

Q1 2024 Results

Banco Sabadell earns net profit of 308 million euros, 50.4% higher YoY, and raises its capital ratio to 13.3%

- Profitability (ROTE) rises to 12.2% compared to 11.5% recorded at 2023 year-end
- Medium- and long-term business lending, mortgage lending and consumer lending all show considerable momentum in the first quarter
- TSB contributes 46 million euros to Group profits, after a 41% increase in mortgage completions in the UK compared to the same period last year
- The Bank launches its 340 million euro share buyback programme, equivalent to delivering a 4% increase in future earnings per share

25 April 2024

Banco Sabadell Group earned **net attributable profit** of 308 million euros in the first quarter of 2024, 50.4% more than in the same period of the previous year. These earnings were mainly driven by dynamic commercial activity and by improved asset quality, which in turn improved net interest income and reduced provisions.

With this level of profit, **profitability** (measured as **ROTE**) rose to 12.2% compared to 11.5% as at year-end, while the **CET1 capital ratio** increased to 13.3% from 13.2% as at the end of 2023. During the quarter **S&P Global Ratings** upgraded the Institution's credit rating, while **Moody's** changed its outlook to positive, citing the Institution's positive activity and balance sheet.

The Bank's **Chief Executive Officer, César González-Bueno**, explained that it has been a good start to the year. *"2023 was a good year and in 2024 we are focusing on achieving growth across all our business lines. We have had an excellent quarter in corporate banking, private banking, business banking and mortgages, we have accelerated the pace of digital retail customer acquisition and we have also launched a new account for the self-employed."*

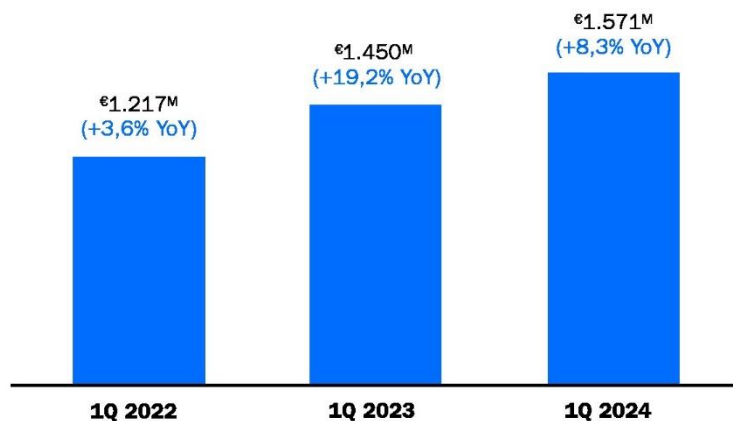
“At the start of the year, we announced that this would be a year of further growth and that is what we are delivering, keeping strict credit approval processes,” concluded González-Bueno.

Chief Financial Officer Leopoldo Alvear emphasised that the Institution “continues to demonstrate its ability to generate capital organically, to increase its profitability, and to continuously improve its risk profile and asset quality. Overall these are very positive messages for the market and for our shareholders in particular, who can see their earnings per share continue to grow year after year”, he remarked.

Core banking revenue increases

In relation to the income statement for the first quarter, **net interest income** rose by 11.9% year-on-year to reach 1,231 million euros, while **net fees and commissions** came to 340 million euros, dropping by 3.1% year-on-year, as anticipated. In this way, **core banking revenue** (net interest income + net fees and commissions) reached 1,571 million euros, 8.3% higher year-on-year and 1.3% above the figure recorded in the previous quarter.

Core banking revenue



The **other operating income** heading showed a cost of 162 million euros, after recognising the 192 million euro extraordinary tax payment.

Total costs, for their part, rose to 751 million euros between January and March, representing year-on-year growth of 2.9%. As a result of higher core banking revenue and the containment of costs, which are within the expected range, **core results** increased by 13.8% to 820 million euros, while the Group's **cost-to-income ratio** improved by 3.8 points compared to 2023, standing at 47.6% in the first quarter of 2024.

In addition, the **customer margin** continued its upward trend, driven by a higher credit yield as a result of portfolio repricing. It stood at 3.09% between January and March of this year, after recording year-on-year growth of 36 basis points and a 10 basis point increase on the previous quarter.

Results were also influenced by the 11.6% reduction in provisions and impairments, which amounted to 208 million euros. This reduction was mainly the result of the 8.5% decline in **credit provisions** allocated, given the Institution's improved credit quality.

