

Banco de Sabadell, S.A. (hereinafter, also referred to as Banco Sabadell, the Bank or the company), with registered office in Alicante, Avenida Óscar Esplá, 37, engages in banking business and is subject to the standards and regulations governing banking institutions operating in Spain. It has been subject to prudential supervision on a consolidated basis by the European Central Bank (ECB) since November 2014.

The Bank is the parent company of a group of institutions which it controls directly or indirectly and which, with it, comprise Banco Sabadell Group. Banco Sabadell is made up of different financial institutions, brands, subsidiaries and investees that cover all aspects of financial business. It operates mainly in Spain, the United Kingdom and Mexico.

The Group was organised into the following businesses in 2021:

- Banking Business Spain, which groups together the Retail, Business and Corporate Banking business units, where Retail and Business Banking are managed under the same Commercial Network:
 - Retail Banking: it offers financial products and services to customers classed as natural persons. These include investment products and medium- and long-term finance, such as consumer loans, mortgages, and leasing or renting services, as well as short-term finance. Funds come mainly from customer deposits and sight deposits, savings insurance, mutual funds, and pension plans. The main services also include payment methods such as cards and insurance linked to consumer loans and mortgages.
 - Business Banking: this offers financial products and services to companies and the self-employed. These include investment and financing products, such as working capital products, revolving loans and medium- and long-term finance. It also offers customised structured finance and capital market solutions, as well as specialised advice for businesses. Funds mainly come from deposits, customer sight deposits, and mutual funds. The main services also include collection/payment methods such as cards and POS terminals, as well as import and export services.
- Corporate Banking (CIB): this unit is responsible for managing the segment of large corporations which, because of their unique characteristics, require a tailor-made service, supplementing the range of transaction banking products with the services of the specialised units, thus offering a single, all-encompassing solution to their needs, taking into account the features of the economic activity sector and the markets in which they operate. It has units that develop custom products for large corporations and financial institutions. The units responsible for developing customised products are horizontal to the entire Banco Sabadell Group and their capabilities also extend to the Corporate Banking and Institutional Banking segment. Through its international presence in 17 countries, with representative offices and operational branches, it offers financial

and advisory solutions to large Spanish and international corporations and financial institutions. It has operational branches in London, Paris, Lisbon, Casablanca and Miami.

- Banking business UK: the TSB franchise covers business conducted in the United Kingdom, which includes current and savings accounts, loans, credit cards and mortgages.
- Banking business Mexico: offers the full range of banking and financial services via Corporate Banking and Commercial Banking.

Banco Sabadell is the controlling company of a group which, at 31 December 2021, comprised 96 companies, of which, apart from the parent company, 73 were classified as subsidiary institutions and 22 as associated companies (106 at 31 December 2020, of which 85 were subsidiary institutions and 20 were associated companies).

Mission, values and business model

Mission and values

Banco Sabadell helps people and companies bring their projects to life, anticipating their needs and ensuring that they make the best economic decisions. We do this through environmentally and socially responsible management.

This is Banco Sabadell's *raison d'être*: to help its customers make the best economic decisions to enable them to carry out their projects, whether they are personal or business projects. To this end, it offers its customers the opportunities offered by big data, digital capabilities and the expert knowledge of its specialists.

The bank and those who are part of it share the values that help to achieve this mission, no matter how, where or when.

Banco Sabadell fulfils its mission by being true to its values:

- Commitment and Non-Conformism, values that define the way we are.
- Professionalism and efficiency, values that define the way we work.
- Empathy and openness, values that define the way we relate to each other.

Business model, main objectives achieved and actions implemented

The Bank's business model is geared towards profitable growth that generates value for shareholders. This is achieved through a strategy of business diversification based on profitability, efficiency, sustainability and quality of service together with a conservative risk profile, while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

The Bank's management model focuses on a long-term vision of customers, through constant efforts to promote customer loyalty and by adopting an initiative-based, proactive approach. The Bank offers a comprehensive range of products and services, competent, highly qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.

Since the financial crisis in 2008, Spain's banking sector has been engaged in an unprecedented concentration process. Higher levels of capital, more stringent provisioning requirements, the economic recession, and the pressure of capital markets are some of the factors that have forced Spanish banks to merge and thus increase in scale, maximise efficiency, and shore up their balance sheets.

