

Q2 2024 Results

# Banco Sabadell delivers record profits up 40,3% and raises estimated shareholder remuneration to 2.9 billion euros over two years

- Expected shareholder remuneration improves from 2.4 to 2.9 billion euros over two years, equivalent to 27% of the Bank's capitalisation
- An interim cash dividend of eight cents per share will be paid in October; that amount corresponds to 15% of the total to be paid in two years
- Profit continues to rise and reached 791 million euros in June, while profitability, measured as RoTE, climbed to 13.1% compared to 12.2% in the previous quarter and 11.5% at the end of 2023
- The fully-loaded CET1 capital ratio stands at 13.48%, up by 18 basis points in the quarter and by 27 basis points year to date
- Commercial activity in Spain consolidates the good performance of the first quarter, with strong growth in lending to SMEs and corporates, mortgages, and in consumer loans, alongside an improvement of margins and asset quality
- TSB increases its mortgage completions by 42% year-on-year and contributes 95 million euros to Group profit
- After undergoing a profound transformation, the Bank ratifies its improved prospects in terms of its results for the coming years and also in terms of its increased capacity to generate capital and long-term value for its shareholders

## 23 July 2024

**Banco Sabadell Group** attained its highest ever profit in the first half of 2024, 791 million euros, representing a 40.3% increase, as a result of a robust growth rate of its business, particularly loans to SMEs and corporates, mortgages, and the continuous improvement of the credit risk profile, all of which has allowed it to further increase its asset quality and reduce its provisions.

This level of profit has allowed the Group to increase its **RoTE profitability** to 13.1% as at the end of June, representing an improvement of 395 basis points year-on-year compared to 12.2% in the previous quarter and 11.5% at the end of 2023.

As a result of these improved results and prospects, Banco Sabadell estimates that it will pay its shareholders **2.9 billion euros** over two years. The Board of Directors has approved distribution of 60% of the profit earned this year, honouring its policy of distributing between 40% and 60% of its profits (pay-out ratio).

Similarly, the **CET1 capital** ratio, which measures the Institution's solvency, has risen to 13.48%, entailing an increase of 18 basis points in the quarter and of 27 basis points compared to the end of 2023, already including the deduction due to the payout increase from 50% to 60%.

The first interim dividend, in cash, will be paid out in October this year and will be eight euro cents per share, representing a total of 429 million euros, which is 15% of the total commitment for the two years. This 2024 interim dividend alone is already 33% greater than the sum of the two dividends paid in the full year 2023.

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### Cash dividends

2021	2022	2023	2024
<b>3</b> Cents per share	<b>4</b> Cents per share	<b>6</b> Cents per share	<b>8</b> Cents per share <small>only first dividend</small>

The various payments made on a recurring basis over these two years will come to a total of **53 cents per share, equivalent to 27% of the value** of each security.

This means that the Bank is increasing shareholder remuneration by 500 million euros compared to the 2.4 billion euros estimated in May. This increase is explained by the sum of, on one hand, 250 million euros due to a smaller impact of the Basel IV regulation after the definitive version of the updated applicable regulation was published in June and, on the other hand, 250 million euros corresponding to the share **buyback programme**, which was suspended following the hostile takeover bid put forward by BBVA.

## Increased capacity to create value for shareholders on a recurring basis

The Group's Chairman, Josep Oliu, expressed his satisfaction with the Bank's activity and with the results obtained in the first half of the year, explaining that: *"The Board of Directors of Banco Sabadell has decided to increase its expected shareholder remuneration to 2.9 billion euros, having ratified, what had already been anticipated in previous quarters. This reflects the strong results today, the banks' improved outlook and increased capacity to generate capital and long-term value for shareholders"*.

Banco Sabadell's Chief Executive Officer, César González-Bueno, noted that *"We have delivered a record set of results, with profitability improving significantly, up 40.3% in the half. This performance reflects the radical transformation of the business over the past three years and the outstanding commitment of our teams, with employee engagement at record levels above 90%"*.