Good momentum in lending volumes

Banco Sabadell's **performing loans** ended the first quarter of the year with a balance of 150,796 million euros, representing a year-on-year decline of 1.2% and a quarterly increase of 0.7%. By segments, **new business lending**, that is, medium- and long-term financing plus lines of credit, amounted to 3,894 million euros, representing an increase of 48% compared to the same period of the previous year, while the **volume of working capital credit** fell by 5% to 7,255 million euros.

New consumer lending also continued to show dynamic growth, with volumes between January and March 2024 showing a 13% increase compared to the same period in the previous year, ending the quarter at 552 million euros. Credit card turnover mirrored this performance and trended upwards (increasing by 7% year-on-year to reach 5,727 million euros as at end-March), as did the volume of PoS transactions (increasing by 11% to reach 12,445 million euros). Banco Sabadell **dataphones** recorded 403 million euros worth of transactions between January and March this year, 13% more than in the first quarter of the previous year.

Mortgage activity also followed a **positive trend**, with **mortgage loan approvals** growing by 20% in the first quarter of this year compared to the previous quarter to 908 million euros, gradually increasing every month. However, in year-on-year terms, mortgage completions were still down 11%.

Off-balance sheet savings increase

Customer funds managed by the Institution, both on-balance sheet and off-balance sheet, grew by 0.9% year-on-year. At the end of the first quarter, they amounted to 203,569 million euros, after flowing through from sight deposits to off-balance sheet funds, mainly investment funds, and towards term deposits.

Customer funds in **savings and investment products** in Spain performed the best, standing at 58.7 billion euros, having grown by 2.1 billion euros during the quarter. Of this increase, around 0.5 billion euros were recorded in term deposits, while off-balance sheet funds increased by 1.6 billion euros, above all driven by the growth of mutual funds, due to both net inflows and the positive development of the market.

In total, **off-balance sheet funds** amounted to 42,150 million euros as at the end of March 2024, representing a quarterly increase of 3.9%, while **on-**

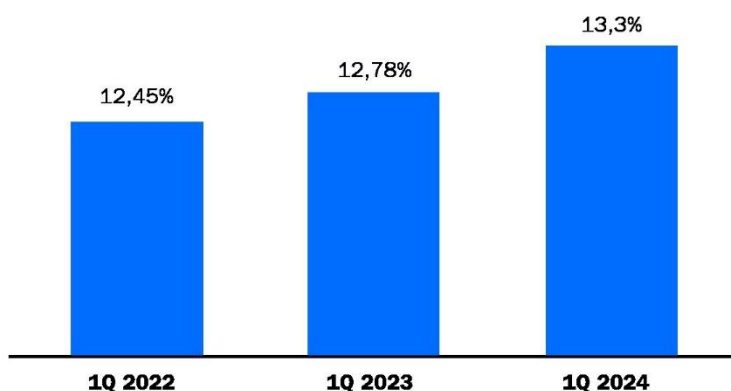
balance sheet funds remained practically in line with the previous quarter (+0.3%) and stood at 161,419 million euros.

The **Group's total assets** amounted to 236,135 million euros, representing a year-on-year decline of 5%, brought on mainly by the repayment, in full, of TLTRO III borrowing.

Organic capital generation continues

The Institution continues to demonstrate its ability to generate capital organically. As at the end of the first quarter, the **fully-loaded CET1 ratio** stood at 13.3%, indicating an increase of nine basis points during the quarter.

CET1 Solvency Ratio



At the same time, the **total capital ratio** stood at 18.42% and the **MDA buffer** stood at 437 basis points, providing an ample buffer well above 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 to stand at 94.3% in the first quarter of the year, with a balanced retail funding structure, while the **liquidity coverage ratio** (LCR) reached 205% as at the end of March (238% excluding TSB).

Non-performing assets fell during the first quarter by 92 million euros, closing the period with a balance of 6,657 million euros, including 5,718 million euros of non-performing loans and 939 million euros of foreclosed assets.

The **NPL ratio** stood at 3.46% in March, improving from 3.52% recorded in the previous quarter. The improved balance sheet quality is also reflected in an increase in the NPA coverage ratio, which stood at 55.8% (+3.8 percentage points year-on-year). The NPL (stage 3) coverage ratio rose to 58.5% (+3.9

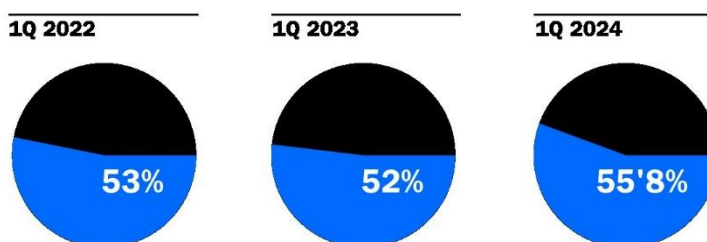
percentage points) and the foreclosed asset coverage ratio reached 39.4% (+1 percentage point).