During the last eleven years, Banco Sabadell has expanded its geographic footprint and increased its market share in Spain through acquisitions, most notably that of Banco CAM in 2012. Banco Sabadell was able to engage in additional M&A operations in 2013 in appropriate economic conditions within the framework of the financial reorganisation of the banking industry, such as the acquisition of Caixa d'Estalvis del Penedès, Banco Gallego and Lloyds España.

Thanks to these acquisitions and the organic growth seen in recent years, Banco Sabadell has been able to reinforce its position in some of Spain's most prosperous regions (e.g., Catalonia, Valencia and the Balearic Islands) and to increase market share in other key areas. According to the most recent information, Banco Sabadell has a market share of 8% in loans and 7% in deposits at national level. Banco Sabadell also has a strong position in other products: 9% in commercial credit, 10% in lending to companies, 6% in mutual funds, 4% in securities trading, and 16% in POS turnover.

Banco Sabadell also maintains its quality differential with respect to the rest of the industry and ranks as a leader among its peers in terms of customer experience (Net Promoter Score) in the areas of SMEs and Corporate Banking.

Banco Sabadell has always been a trailblazer on the international front. In 2021 this has continued to be the case and Sabadell has continued to be present in strategic locations and to accompany companies in their international activity. Banco Sabadell has expanded its international presence in recent years, including as notable

milestones the acquisition of UK bank TSB in 2015, and the incorporation of a bank in Mexico in 2016.

The Group has become one of the largest banks in Spain's financial system. It has a geographically diverse business (70% in Spain, 28% in the UK, and 2% in Mexico) and its customer base is now six times larger than it was in 2008, and it has achieved all of this while safeguarding its solvency and liquidity.

After a 2020 heavily impacted by the COVID-19 crisis, 2021 has been a year of recovery, especially in developed countries. This recovery has been supported by the positive effects of the increased control of the pandemic, the reopening of economies and the high fiscal stimulus introduced. The latest contagion waves had a limited impact on demand. In contrast, zero-COVID policies in Asia – mainly in China – partially paralysed production and transport processes, which affected international production chains.

Meanwhile, the increase in inflation has been one of the most striking surprises of the year. The high levels of inflation eventually led to a shift in monetary policy, first in emerging and then in developed countries.

In this context, in year-on-year terms, Banco Sabadell significantly increased its net income, and found support both in TSB and in Spain. Of note was the year-on-year improvement in banking commission (Margin + Fees), the reduction in risk cost, the good commercial dynamics, and the materialisation of the first cost savings from phase 1 of the efficiency plan launched in 2020.

In addition, Banco Sabadell has launched phase 2 of the efficiency plan in 2021. This second phase will be implemented before the first quarter of 2022 and will enable the bank to achieve expected annual savings of 130 million euros. The costs associated with this restructuring phase amounted to 331 million euros were recorded in the third quarter of 2021, and following the strategy implemented in 2020, were financed by sales of the ALCO portfolio.

Also noteworthy in 2021 was the closing of the sale of the institutional depositary business (with a net profit of 59 million euros), the sale to MoraBanc of Banco Sabadell's entire stake in BancSabadell d'Andorra (51.61%), with a net profit of 2 million euros, and the closing of the sale of Bansabadell Renting, with net profit of 42 million euros.

Banco Sabadell does business in an ethical and responsible way and shows its commitment to society by ensuring that its actions have a positive impact on people and the environment. Each and every person in the organisation has a part to play in observing and applying the principles and policies that underlie corporate social responsibility, as well as in assuring quality and transparency in customer service.

In the area of compliance, in addition to observing the applicable regulations, Banco Sabadell has put in place a set of policies, procedures, and codes of conduct to provide a guarantee of ethical and responsible conduct at all levels of the organisation and in all Group operations.

2021-2023 Strategic Plan

The Group's strategic priorities include an increased focus on core businesses in Spain and a significant improvement in the profitability of international businesses.

