

2023 year-end Results

Banco Sabadell earns net profit of 1,332 million euros, 55.1% higher YoY, and raises its capital ratio to 13.21%

- RoTE stands at 11.5%, having increased by 373 basis points compared to last year
- TSB's standalone net profit increases by 70.9% and its contribution to the Group reaches 195 million euros
- Shareholder remuneration will increase by 55% in the year, following the Board of Directors' approval of a supplementary dividend and a further share buyback of 340 million euros
- For the current year, the institution expects to maintain profitability above 11.5%, and keep the capital ratio above 13%

1 February 2024

Banco Sabadell Group obtained net attributable profit of 1,332 million euros, 55.1% more than the previous year. This record result was underpinned by increased net interest income and a reduced volume of provisions as a result of the institution's improved credit quality, factors that offset lower fees and commissions collected from customers and a higher tax bill.

The institution succeeded in raising its Return on Tangible Equity (RoTE) to 11.5% while its CET1 capital ratio stands at 13.21%. As a result, the Board of Directors has approved the payment of a supplementary dividend of three euro cents per share and a new share buyback programme of 340 million euros, which, once validated by the Annual General Meeting, will bring total shareholder remuneration for the full year to 666 million euros, 55% more than the previous year.

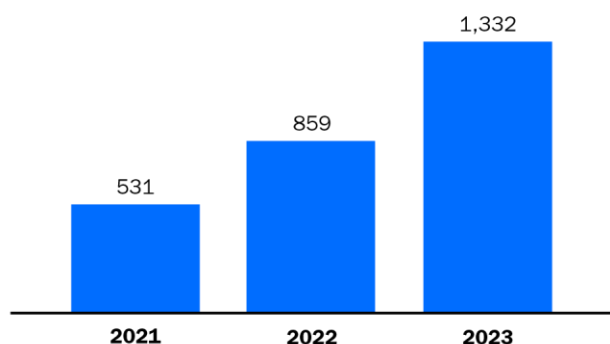
The Bank's Chief Executive Officer, César González-Bueno, says *"the engagement of those working at Banco Sabadell has improved dramatically in 2023, as indicated in the latest employee climate survey. This is the key factor explaining the improvement in our customer satisfaction. These impressive financial results are also the result of the profound transformation undertaken in the last few years"*.

Banco Sabadell's CEO highlighted that *"the Bank's solidity allows us to substantially increase shareholder remuneration and makes us optimistic about the Institution's evolution in the coming years"*.

González-Bueno also explained that *"we have a clear strategy in Retail Banking to grow the number of customers for whom we wish to become the main bank. In Business and SME banking, we will focus on customer acquisition and on gaining market share in the segments we know best. Corporate Banking is focused on offering customer-to-customer solutions for growth, and this is being reflected in its results. TSB has a plan to further improve its efficiency. We have clear ideas and we know what needs to be done."*

CFO, Leopoldo Alvear, has underlined the financial strength of Banco Sabadell, having highlighted the institution's capacity to generate capital organically and to continuously improve its risk profile. *"Our solvency ratio at year-end stands at 13.21%. We have once again improved profitability, with RoTE of 11.5%, and we have strengthened our balance sheet, with reduced non-performing assets and increased coverage. "This reinforces the positive message to the market, customers and shareholders"* indicated Alvear.

Annual net attributable profit



 In millions of euros

Net interest income grows and fees and commissions decline

Core banking revenue (net interest income plus net fees and commissions) reached 6,109 million euros, 15.5% higher year-on-year. Specifically, net interest income grew by 24.3% in the year, reaching 4,723 million euros, in contrast to net fees and commissions, which decreased by 7% to reach 1,386 million euros.

Recurrent costs increased to 2,982 million euros, representing an increase of 3.5% year-on-year, in line with the figures for the previous quarter. As a result of the increased income and ongoing cost containment, the Group's cost-to-income ratio improved by 2.5 percentage points in one year, reaching 42.6% in the final quarter.

