

2022 year-end results**Banco Sabadell posts earnings of 859 million euros and increases its payout ratio to 50%**

- **The Group's loan volume grows by 0.8% over the year. In Spain, the mortgage portfolio increases by 1.4% and business lending by 0.4%**
- **Commercial activity remains strong: PoS turnover in Q4 grew by 23% while cards turnover increased by 11%, compared with the same quarter of the previous year**
- **The fully loaded CET1 capital ratio is up and now stands at 12.54%**
- **TSB obtains individual pre-tax profit of 184 million pounds sterling, a record figure since its incorporation in the Group**
- **The Board of Directors agrees to increase the payout ratio to 50%, with a supplementary cash dividend of 0.02 euros per share and share buyback of 204 million euros**

26 January 2023. Banco Sabadell Group has ended 2022 with a net attributable profit of 859 million euros, 61.9% up on the previous year. The Institution's core results (net interest income + fees and commissions – costs) increased by 26.3% year-on-year. ROTE stands at 7.8%, above the target set for 2022.

Chief Executive Officer, César González-Bueno, highlighted the fact that *“all business units have increased their profitability over the year: business banking, retail banking, corporate banking and mutual funds, as well as TSB and the international business units”*. He further emphasised that *“the Bank's teams are implementing its strategy with determination and that is undoubtedly bearing fruit. We face 2023 with reasonable optimism, due to the strength of our commercial network and the confidence of our customers”*.

Banco Sabadell's Chief Financial Officer, Leopoldo Alvear, stated that *“our risk profile continues to improve year-on-year, the NPL ratio is down by 25 basis points, and our capacity to generate capital organically places our solvency ratio at 12.54% at year-end, driven by our improved core results, which have increased by 26.3%”*.

Net interest income + fees & commissions

Core banking revenue (net interest income + net fees and commissions) reached 5,289 million euros, 8.1% higher year-on-year. **Net interest income** increased by 10.9% year-on-year to reach 3,799 million euros.

Net fees and commissions increased to 1,490 million euros at the end of 2022, representing year-on-year growth of 1.5%.

Total costs stand at 2,883 million euros at year-end, 12.8% lower than the previous year. Recurrent costs also decreased year-on-year by 3.5%, due to savings in staff expenses following execution of the efficiency plans in Spain, as well as a reduction of general expenses.

Good lending performance

The balance of Banco Sabadell's **performing loans** stands at 156,130 million euros at year-end, which represents growth of 0.8% over the year. In Spain, the mortgage portfolio now stands at 39,027 million euros having grown by 1.4%, while the year-end balance of loans to SMEs and large corporations is 43,409 million euros, having increased by 0.4% year-on-year.

New consumer credit in Spain amounted to 1,683 million euros and increased by 14% year-on-year.

The level of commercial activity in Spain remained strong in the last quarter of the year. Consequently, **cards turnover** in Q4 reached 5,887 million euros and grew by 11% year-on-year, while **PoS turnover** amounted to 12,236 million euros and increased by 23%, compared with the same quarter of the previous year.

At the end of 2022, **on-balance sheet customer funds** amounted to 164,140 million euros, having grown by 1.3% year-on-year. Sight deposit balances amounted to 147,540 million euros, increasing by 0.2% year-on-year. Term deposits reached a total of 16,141 million euros, having grown by 9.0% compared to year-end 2021 and by 1.5% compared to the previous quarter.

Off-balance sheet customer funds amounted to 38,492 million euros at year-end 2022, representing a fall of 7.6% year on-year, mainly due to mutual funds, which totalled 22,581 million euros as a result of financial market volatility. A quarter-on-quarter comparison reveals growth of 1.2%.

The Group's **total assets** amount to 251,380 million euros, remaining stable year-on-year, but falling by 3.5% quarter-on-quarter due to the repayment of 10 billion euros of TLTRO III.

The capital ratio stands at 12.54%

The **phase-in CET1** ratio stands at 12.66% at year-end, having grown by 1pbs relative to the previous quarter. The **fully-loaded CET1 ratio**, on the other hand, stands at 12.54%, having increased by 2bps in the quarter. The phase-in total capital ratio stands at 17.13% at year-end, above the regulatory requirement, with an **MDA buffer** of 402 bps. In terms of liquidity management, the **liquidity coverage ratio (LCR)** reached 234% at the Group level at the end of 2022.

Risk profile improvement

Non-performing assets amounted to 6,971 million euros at year-end 2022, including 5,814 million euros of non-performing loans and 1,157 million euros of foreclosed assets. The NPA coverage ratio, including total provisions, stood at 52.3%, with the NPL (stage 3) coverage ratio, including total provisions, standing at 55.0% and the foreclosed asset coverage ratio standing at 38.3%.

At the end of 2022, the **NPL ratio** demonstrated a positive evolution and stood at 3.41%, compared with 3.65% at the end of the previous year.

Credit **cost of risk** stood at 44 bps at the end of 2022, a reduction of 5 bps in year-on-year terms.

Record pre-tax profit at TSB since joining the Group

TSB has ended 2022 with **individual pre-tax profit** of 184 million pounds sterling, a year-on-year increase of 16.5%. This figure already prices in the one-off impact of the 48.65 million pound fine imposed due to the 2018 IT migration and, despite that, TSB obtained its best result since becoming part of the Group.