The Strategic Plan 2023 was presented on 28 May 2021. This plan defines the Group's strategic priorities, which include (i) an increased focus on core businesses in Spain, with different levers of action for each business that will strengthen the Bank's competitive position in the domestic market, and (ii) a significant improvement in the profitability of international businesses, both in the UK and in the rest of the countries. The cost base will also be reduced during the plan to bring it in line with competitive realities. These changes will be implemented based on a more efficient allocation of capital, fostering the group's growth in those geographies and businesses that offer a higher capital-adjusted profitability.

In this way, the Strategic Plan sets out a specific strategic approach for each business:

In Retail Banking, the approach is to undertake a major transformation, which will entail a profound change in the offer and the customer relationship model.

On the supply side, transactional servicing will be made available to customers in a simple and agile way through digital channels. As for the commercial offer of products and services, there will be a fundamentally digital and remote offer for those products in which the customer wants autonomy, immediacy, and convenience, such as consumer loans, accounts and cards. On the other hand, for more complex products such as mortgages, insurance and savings/investment products, where customers require support, specialised product managers will be available and multi-channel support will be offered.

The objective in Retail Banking is to better respond to customers' needs and, at the same time, reduce the cost base of the business.

In Business Banking, the bank's notable franchise in this segment will be strengthened and specific levers have been established for profitable growth: launch of sectoral solutions for businesses, support for customers in their internationalisation process, expansion of specialised solutions for SMEs, and a comprehensive support plan for Next Generation EU funds. This will be reinforced by an optimal risk management framework, complementing the vision of risk and business experts with new business intelligence and data analytics tools.

The objective in Business Banking is to drive growth while preserving risk quality and boosting profitability.

The approach in Corporate Banking Spain is to develop plans to improve customer-to-customer profitability and increase the contribution of the specialised product

units to income generation.

The objective in this business is to obtain an adequate profitability for each customer and to satisfy their needs.

TSB is going to focus on what it does best and what the market recognises: the retail mortgage market. TSB has an excellent platform, with a high operational capacity to manage mortgages and a well-established network of financial intermediaries, a key aspect in the UK market where a large proportion of new mortgages are granted through this channel.

TSB's objective is to increase its contribution to the group's profitability by focusing on the retail mortgage business.

In the Group's other international businesses, the priority is to actively manage the capital that the Group allocates to these businesses. In addition, there are specific priorities in each geographic area: in Mexico, the focus is on rigorous cost management; in Miami, the Private Banking business will be strengthened, and in the rest of the offices abroad, priority will be given to accompanying Spanish customers in their international activity.

In just a few months after the launch of the plan, concrete progress has already materialised. For example, in Spain, the first phase of the roll-out of specialist mortgage and savings-investment managers has been completed, the 100% digital application for new cards have been launched and, in consumer affairs, the product offer has been expanded, with the capacity to offer a loan that is more adjusted to the risk profile and which allows price segmentation. Moreover, new vertical offers for specific sectors, a specific accompanying offer for Next Generation EU funds, and new digital services for businesses have been launched.

In terms of cost reduction, the second phase of the expected efficiency plan was implemented in the last quarter of the year, and a workforce adjustment was agreed with the unions with the 100% support of the negotiating table. This agreement, together with other cost-cutting measures implemented, will result in savings of 130 million euros per year, on top of the 140 million euros annual savings from the first phase of the efficiency plan, implemented in the first quarter of 2021. The combination of the two phases involves reducing the workforce by more than 20% and closing around 25% of the branches.

In line with the strategic objectives, TSB significantly increased its contribution to the Group during the year, with significant growth in new mortgages, while deleveraging was recorded in the other international businesses.

By 2023, the main financial targets of the Strategic Plan are the following: a return on tangible equity (ROTE) above 6% in 2023, although this target is expected to be reached already in 2022, and to maintain a CET1 fully-loaded capital ratio above 12% throughout the Plan. Beyond 2023, the transformation undertaken will continue to deliver results and profitability will continue to improve.

On the other hand, the macroeconomic assumptions on which the financial projections of the plan are based have been constructed from a conservative point of view and in a context of pandemic control, accompanied by fiscal and monetary measures by governments and central banks, respectively.