In addition, the customer spread continued on its upward trend and, by the end of the year, reached 2.99%, having grown by 46 basis points year-on-year. Not including TSB, the customer spread widened by 70 basis points in the year, to 3.23%.

Increased business lending

The balance of Banco Sabadell's performing loans stood at 149,798 million euros at year-end, representing a year-on-year decline of 4.1%. However, lending volumes showed different trends according to the type of product and customer group. There was continued growth in consumer credit and business lending, both in investment and working capital, while new mortgage business continued to decline as demand fell from its peak levels, due to rising prices resulting from higher interest rates.

Specifically, new business lending, that is, medium- and long-term financing, amounted to 11,716 million euros, representing an increase of 7% in the year, while the volume of credit lines for working capital increased by 1% relative to 2022.

New consumer lending also continues to show dynamism, having grown by 25% in Spain last year to reach 2,102 million euros. The same upward trend is observed in credit card turnover (increased by 7% to reach 23,493 million euros in 2023) and in PoS transactions (increased by 11% to reach 52,820 million euros). Between January and December, 1,884 million transactions were recorded using Banco Sabadell card readers.

In contrast to the buoyancy of consumer credit and business lending, mortgage lending fell by 34% to 3,764 million euros in the year overall.

Off-balance sheet funds increase

Customer funds managed by the institution, both on-balance sheet and off-balance sheet, were practically unchanged in 2023. At year-end they amounted to a total of 201,449 million euros.

Customer funds in savings and investment products, in Spain, were the best-performing, and stood at 56,600 million euros, having grown by 9,100 million euros. Of this increase, 7,000 million euros was recorded mostly in term deposits and commercial paper, while mutual fund assets increased by 2,100 million euros, due to both net inflows and the returns achieved.

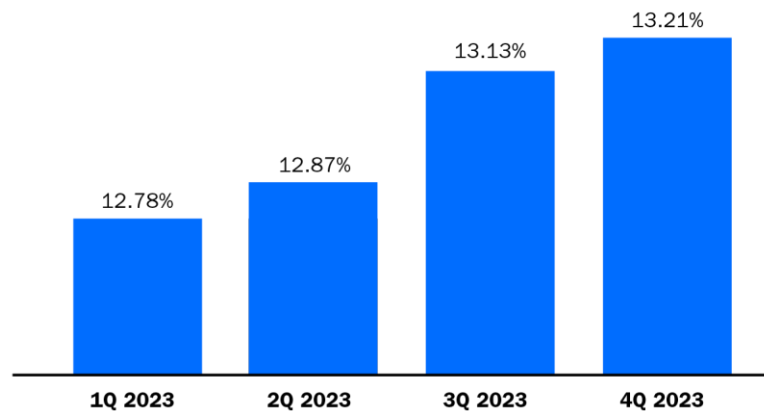
In total, off-balance sheet funds amounted to 40,561 million euros at year-end, representing an annual increase of 5.4%, while on-balance sheet funds decreased by 2% to reach 160,888 million euros.

The Group's total assets stand at 235,173 million euros, representing a decline of 6.4%, year-on-year, brought on mainly by the repayment of 17,000 million euros of TLTRO III.

The capital ratio rises to 13.21%

Last year, the institution once again demonstrated its increasing ability to generate capital organically. At the end of 2023, the *fully-loaded* CET1 ratio stood at 13.21%, indicating an increase of 67 basis points in the year.

Fully-loaded CET1 capital ratio



At the same time, the Total Capital ratio stood at 17.78%, and the MDA buffer stood at 428 basis points, 26 basis points higher than the previous year, providing an ample buffer that is well above the supervisory requirements.

Balance sheet quality also improved in terms of liquidity and credit quality. Specifically, the loan-to-deposit ratio (which shows the proportion of loans relative to deposits) improved in the year standing at 94%, with a balanced retail funding structure, while the LCR (liquidity coverage ratio) reached 228% at the end of 2023.