*"Banco Sabadell's strategy is delivering. We are now a stronger, more agile company with a solid financial and operational foundation, and a focus on sustainable growth and profitability. As we look ahead, we know we have a bright future, with more value to be unlocked as we continue to execute our strategy. The growth we are expecting in our results, bank size and market share across all segments, particularly in SMEs, is testament to the exciting trajectory we are on."*

Chief Financial Officer, Leopoldo Alvear, for his part, highlighted the evolution of all of the key figures on the income statement and balance sheet. *"Our numbers show that we are doing exceptionally well. We are achieving our results in a recurring and sustainable way, as reflected by the growth of our margins and turnover, the improvement of our risk profile, and the acceleration of our profitability and capital generation,"* said Alvear, who added that *"the changes we have undergone in recent quarters allow us to expect further increases in profitability in the coming years."*

## Growth of the banking business

Worth noting among the results of the first half of the year is **net interest income**, which increased by **9.8%** year-on-year to **2,493 million euros**, thanks to a higher customer margin (3.18%), while fees and commissions income reached 674 million euros, falling by 3.3% year-on-year, which was within the expected range.

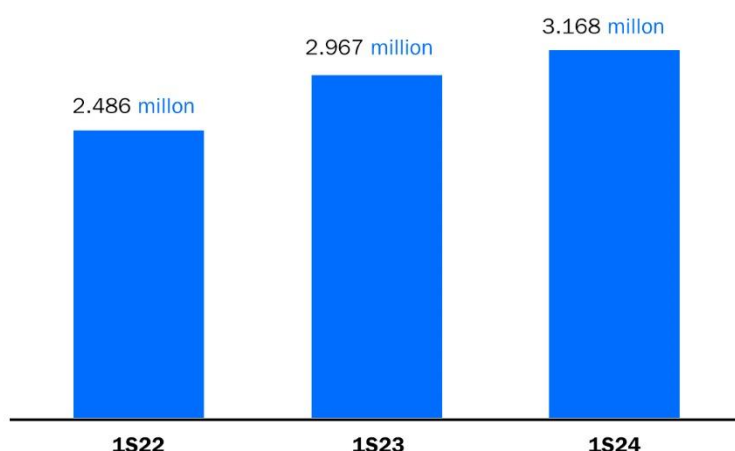
As a result, **core banking revenue** (net interest income + net fees and commissions) reached 3,168 million euros between January and June 2024, 6.8% higher year-on-year and 1.6% above the figure recorded in the previous quarter.

**Total costs**, for their part, amounted to 1,515 million euros during the first half of the year, representing year-on-year growth of 2.5%. Given the increase in core banking revenue and the containment of costs, **core results** (net interest income plus fees less costs) grew by 11% year-on-year to reach 1,652 million euros, while the **cost-to-income ratio** improved by 3.8 percentage points to 48.3%.

The improvement of results was also driven by a reduction of **total provisions**, which dropped by 16.9% year-on-year to 389 million euros. This decline was due mainly to the **improved credit risk profile** across all segments of Banco Sabadell Group and to a favourable economic environment.

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## Core banking revenue



## Commercial activity consolidates its momentum

Banco Sabadell's **performing loans** ended the first half of the year with a balance of 155,164 million euros, representing a year-on-year increase of 0.9%, with strong growth of new lending to SMEs and corporates, and of mortgages and consumer loans.

**New business lending in Spain**, that is, medium- and long-term financing plus lines of credit, amounted to 8,674 million euros between January and June, representing an increase of 35% compared to the same period of the previous year, while the **volume of working capital credit** fell by 5% year-on-year to 15,079 million euros, although the quarterly figure does show positive signs, with an increase of 8%.

**Mortgage lending activity** also did well and further consolidated the upward trend it has been following from quarter to quarter. In the first half of the year, **mortgage loan approvals** were up 14% compared to the same period of the previous year, standing at 2,407 million euros. The average amount granted rose to 17%, while the loan-to-value (LTV) ratio, in other words, the ratio of the loan amount to the property's valuation, remained stable.

**Consumer lending** also continued to follow an upward trend, recording growth of 17% compared to the same period in the previous year, standing at 1,194 million euros. It is worth noting that the probability of default in this business segment during the first six months of the year fell to an all-time low, almost 30% below the figure in 2023.

Similarly, **credit card turnover** followed a positive trend, increasing by 7% year-on-year to reach 11,918 million euros as at the end of June, with more than 362 million transactions in six months. The **volume of transactions** carried out through POS devices increased by 10% to 26,873 million euros. Banco Sabadell dataphones recorded 861 million transactions between January and June of this year, 13% more than in the first half of the previous year.