As regards the growth of the system's lending, over the time horizon of the next three years, in Spain and the United Kingdom, positive cumulative growth is expected in

all segments. In this regard, Banco Sabadell aims to grow above the market in the mortgage segment, both in Spain and in the UK, while in consumer loan, the performance differs geographically for strategic reasons: higher growth than other banks in Spain and lower appetite in the UK, which reflects a lower commercial priority in this specific segment. As regards the corporate segment, the strategic focus is to continue to grow in Spain, while in international exposures, the size of the loan book will decrease due to a more efficient allocation of capital by the bank.

Furthermore, with reference to the evolution of the different lines of the income statement, recurrent income is expected to increase throughout the plan: low single digit net interest income and mid-single digit net fee and commission income. In both cases, it will be driven by increased commercial dynamism of Banco Sabadell both in Spain and in the UK franchise, TSB. On the cost side, thanks to the efficiency plans being implemented in the Spanish and UK businesses, the group-wide cost base is expected to be reduced to 2.9 billion euro by 2023. And finally, the cost of credit risk is expected to trend downwards during the plan, supported by better risk management and a favourable macroeconomic situation.

In conclusion, the Strategic Plan was designed on the basis of immediate delivery as early as 2021. In this respect, all the objectives set at the end of the year were met: i) net interest income grew by +0.8% in the year, ii) commission income increased by +8.7%, iii) a cost of credit risk of 49 basis points which is in the range of the 2019-20 cost of credit risk and iv) finally, capital at 12.22% with an MDA buffer of 398 bp.

Banco Sabadell share performance and shareholders

The share capital of Banco Sabadell amounts to 703,370,587.63 euros, represented by 5,626,964,701

shares of a single class with a par value of 0.125 euros. The number of shares in the bank has remained unchanged for more than 4 years as the group has no remuneration policies that could have a dilutive effect on the current share capital and rights to convert preference shares issued as contingently convertible into newly issued ordinary shares of the bank (AT1) have not been exercised.

The good performance of the recurring margin and the expected decline in the cost of risk enabled Banco Sabadell to bring forward the profitability target on tangible capital to above 6% by 2022, while maintaining a level of capital above 12%.

The 2021 financial year has continued to be marked by the evolution of the COVID-19 pandemic. In the first half of the year, the tone in financial markets was more positive thanks to the prospect of progress in vaccination against the coronavirus, although, at the same time, governments continued to impose various measures to contain its spread and extended the duration of the various financial aids to the real economy announced in the previous year. As a result of this improved outlook for the pandemic, macroeconomic indicators performed favourably, pointing to an imminent strong recovery of the global economy, leaving behind the economic and financial instability and uncertainty that the pandemic had generated during 2020.

However, as the year progressed, fears of an increase in inflation expectations were heightened, supported by rising energy and commodity prices. In addition, heightened uncertainty over supply chain disruptions was beginning to erode consumer confidence indicators and, as a result, cast doubt on the rapid economic recovery that macroeconomic indicators had been pointing to months earlier.

As a result of these higher inflation expectations, the banking sector benefited in the stock market from a more plausible interest rate hike scenario and the beginning of the reduction of the various asset purchase programmes.

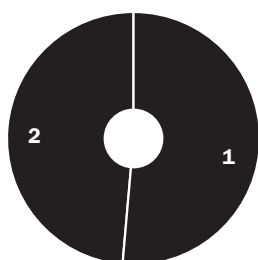
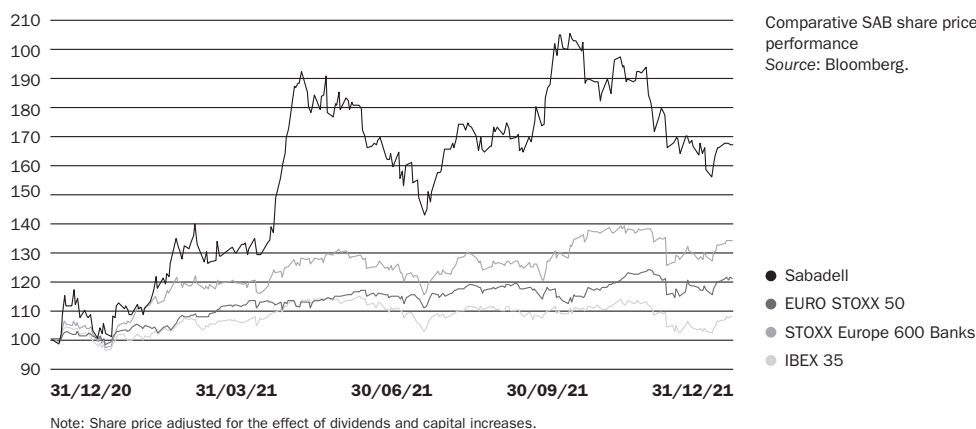
Banco Sabadell's share performance outperformed the rest of the Spanish banks with a revaluation of +67% in the year, +39% above the comparables, making it the best IBEX-35 stock in 2021 among the companies that made up the index since the beginning of the year. The systemic factors mentioned above have had a significant influence on the evolution of the share. Banco Sabadell's idiosyncratic factors include the launch of a new Strategic Plan, a new management team, better than expected results per annum, and a higher contribution of the UK franchise, TSB, to the Group's results. This has been well received by financial analysts and the market in general.