TSB's individual net profit amounted to 102 million pounds, while the positive contribution to Banco Sabadell Group amounted to 87 million euros.

TSB has increased its core results (**net interest income + fees and commissions – costs**) by 71.6% year-on-year, building on its strong commercial momentum. **Net interest income** amounted to a total of 982 million pounds at year-end 2022 and increased by 13.0% year-on-year driven by the base rate increase and due to the strong growth of mortgage volumes during the year. **Net fees and commissions** increased by 10.2% year-on-year and amounted to 114 million pounds, driven by higher service fees, particularly card fees. **Costs** amounted to 748 million pounds and fell by 4.8% year-on-year.

Payout ratio is increased to 50%

The Board of Directors of Banco Sabadell agreed to increase the payout ratio to 50% of 2022 earnings, compared with 31.8% in 2021. At the next Annual General Meeting, the Board will propose a supplementary cash dividend of 0.02 euros per share and a share buyback of 204 million euros. This shareholder remuneration is additional to the interim dividend of 0.02 euros per share paid at the end of December 2022.

Therefore, total shareholder remuneration amounts to 430 million euros, equivalent to a dividend yield of 8.7% based on the share price at closing on 30 December 2022, the final day of trading last year (0.88 euros per share).

Rating improvement

The credit rating agency S&P Global Rating has recently upgraded Banco Sabadell's credit rating as a long-term debt issuer to 'BBB' with stable outlook, and as a short-term debt issuer to 'A-2', also with stable outlook.

| Figures in € million | Sabadell Group | | | Sabadell ex-TSB | | |
|--|----------------|--------------|---------------|-----------------|--------------|---------------|
| | Dic 21 | Dic 22 | Change YoY | Dic 21 | Dic 22 | Change YoY |
| Net interest income | 3.425 | 3.799 | 10,9% | 2.414 | 2.648 | 9,7% |
| Fees & commissions | 1.468 | 1.490 | 1,5% | 1.347 | 1.356 | 0,7% |
| Core banking revenue | 4.893 | 5.289 | 8,1% | 3.761 | 4.004 | 6,5% |
| Trading income& forex | 344 | 104 | -69,9% | 342 | 98 | -71,3% |
| Other income & expenses | -211 | -213 | 0,7% | -178 | -117 | -34,0% |
| Gross operating income | 5.026 | 5.180 | 3,1% | 3.925 | 3.985 | 1,5% |
| Operating expenses | -2.781 | -2.337 | -15,9% | -1.996 | -1.585 | -20,6% |
| Depreciation & amortisation | -527 | -545 | 3,5% | -370 | -388 | 5,0% |
| Total costs | -3.307 | -2.883 | -12,8% | -2.366 | -1.973 | -16,6% |
| Pre-provisions income | 1.719 | 2.298 | 33,7% | 1.560 | 2.012 | 29,0% |
| Total provisions & impairments | -1.225 | -1.032 | -15,7% | -1.225 | -929 | -24,2% |
| Gains on sale of assets and other results | 126 | -23 | -- | 135 | -23 | -- |
| Profit before taxes | 620 | 1.243 | 100,4% | 470 | 1.060 | 125,6% |
| Taxes and minority interest | -90 | -384 | -- | -58 | -289 | -- |
| Attributable net profit | 530 | 859 | 61,9% | 412 | 771 | 87,2% |
| <i>Promemoria:</i> | | | | | | |
| <i>Core results (NII + fees & commissions - costs)</i> | <i>1.905</i> | <i>2.406</i> | <i>26,3%</i> | <i>1.697</i> | <i>2.031</i> | <i>19,7%</i> |

| PRO MEMORIA Balances in € million | Sabadell Group | | | Sabadell ex-TSB | | |
|--|----------------|---------|------------|-----------------|---------|------------|
| | Dic 21 | Dic 22 | Change YoY | Dic 21 | Dic 22 | Change YoY |
| Total assets | 251.947 | 251.380 | -0,2% | 199.369 | 198.894 | -0,2% |
| Performing gross loans | 154.912 | 156.130 | 0,8% | 110.862 | 113.020 | 1,9% |
| Customer-based funding on balance sheet | 162.020 | 164.140 | 1,3% | 119.242 | 123.208 | 3,3% |
| Customer-based funding off balance sheet | 41.678 | 38.492 | -7,6% | 41.678 | 38.492 | -7,6% |

| RATIOS | Sabadell Group | | Sabadell ex-TSB | |
|---|----------------|--------|-----------------|--------|
| | Dic 21 | Dic 22 | Dic 21 | Dic 22 |
| Core capital / Common equity fully-loaded (%) | 12,2 | 12,5 | -- | -- |
| NPL ratio (%) | 3,65 | 3,41 | 4,44 | 4,13 |
| NPL coverage ratio of stage 3 | 56,3 | 55,0 | 58,4 | 56,4 |
| Number of branches | 1.593 | 1.463 | 1.303 | 1.243 |
| Number of employees | 20.070 | 18.895 | 14.308 | 13.413 |

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