

Q2 2021 Results**Banco Sabadell earns profit of 220 million euros in the first half-year (+51.5%) driven by improved margins and reduced costs**

- The banking business is robust, with interest margin (+2.3%) and fees (+7.7%) growing in the quarter
- Efficiency gains achieved, in line with the strategic plan, with costs declining both year-on-year (-3.2%) and quarter-on-quarter (-3.3%)
- TSB consolidates and accelerates its positive contribution to the Group (39 million euros in the half year) on the back of its restructuring plan, which is progressing at pace
- Increase in lending, both in the quarter (+1.5%) and year-on-year (+6.2%)
- Mortgages return to pre-pandemic levels and production in Spain reaches a new high with a volume of 1,487 million euros (+15% in the quarter)
- The fully-loaded CET1 capital ratio stands at 12%
- The NPL ratio remains stable at 3.58%
- The Board announces its intention of establishing a 30% cash pay-out ratio for our 2021 annual results, after completing the ongoing supervisory dialogue

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**29 July 2021.** Banco Sabadell Group has ended the first half of 2021 with **net attributable profit** of 220 million euros, representing a year-on-year increase of 51.5%. **“We end the half-year with positive results, with revenues and lending volumes growing. Our strategic plan's roadmap to transform the institution is progressing well”** said CEO, César González-Bueno, who also spoke of **“the growing contribution to the Group of our business in the United Kingdom”**.

While Banco Sabadell's CFO, Leopoldo Alvear, pointed out that **“we are now seeing tangible results in terms of improved efficiency and cost savings, which we hope will continue to develop positively in the coming quarters; in addition, we see revenue trending upwards and provisions returning to normal levels”**.

**Core banking revenue** (net interest income + net fees and commissions) reached 2,395 million euros, 0.7% higher year-on-year. Compared to the previous quarter, the increase was 3.9%. **Net interest income** grew 2.3% in the quarter and stands at 1,685 million euros as at the end of June, 1.1% lower year-on-year due to the reduced contribution of the ALCO portfolio.

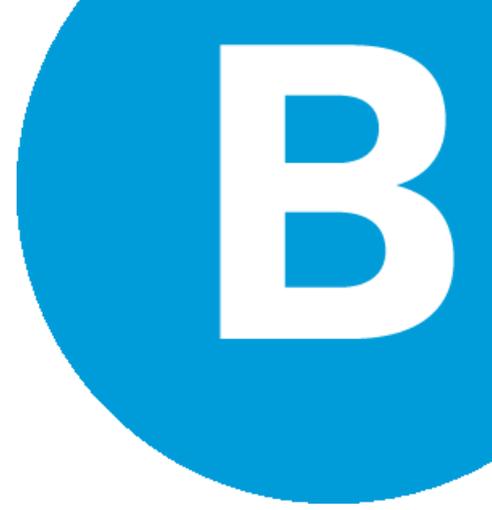
**Net fees and commissions** amounted to 709 million euros, representing year-on-year growth of 5.4%, mainly driven by the good performance of services commissions and investment funds. Moreover, income from fees and commissions grew by 7.7% in the quarter.

**Total costs** amounted to 1,512 million euros as at the end of June 2021, having fallen by 3.2% year-on-year. Compared to the previous quarter costs were down 3.3%, helped by the implementation of the restructuring plan in Spain in the first quarter and by general cost savings in TSB.

### **Lending performed well**

Banco Sabadell's gross **performing loans** excluding CAM APS ended the first half of 2021 with a balance of 152,274 million euros (111,315 million euros ex-TSB). Lending growth excluding CAM APS was 6.2% year-on-year and 1.5% in the quarter, driven by the good performance of mortgages in Spain and in TSB, as well as the pleasing dynamics of commercial lending in Spain to companies, SMEs and self-employed professionals.

In Spain, the gross performing loans grew 2.8% year-on-year and 1.2% in the quarter.



New mortgage lending exceeded pre-pandemic levels and reached 1,487 million euros, having increased 15% in the quarter which represents a new record for Banco Sabadell. Year-on-year, the increase was 117%.

As at 30 June, 9 billion euros of ICO financing had been drawn from a total of 12 billion granted. With regard to payment holidays in Spain, the outstanding balance was reduced by 80%; of the total 3,246 million euros granted, there is an outstanding balance of 540 million. In the United Kingdom, of the 4,816 million pounds of payment holidays granted, just 94 million remain outstanding.