## Funds in savings and investment products increase

**Customer funds** managed by the Institution, both on-balance sheet and off-balance sheet, grew by 2.1% year-on-year and came to a total of 206,742 million euros as at the end of June. In the first half of the year, there was a noteworthy flow of volumes from demand deposits to term deposits, and to off-balance sheet funds, mainly **investment funds**.

In total, **off-balance sheet funds** increased by 9.7% to 43,574 million euros as at the end of June, while on-balance sheet funds remained practically steady (+0.2%) and ended the half-year at 163,169 million euros.

Customer funds held in **savings and investment products** in Spain increased during the quarter by almost 2 billion euros, to 60.6 billion euros. Of that increase, a rise of around 0.5 billion euros was recorded in term and structured deposits, while off-balance sheet funds increased by 1.5 billion euros, above all driven by the growth of mutual funds, due to both net inflows and the positive development of the market.

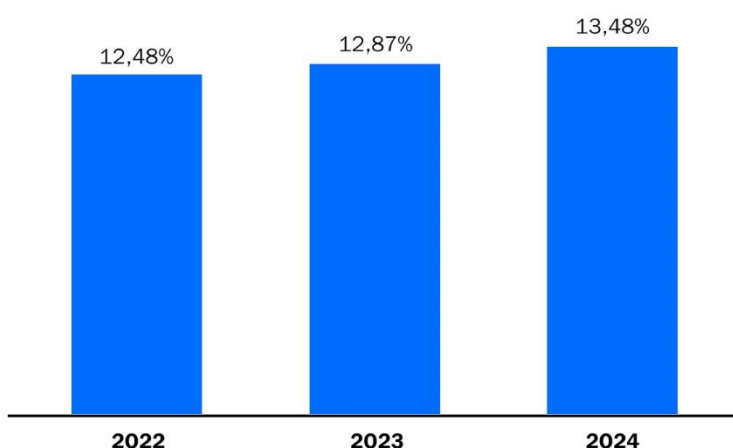
The **Group's total assets** amounted to 244,328 million euros, representing a year-on-year increase of 0.4%, despite the repayment, in full, of TLTRO III borrowing.

## Optimal organic capital generation

The Institution continues to demonstrate its ability to generate capital organically. As at the end of June 2024, the **fully-loaded CET1 ratio** stood at 13.48%, indicating an increase of 18 basis points during the quarter and of 27 basis points compared to the end of 2023.

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### CET1 Capital



The **total capital ratio** stood at 18.54% and the MDA buffer stood at 454 basis points, providing an ample buffer well above supervisory requirements.

Balance sheet quality was upheld in terms of liquidity, while credit quality continued to improve. The **loan-to-deposit ratio** (which shows the proportion of loans relative to deposits) stood at 95.9% in the second quarter of the year, with a balanced retail funding structure, while the **liquidity coverage ratio** (LCR) reached 198% as at the end of June, with total **liquid assets** of 59,244 million euros.

**Non-performing assets** fell during the second quarter by 316 million euros compared to the previous quarter, closing the period with a balance of 6,341 million euros, including 5,439 million euros of **non-performing loans** and 902 million euros of **foreclosed assets**. Over the past year, the Institution has reduced its non-performing assets by 630 million euros.

The **NPL ratio** stood at 3.21% in June, below the 3.46% recorded in the previous quarter. The improved balance sheet quality is also reflected by an increase in the **NPA coverage ratio**, which stood at 56.8% (+3.7 percentage points year-on-year). The NPL (stage 3) coverage ratio rose to 59.7% (+4 percentage points) and the foreclosed asset coverage ratio reached 39.5% (+4 percentage points).

All of the above resulted in a further improvement in **credit cost of risk**, which is already at 33 basis points. The **Group's total cost of risk** also followed a positive trend and stood at 46 basis points in June.

## Balance sheet quality

### NPL ratio

2Q 2022

3.31%

2Q 2023

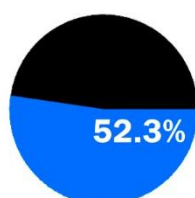
3.50%

2Q 2024

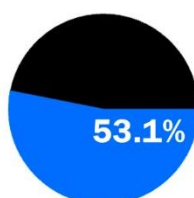
3.21%

### Coverage ratio

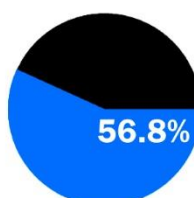
2Q 2022



2Q 2023



2Q 2024



## TSB contributes 95 million euros

TSB ended the second quarter of 2024 with **standalone net profit** of 41 million pounds, 9.1% more in quarter-on-quarter terms, and of 79 million pounds between January and June, equivalent to a 24.9% decline. The **positive contribution to Banco Sabadell Group's earnings** amounted to 49 million euros in the second quarter and to 95 million euros during the first half, half of the contribution made to the Group during all of the previous year.