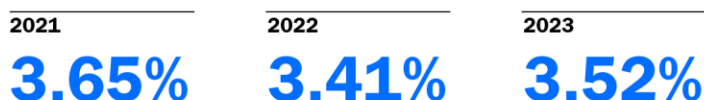
Non-performing assets fell during the year by 223 million euros, reaching a balance of 6,748 million euros at year-end, including 5,777 million euros of non-performing loans and 971 million euros of foreclosed assets.

The NPL ratio stood at 3.52% at year-end 2023, compared with 3.41% for the same period in the previous year; nevertheless, this represents an improvement of two basis points relative to the previous quarter when it stood at 3.54%.

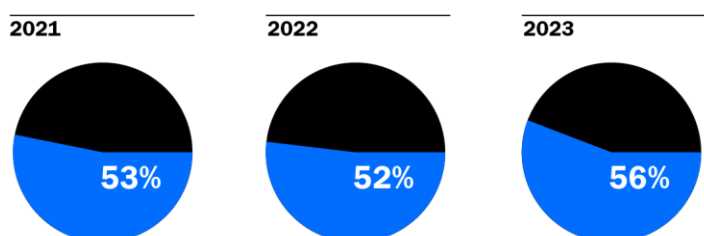
The stronger quality of the balance sheet is also reflected in an increase in the NPA coverage ratio, which stood at 55.6% at year-end (+3.3 percentage points year-on-year). the NPL (stage 3) coverage ratio rose to 58.3% (+3.3 percentage points) and the foreclosed asset coverage ratio increased to 39.6% (+1.3 percentage points).

Balance sheet quality

NPL ratio



Coverage ratio



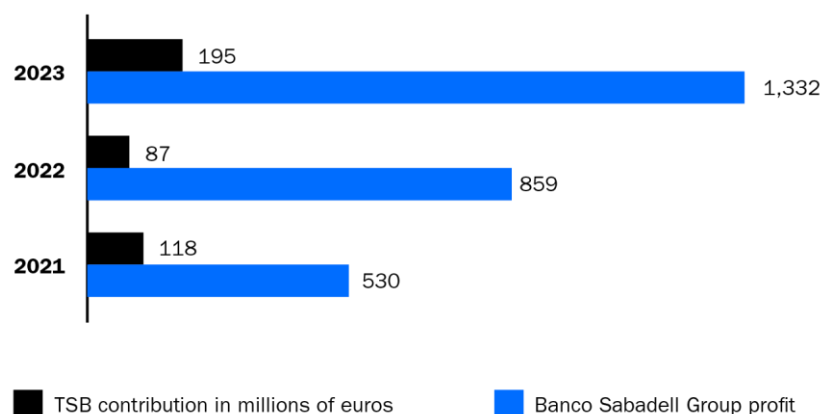
As a result, credit cost of risk improved relative to the same period of the previous year and stands at 43 basis points. The Group's total cost of risk is also on a positive trend and stands at 55 basis points.

TSB's positive outlook continues

TSB ended 2023 with standalone net profit of 175 million pounds, 70.9% higher year-on-year. The positive contribution to Banco Sabadell Group earnings amounted to 195 million euros.

The UK subsidiary increased its core results by 3.9% year-on-year, to reach 361 million pounds. Net interest income increased by 4.1% to reach 1,022 million pounds, due to the higher interest rate environment, while net fees and commissions fell by 5.4%, standing at 108 million pounds.

TSB's contribution to Group profit



It should be noted that TSB has started an efficiency improvement plan to reduce costs and focus on accelerating its core activity of mortgages, its historic field of specialisation.

Shareholder remuneration rises by 55%

The Board of Directors of Banco Sabadell has agreed to propose that the Annual General Meeting (AGM) approve a supplementary cash dividend of three euro cents per share and the launch of a further share buyback programme for up to 340 million euros.

On 29 December, Banco Sabadell distributed an interim dividend of three euro cents per share, bringing total cash remuneration to shareholders against 2023 earnings to six euro cents per share, which amounts to 326 million euros. Combined with the new share buyback programme, the total amount distributed among the Bank's >200,000 shareholders amounts to 666 million euros, 55% more than in the previous year.