In the half year to end of June 2021, **on-balance sheet customer funds** reached a total of 157,345 million euros (115,929 million euros ex-TSB), representing year-on-year growth of 6.6% (3.9% ex-TSB). Quarter-on-quarter, this item grew by 2.3% (2.9% ex-TSB).

**Sight account balances** amounted to 140,028 million euros (100,808 million euros ex-TSB), representing an increase of 13.0% year-on-year (11.1% ex-TSB) and 3.4% (4.1% ex-TSB) in the quarter.

**Term deposits** amounted to 17,645 million euros (15,448 million euros ex-TSB), falling by 26.4% (26.5% ex-TSB) year-on-year and by 5.0% (3.3% ex-TSB) in the quarter, as deposits flowed through to sight accounts.

At the end of June, **off-balance sheet customer funds** amounted to a total of 40,736 million euros and grew by 3.2% in the quarter, driven by mutual fund subscriptions. Year-on-year, this item decreased by 2.4%, although, if adjusted for the business transferred to Amundi, the comparison would show growth of +11.2% in annual terms.

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## Comfortable liquidity and capital position

The CET1 ratio stands at 12.31% at the end of the first half-year and includes 31bps of IFRS9 transitional arrangements. The fully-loaded CET1 ratio stands at 12.0%. The total capital ratio stands at 16.87% at the end of June 2021, above the regulatory requirement, with an MDA buffer of 379 bps. In terms of liquidity management, the liquidity coverage ratio (LCR ratio) reached a comfortable 220% at Group level.

## The NPL ratio remains stable

**Problematic assets** decreased by 142 million euros in the quarter and totalled 7,365 million euros, of which 5,995 million euros correspond to non-performing loans and 1,370 million euros correspond to foreclosed assets. The coverage ratio stands at 52.8%, reaching 56.4% applying total provisions for non-performing loans and 37.3% for foreclosed assets

The Group's **NPL ratio** decreased slightly and stands at 3.58% at the end of the half-year, down from 3.71% in the previous quarter.

The Group's credit cost of risk fell and stands at 53bps at the end of June 2021, compared with 69bps at the end of the first quarter.

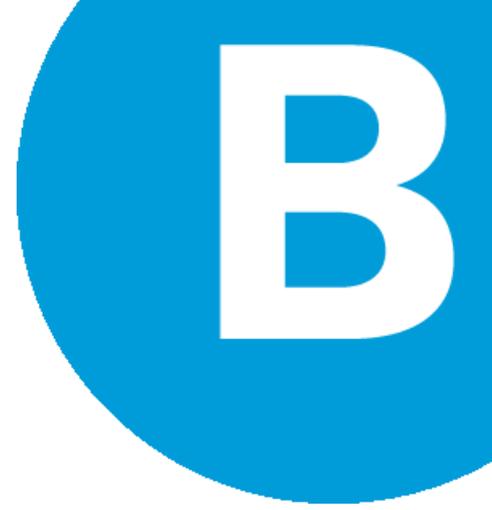
## TSB consolidates and accelerates its positive contribution to the Group

TSB consolidates and accelerates its positive contribution to the Group's income statement (39 million euros) and obtained **net profit of 50 million pounds** at the end of June 2021 on the strength of improved core revenue, lower costs following the restructuring plan, which is progressing at pace, and fewer provisions.

**Net interest income** amounted to 482 million euros, a 9.1% increase year-on-year due to the strong growth in mortgage volumes during the year. **Net fees and commissions** increased by 28.3% year-on-year, driven by higher service fees. **Operating expenses** amounted to 394 million euros, 6.2% lower year-on-year, due to improved general expenses. Provisions and impairments were also significantly reduced, standing at 28 million euros.

**Performing loans** at TSB grew by 19.8% year-on-year and by 2.7% in the quarter, driven by the strong flow of new mortgage lending, which amounted to 2,376 million pounds in the quarter, 172% more than the previous year.