Commercial activity in TSB continued to follow a positive trend, as reflected by the year-on-year growth figure of 43% for its **new mortgage lending** recorded in the second quarter of the year. That growth rate is particularly noteworthy, as the mortgage market in the UK is extremely competitive. TSB also recorded significant growth in its granting of personal loans, which were up 60%. In total, product sales in TSB came to 640,000 during the first six months of the year, 8% more than in the same period in the previous year.

TSB reduced its **core results** by 23.5% year-on-year to 138 million pounds as at the end of June, although they were 25% higher than in the second half of 2023, which reflects a positive trend of improvement. Net interest income dropped by 9.2% year-on-year to 480 million pounds, while **net fees and commissions** fell by 9.3% to 46 million pounds. **Total costs** showed an improvement on previous quarters, and this trend is likely to gradually become more pronounced thanks to the savings plan announced at the beginning of the year.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Jun 23	Jun 24	Change YoY	Jun 23	Jun 24	Change YoY
<b>Net interest income</b>	<b>2.270</b>	<b>2.493</b>	<b>9,8%</b>	<b>1.667</b>	<b>1.932</b>	<b>15,9%</b>
Fees & commissions	697	674	-3,3%	639	620	-2,9%
<b>Core banking revenue</b>	<b>2.967</b>	<b>3.168</b>	<b>6,8%</b>	<b>2.306</b>	<b>2.552</b>	<b>10,7%</b>
Trading income& forex	31	37	18,4%	26	13	-50,2%
Other income & expenses	-189	-144	-24,2%	-169	-115	-32,1%
<b>Gross operating income</b>	<b>2.809</b>	<b>3.061</b>	<b>9,0%</b>	<b>2.163</b>	<b>2.450</b>	<b>13,3%</b>
Operating expenses	-1.204	-1.266	5,2%	-817	-876	7,2%
Depreciation & amortisation	-274	-249	-9,0%	-198	-191	-3,4%
Total costs	-1.478	-1.515	2,5%	-1.014	-1.067	5,2%
<i>Promemoria:</i>						
<i>Recurrent costs</i>	-1.478	-1.515	2,5%	-1.014	-1.067	5,2%
<i>Non-recurrent costs</i>	0	0	--	0	0	--
<b>Pre-provisions income</b>	<b>1.331</b>	<b>1.546</b>	<b>16,1%</b>	<b>1.149</b>	<b>1.384</b>	<b>20,5%</b>
Total provisions & impairments	-468	-389	-16,9%	-446	-361	-19,0%
Gains on sale of assets and other results	-13	-2	-82,5%	-14	-3	-78,0%
<b>Profit before taxes</b>	<b>849</b>	<b>1.154</b>	<b>35,9%</b>	<b>689</b>	<b>1.020</b>	<b>47,9%</b>
Taxes and minority interest	-286	-363	27,1%	-231	-323	39,9%
<b>Attributable net profit</b>	<b>564</b>	<b>791</b>	<b>40,3%</b>	<b>458</b>	<b>696</b>	<b>52,0%</b>
<i>Promemoria:</i>						
<i>Core results (NII + fees &amp; commissions - costs)</i>	1.489	1.652	11,0%	1.292	1.486	15,0%

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Jun 23	Jun 24	Change YoY	Jun 23	Jun 24	Change YoY
Total assets	243.453	244.328	0,4%	190.823	192.663	1,0%
Performing gross loans	153.834	155.164	0,9%	111.307	112.258	0,9%
Customer-based funding on balance sheet	162.790	163.169	0,2%	121.587	121.987	0,3%
Customer-based funding off balance sheet	39.720	43.574	9,7%	39.720	43.574	9,7%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Jun 23	Jun 24	Jun 23	Jun 24
Core capital / Common equity fully-loaded (%)	12,9	13,5	--	--
NPL ratio (%)	3,50	3,21	4,23	3,80
NPL coverage ratio of stage 3	55,7	59,7	57,4	62,9
Number of branches	1.447	1.382	1.236	1.171
Number of employees	19.405	19.015	13.787	14.025

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Commitment to Sustainability