

Q1 2023 Results**Banco Sabadell earns profit of 205 million euros up to March after allocating 157 million euros for one-off bank tax**

- **ROTE stands at 9.9% (11.4% not including bank tax impact)**
- **Fully-loaded CET1 capital ratio increases 24bps in the quarter and reaches 12.78%**
- **Loan-to-Deposit ratio improved to 95.0% while LCR as at the end of March stands at 220%**
- **TSB continues to make a positive contribution to the Group's earnings and obtains standalone profit after tax of 54 million pounds**

**27 April 2023.** Banco Sabadell Group has ended the first quarter with a net attributable profit of 205 million euros, 4% less than in the same quarter of the previous year. The Institution's core results (net interest income + fees and commissions – costs) increased by 46.7% year-on-year, and ROTE reached 9.9%, in line with the targets set for 2023. If the impact of the one-off bank tax is excluded, profit at end of March stands at 361 million euros, 69.4% more than in the same quarter of the previous year, which implies ROTE of 11.4%.

CEO, César González-Bueno, stated that *“we have made a strong start to the year. Customer processes continue to improve in relation to mortgages, accounts, vertical solutions for businesses, services for corporates... once again, we delivered good results this quarter. The teams at Banco Sabadell are still working with a clear course of action, building and consolidating the future of our franchise”*.

Banco Sabadell's CFO, Leopoldo Alvear, remarked that *“we are closing a positive quarter, with a solvency ratio of 12.78%, which has increased by 24 bps quarter-on-quarter, as well as a comfortable liquidity position and core results that have increased by more than 46% year-on-year”*.

## Net interest income + fees and commissions

**Core banking revenue** (net interest income + net fees and commissions) reached 1,450 million euros, 19.2% higher year-on-year, and **net interest income** grew by 28.3%, to reach 1,100 million euros.

At the end of March, **net fees and commissions** amounted to 350 million euros, representing a year-on-year decrease of 2.4%, and **total costs** stood at 730 million euros, 0.7% more than the previous year.

## Commercial activity

At the end of March 2023, Banco Sabadell's **performing loans** had a balance of 152,637 million euros (-1.4% year-on-year) and the **mortgage portfolio** in Spain reached 38,894 million euros, having grown by 0.7%; while **lending to SMEs and large corporates** ended the quarter at 42,590 million euros, 0.7% less than the same period of the previous year. **Consumer credit** in Spain amounted to 3,494 million euros and increased by 11.7% year-on-year.

The level of commercial activity in Spain has remained dynamic in the first quarter of 2023. Consequently, **card turnover** reached 5,330 million euros, up by 11% year-on-year, while **PoS turnover** amounted to 11,261 million euros, a 19% increase compared with the same quarter of the previous year.

At the end of March 2023, **on-balance sheet customer funds** amount to 162,307 million euros, having grown by 0.6% year-on-year. Sight deposit balances stand at 142,624 million euros, having decreased by 2.7% year-on-year. Term deposits stand at 18,372 million euros, an increase of 19.4% compared with March 2022 and of 13.8% relative to the previous quarter.

**Off-balance sheet customer funds** reached 39,513 million euros as of the end of March 2023, which represents a decrease of 2.7% year-on-year, reflecting the impact of financial market volatility. A quarter-on-quarter comparison reveals growth of 2.7%.

The Group's **total assets** amounted to 248,480 million euros, which represents a decrease of 1.9% year-on-year, and 1.2% quarter-on-quarter due to the early repayment of TLTRO III.

## **The capital ratio increased by 24bps and stands at 12.78%**

The **fully-loaded CET1** ratio stands at 12.78% and increased by 24 bps in the quarter, while the total capital ratio stands at 18.09% at the end of March 2023, above the regulatory requirement with an **MDA buffer** of 413 bps.

The loan-to-deposit ratio at the end of March 2023 improved to 95.0%, with a balanced retail funding structure.

With regard to liquidity management, a comfortable position is recorded, with the Group's **Liquidity Coverage Ratio (LCR)** reaching 220% at the end of March.

## **NPAs reduced by 500 million euros**

**Non-performing assets** had a balance of 7,008 million euros as of the end of March 2023, of which 5,891 million euros are non-performing loans and 1,117 million euros are foreclosed assets. This figure represents an NPA reduction of 500 million euros compared with the same period of the previous year (a 7% improvement).

The NPA coverage ratio, including total provisions, stands at 52.0%, with the NPL (stage 3) coverage ratio, including total provisions, standing at 54.6% and the foreclosed asset coverage ratio standing at 38.4%.

The **NPL ratio** at the end of March demonstrated a positive evolution year-on-year, standing at 3.52%, compared with 3.66% in the first quarter of the previous year.

Credit cost of risk stands at 45 bps and remains stable at the end of the first quarter.

## **TSB obtains profit of 54 million pounds**

TSB ends the first quarter of 2023 with **standalone profit after tax** of 54 million pounds sterling. Its positive contribution to Banco Sabadell Group earnings amounts to 53 million euros.