Strategy drives the Bank's growth

In 2021, Banco Sabadell presented a plan that has led to an intense transformation of the business, in addition to higher growth due to the development of new direct banking capabilities, an improved value proposition and the reduction of its cost base.

The Institution has outperformed on almost all of the targets that it set at that time. Starting off with profitability at 0%, the plan set a RoTE target of at least 6% and by the end of the year that figure had almost doubled to 11.5%. It has

also managed to reduce its cost of risk by more than half, with the figure falling from 116 basis points to 55 basis points. Recurrent costs have managed to remain within expectations and the capital ratio has risen above the estimated 12%, to stand at 13.21%.

The Bank will continue with this strategy, underpinned by digitalisation, with a focus on profitability and business specialisation, which allows it to offer better service quality. The goal is to increase the retail and business customer base and to make Banco Sabadell their main bank, while continuing to bring down the cost of risk with a new customer relationship model. In addition, growth of the franchise will be boosted thanks to the development of a strategic partnership with Nexi in payment services.

Looking to the year ahead, Banco Sabadell expects RoTE to increase beyond the present level of 11.5% in 2024 and the CET1 capital level is expected to rise above 13%, with a continuing upward trend in net interest income. The focus will be on accelerating growth, improving efficiency and reducing the cost of risk.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Dec 22	Dec 23	Change YoY	Dec 22	Dec 23	Change YoY
Net interest income	3.799	4.723	24,3%	2.648	3.549	34,0%
Fees & commissions	1.490	1.386	-7,0%	1.356	1.262	-6,9%
Core banking revenue	5.289	6.109	15,5%	4.004	4.811	20,2%
Trading income& forex	104	68	-34,0%	98	52	-46,6%
Other income & expenses	-213	-316	48,6%	-117	-293	149,8%
Gross operating income	5.180	5.862	13,2%	3.985	4.571	14,7%
Operating expenses	-2.337	-2.496	6,8%	-1.585	-1.694	6,9%
Depreciation & amortisation	-545	-519	-4,8%	-388	-380	-2,3%
Total costs	-2.883	-3.015	4,6%	-1.973	-2.074	5,1%
<i>Promemoria:</i>						
<i>Recurrent costs</i>	-2.883	-2.982	3,5%	-1.973	-2.074	5,1%
<i>Non-recurrent costs</i>	0	-33	--	0	0	--
Pre-provisions income	2.298	2.847	23,9%	2.012	2.497	24,1%
Total provisions & impairments	-1.032	-910	-11,8%	-929	-835	-10,1%
Gains on sale of assets and other results	-23	-46	101,8%	-23	-45	94,7%
Profit before taxes	1.243	1.891	52,2%	1.060	1.616	52,5%
Taxes and minority interest	-384	-559	45,5%	-289	-479	65,9%
Attributable net profit	859	1.332	55,1%	771	1.137	47,4%
<i>Promemoria:</i>						
<i>Core results (NII + fees & commissions - recurrent costs)</i>	2.406	3.127	29,9%	2.031	2.738	34,8%

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Dec 22	Dec 23	Change YoY	Dec 22	Dec 23	Change YoY
Total assets	251.380	235.173	-6,4%	198.894	183.918	-7,5%
Performing gross loans	156.130	149.798	-4,1%	113.020	108.417	-4,1%
Customer-based funding on balance sheet	164.140	160.888	-2,0%	123.208	121.025	-1,8%
Customer-based funding off balance sheet	38.492	40.561	5,4%	38.492	40.561	5,4%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Dec 22	Dec 23	Dec 22	Dec 23
Core capital / Common equity fully-loaded (%)	12,6	13,2	--	--
NPL ratio (%)	3,41	3,52	4,13	4,22
NPL coverage ratio of stage 3	55,0	58,3	56,4	60,3
Number of branches	1.461	1.420	1.241	1.209
Number of employees	18.895	19.316	13.413	13.890

