrent costs	-2.387	-2.248	-2,9%	-1.596	-1.553	-2,7%
Extraordinary costs	-71	-301	n.m.	0	-301	n.m.
Pre-provisions income	1.249	1.359	8,8%	1.284	1.241	-3,4%
Total provisions & impairments	-1.391	-911	-34,5%	-1.222	-890	-27,2%
Gains on sale of assets and other results	298	78	-73,7%	303	79	-74,0%
Profit before taxes	156	527	237,6%	365	430	17,6%
Taxes and minority interest	48	-157	n.m.	-6	-142	n.m.
Attributable net profit	203	370	82,4%	358¹	288	-19,6%

1. Includes an extraordinary net profit of 293 million euros for Sabadell Asset Management deal

Core results	1.230	1.385	12,6%	1.222	1.249	2,3%
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PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Sep 20	Sep 21	Change YoY	Sep 20	Sep 21	Change YoY
Total assets	236.094	249.922	5,9%	192.954	201.246	4,3%
Performing gross loans	145.462	152.438	4,8%	110.047	110.488	0,4%
Performing gross loans ex APS	143.701	152.197	5,9%	108.286	110.247	1,8%
Customer-based funding on balance sheet	148.163	157.930	6,6%	111.379	116.421	4,5%
Customer-based funding off balance sheet	36.865	41.669	13,0%	36.865	41.669	13,0%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Sep 20	Sep 21	Sep 20	Sep 21
Cost / income (ex amortisation) (%)	56,28	56,53	47,37	52,46
Core capital / Common equity phase-in (%)	12,9	12,4	--	--
NPL ratio (%)	3,81	3,59	4,50	4,30
NPL coverage ratio of stage 3	56,5	57,9	56,2	59,8
Number of branches	2.204	1.814	1.719	1.524
Number of employees	23.918	21.022	16.890	15.096

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Commitment to
Sustainability