**On-balance sheet customer funds** amounted to 41,416 million euros, representing an increase of 14.9% year-on-year.



## Organisational structure

Banco Sabadell has adjusted its organisational structure with the creation of two new divisions reporting directly to the CEO. Firstly, the Sustainability Division, headed by Ana Ribalta, who becomes a member of the institution's Management Committee. Secondly, the Efficiency Division, which will focus on cost reduction, headed by Elena Carrera. These adjustments reflect the ever greater alignment with Sabadell's strategic priorities.

## Transfer of the depository business to BNP

In June, Banco Sabadell transferred its depository business to BNP Paribas, having obtained the pertinent authorisations and met all the relevant conditions. The transaction generated a net capital gain of 75 million euros. At the present time, 58 million euros have been recognised (corresponding to 7bps of CET1 capital) and the remaining 17 million will be accrued proportionally in the following financial years.

## Sale of BancSabadell d'Andorra

Banco Sabadell has agreed to sell its 51.61% stake in BancSabadell d'Andorra to Mora Banc for approximately 67 million euros. The final closing of this transaction is expected in the fourth quarter of 2021, whereupon it will contribute 7bps to the fully loaded CET1 capital ratio.

## Return to dividends

The Board has announced its intention of establishing a 30% cash pay-out ratio for our 2021 annual results, after completing the ongoing supervisory dialogue.

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Figures in € million	Sabadell Group			Sabadell ex-TSB		
	Jun 20	Jun 21	Change YoY	Jun 20	Jun 21	Change YoY
<b>Net interest income</b>	<b>1.705</b>	<b>1.685</b>	<b>-1,1%</b>	<b>1.263</b>	<b>1.204</b>	<b>-4,7%</b>
Fees & commissions	673	709	5,4%	630	654	3,8%
<b>Core banking revenue</b>	<b>2.378</b>	<b>2.395</b>	<b>0,7%</b>	<b>1.893</b>	<b>1.857</b>	<b>-1,9%</b>
Trading income& forex	155	28	-81,9%	136	21	-84,6%
Other income & expenses	-72	-66	-8,6%	-85	-57	-33,5%
<b>Gross operating income</b>	<b>2.461</b>	<b>2.357</b>	<b>-4,2%</b>	<b>1.944</b>	<b>1.822</b>	<b>-6,3%</b>
Operating expenses	-1.307	-1.251	-4,3%	-886	-856	-3,4%
Depreciation & amortisation	-255	-261	2,3%	-176	-185	4,6%
<b>Pre-provisions income</b>	<b>899</b>	<b>845</b>	<b>-6,0%</b>	<b>881</b>	<b>781</b>	<b>-11,4%</b>
Total provisions & impairments	-1.089	-621	-43,0%	-968	-593	-38,8%
Gains on sale of assets and other results	276	74	-73,2%	275	78	-71,5%
<b>Profit before taxes</b>	<b>85</b>	<b>298</b>	<b>248,1%</b>	<b>188</b>	<b>266</b>	<b>41,9%</b>
Taxes and minority interest	60	-77	--	29	-85	--
<b>Attributable net profit</b>	<b>145</b>	<b>220</b>	<b>51,5%</b>	<b>217</b>	<b>181</b>	<b>-16,3%</b>

PRO MEMORIA Balances in € million	Sabadell Group			Sabadell ex-TSB		
	Jun 20	Jun 21	Change YoY	Jun 20	Jun 21	Change YoY
Total assets	234.447	250.120	6,7%	191.568	202.889	5,9%
Performing gross loans	145.131	152.515	5,1%	110.941	111.556	0,6%
Performing gross loans ex APS	143.370	152.274	6,2%	109.180	111.315	2,0%
Customer-based funding on balance sheet	147.572	157.345	6,6%	111.525	115.929	3,9%
Customer-based funding off balance sheet	41.718	40.736	-2,4%	41.718	40.736	-2,4%

RATIOS	Sabadell Group		Sabadell ex-TSB	
	Jun 20	Jun 21	Jun 20	Jun 21
Cost / income (ex amortisation) (%)	53,65	53,73	46,20	47,77
Core capital / Common equity phase-in (%)	12,7	12,3	--	--
NPL ratio (%)	3,95	3,58	4,61	4,23
NPL coverage ratio of stage 3	55,6	56,4	56,0	58,0
Number of branches	2.271	1.918	1.768	1.628
Number of employees	24.206	21.116	17.073	15.138