TSB's **core results** (net interest income + fees and commissions – costs) increased year-on-year. **Net interest income** totals 268 million pounds at the end of March 2023 and increased by 18.2% year-on-year. **Net fees and commissions** amount to 25 million pounds, down by 2.7% year-on-year, while **costs** stand at 192 million pounds, up by 1.7%.

## **Progress achieved in business transformation**

Banco Sabadell continues to achieve milestones in the transformation of its business. In **Retail Banking**, great progress has been made in digital customer acquisition and today more than half of new customers are onboarded digitally. The digitalisation of customer processes continues; for example, more than 70% of new consumer loans are now arranged remotely. Lastly, the specialisation of the customer service model continues to

be enhanced through the deployment of specialist managers in mortgages, investments products and insurance.

In **Business Banking** the bank's goal is to continue deploying sector-specific vertical solutions for businesses. Additionally, the credit risk acceptance process continues to be improved through greater sectoral specialisation of analysts and by incorporating more technology and data analysis into the risk acceptance process. Similarly, technology is being leveraged more to serve Business segment customers, with the aim of enhancing their relationship with the bank.

### **Strategic alliance with Nexi in digital payments**

At the end of February, Banco Sabadell signed a strategic agreement with Nexi, European leader in digital payments. This alliance, which will be for a renewable 10-year period, ratifies Banco Sabadell's commitment to continue improving services in a key product for the corporate, business and self-employed segments. The agreement brings economies of scale and greater cost efficiency to the Bank's value proposition, as well as higher quality technological solutions and specialisation, so that it can continue to improve services for its customers.

### **S&P upgrades outlook for Banco Sabadell**

The credit rating agency S&P Global Rating has upgraded Banco Sabadell's long-term outlook from Stable to Positive, maintaining the 'BBB' rating. The upgraded outlook is based on the Bank's improved profitability and efficiency. The credit rating agency also took a positive view of the successful completion of the efficiency plan in Spain and the return to profit generation at TSB. They also consider that Sabadell will maintain comfortable solvency levels and that non-performing assets will remain stable going forward.

Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Mar 22	Mar 23	Change YoY	Mar 22	Mar 23	Change YoY
<b>Net interest income</b>	<b>858</b>	<b>1.100</b>	<b>28,3%</b>	<b>587</b>	<b>797</b>	<b>35,8%</b>
Fees & commissions	359	350	-2,4%	328	322	-1,9%
<b>Core banking revenue</b>	<b>1.217</b>	<b>1.450</b>	<b>19,2%</b>	<b>916</b>	<b>1.119</b>	<b>22,3%</b>
Trading income& forex	33	1	-96,4%	28	-6	--
Other income & expenses	36	-140	--	48	-130	--
<b>Gross operating income</b>	<b>1.285</b>	<b>1.311</b>	<b>2,0%</b>	<b>991</b>	<b>983</b>	<b>-0,8%</b>
Operating expenses	-590	-593	0,5%	-399	-405	1,4%
Depreciation & amortisation	-136	-138	1,3%	-94	-100	5,9%
Total costs	-726	-730	0,7%	-493	-504	2,2%
<b>Pre-provisions income</b>	<b>560</b>	<b>581</b>	<b>3,8%</b>	<b>497</b>	<b>479</b>	<b>-3,7%</b>
Total provisions & impairments	-227	-236	4,0%	-215	-217	0,7%
Gains on sale of assets and other results	-13	-3	-79,2%	-13	-3	-78,6%
<b>Profit before taxes</b>	<b>320</b>	<b>342</b>	<b>7,1%</b>	<b>269</b>	<b>259</b>	<b>-3,6%</b>
Taxes and minority interest	-106	-137	29,2%	-75	-108	43,5%
<b>Attributable net profit</b>	<b>213</b>	<b>205</b>	<b>-4,0%</b>	<b>194</b>	<b>151</b>	<b>-21,9%</b>
<i>Promemoria:</i>						
<i>Core results (NII + fees &amp; commissions - costs)</i>	<i>491</i>	<i>720</i>	<i>46,7%</i>	<i>422</i>	<i>615</i>	<i>45,7%</i>

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Mar 22	Mar 23	Change YoY	Mar 22	Mar 23	Change YoY
Total assets	253.256	248.480	-1,9%	200.441	196.699	-1,9%
Performing gross loans	154.742	152.637	-1,4%	110.448	110.643	0,2%
Customer-based funding on balance sheet	161.316	162.307	0,6%	119.118	121.690	2,2%
Customer-based funding off balance sheet	40.624	39.513	-2,7%	40.624	39.513	-2,7%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Mar 22	Mar 23	Mar 22	Mar 23
Core capital / Common equity fully-loaded (%)	12,5	12,8	--	--
NPL ratio (%)	3,66	3,52	4,48	4,27
NPL coverage ratio of stage 3	55,7	54,6	57,6	56,1
Number of branches	1.594	1.457	1.304	1.237
Number of employees	18.985	19.151	13.283	13.495

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