Balance sheet quality

NPL ratio



Coverage ratio



As a result, **credit cost of risk** improved with respect to the same period of the previous year and stood at 41 basis points. The **Group's total cost of risk** also followed a positive trend and stood at 50 basis points as at the end of March 2024.

TSB contributes 46 million euros

TSB ended the first quarter of 2024 with **standalone net profit** of 38 million pounds, representing a year-on-year reduction of 30.7%. The positive contribution to Banco Sabadell Group's earnings amounted to 46 million euros.

Commercial activity in TSB showed signs of recovery, reflected in a 41% year-on-year increase in **new mortgage lending** and a 25% increase in applications for loans secured with real estate collateral between January and March compared to the previous quarter, all against a backdrop that showed signs of economic uncertainty in an especially competitive UK mortgage market.

TSB reduced its **core results** by 29.9% year-on-year to 70 million pounds. Its net interest income slid by 10.9% to 238 million pounds in year-on-year terms, but remained stable in the quarter, underpinned by larger volumes. Net fees and commissions fell by 3.1% during the quarter to 25 million pounds.

Start of 340 million share buyback programme

On Thursday, Banco Sabadell decided to execute the **340 million euro share buyback programme** recently approved at the Annual General Meeting (AGM) and proposed by the Board of Directors, as disclosed to the Spanish National Securities Market Commission (CNMV).

These shares, representing 4% of the Institution's share capital, will be redeemed gradually and will subsequently reduce the Bank's share capital, which will lead to a 4% increase in earnings per share once the repurchase has been executed.

Credit rating upgrades

During the first quarter, **S&P Global Ratings** upgraded Banco Sabadell's long-term issuer credit rating from 'BBB' to 'BBB+', changing the outlook to stable from positive. According to the credit rating agency, this rating upgrade reflects the Institution's improved profitability, which is currently at levels commensurate with the depth of its franchise and with the profitability of its peers.

Similarly, **Moody's Investors Service** affirmed Banco Sabadell's long-term deposit rating at 'Baa1' and its senior debt rating at 'Baa2', improving the outlook on both ratings to positive from stable.

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Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Mar 23	Mar 24	Change YoY	Mar 23	Mar 24	Change YoY
Net interest income	1.100	1.231	11,9%	797	953	19,6%
Fees & commissions	350	340	-3,1%	322	310	-3,9%
Core banking revenue	1.450	1.571	8,3%	1.119	1.263	12,8%
Trading income& forex	1	35	--	-6	24	--
Other income & expenses	-140	-162	15,1%	-130	-151	16,4%
Gross operating income	1.311	1.444	10,2%	983	1.136	15,5%
Operating expenses	-593	-627	5,8%	-405	-433	7,0%
Depreciation & amortisation	-138	-124	-9,5%	-100	-95	-4,9%
Total costs	-730	-751	2,9%	-504	-528	4,6%
<i>Promemoria:</i>						
<i>Recurrent costs</i>	-730	-751	2,9%	-504	-528	4,6%
<i>Non-recurrent costs</i>	0	0	--	0	0	--
Pre-provisions income	581	693	19,3%	479	608	26,9%
Total provisions & impairments	-236	-208	-11,6%	-217	-188	-13,2%
Gains on sale of assets and other results	-3	0	--	-3	0	-96,9%
Profit before taxes	342	484	41,6%	259	420	61,8%
Taxes and minority interest	-137	-176	28,4%	-108	-157	45,6%
Attributable net profit	205	308	50,4%	151	263	73,3%
<i>Promemoria:</i>						
<i>Core results (NII + fees & commissions - recurrent costs)</i>	720	820	13,8%	615	735	19,6%

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Mar 23	Mar 24	Change YoY	Mar 23	Mar 24	Change YoY
Total assets	248.480	236.135	-5,0%	196.699	185.234	-5,8%
Performing gross loans	152.637	150.796	-1,2%	110.643	108.466	-2,0%
Customer-based funding on balance sheet	162.307	161.419	-0,5%	121.690	120.861	-0,7%
Customer-based funding off balance sheet	39.513	42.150	6,7%	39.513	42.150	6,7%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Mar 23	Mar 24	Mar 23	Mar 24
Core capital / Common equity fully-loaded (%)	12,8	13,3	--	--
NPL ratio (%)	3,52	3,46	4,27	4,15
NPL coverage ratio of stage 3	54,6	58,5	56,1	60,8
Number of branches	1.457	1.414	1.237	1.203
Number of employees	19.151	19.213	13.495	13.899