At the end of 2021, 77% of equity analysts covering Banco Sabadell's shares had a Buy or Hold recommendation on the shares.

During 2021, institutional shareholders owned 48% of the stock, while retail shareholders owned 52%. Within the Bank's shareholding structure, at year-end 2021, three investor groups reported a holding of more than 3% according to figures reported to the CNMV. The aggregate holding of those three shareholders represents 9.94% of the total share capital; the remaining holdings are free-float capital. The members of the Board of Directors, one of whom is the indirect holder of the voting of one of the investors mentioned earlier, hold 3.67% of the bank's share capital.

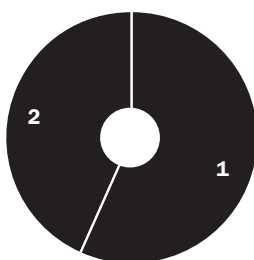
Banco Sabadell's market capitalisation stood at 3,306 million euros at year-end, with a price-to-book value ratio (P/BV) of 0.25.

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**Distribution of shareholders
31.12.2021 (in %)**

1	Retail shareholders	51.6
2	Institutional investors	48.4



**Distribution of shareholders
31.12.2020 (in %)**

1	Retail shareholders	56.7
2	Institutional investors	43.3

No. of shares	Shareholders	Shares in tranche	% of capital
From 1 to 12,000	179,459	573,130,438	10.19
From 12,001 to 120,000	45,899	1,427,423,280	25.37
From 120,001 to 240,000	1,866	307,959,112	5.47
From 240,001 to 1,200,000	1,039	469,333,426	8.34
From 1,200,001 to 15,000,000	139	433,432,171	7.70
More than 15,000,000	30	2,415,686,274	42.93
TOTAL	228,432	5,626,964,701	100.00

Analysis of shareholdings
at 31 December 2021

No. of shares	Shareholders	Shares in tranche	% of capital
From 1 to 12,000	190,901	611,045,364	10.86
From 12,001 to 120,000	49,841	1,554,814,439	27.63
From 120,001 to 240,000	2,085	341,433,296	6.07
From 240,001 to 1,200,000	1,198	526,131,754	9.35
From 1,200,001 to 15,000,000	167	477,402,590	8.48
More than 15,000,000	33	2,116,137,258	37.61
TOTAL	244,225	5,626,964,701	100

Analysis of shareholdings
at 31 December 2020

	Million	Million euro	Euros	Million euro	Euros
	Average number of shares	Profit attributable to the group	Profit attributable to the Group, per share	Own funds	Book value per share
2018	5,565	328	0.050	12,545	2.25
2019	5,538	768	0.125	13,172	2.38
2020	5,582	2	—	12,944	2.32
2021	5,586	530	0.080	13,357	2.39

Benefit and book value
per share 2018-2021

Share performance

Below are a number of indicators of the Bank's share performance:

	2021	2020	Year-on-year change (%)
Shareholders and trading			
Number of shareholders	228,432	244,225	(6.5)
Average number of shares (million)	5,586	5,582	0.1
Average daily trading (million shares)	33	59	(44.2)
Share price (euro)			
Initial	0.354	1.040	—
High	0.743	1.080	—
Low	0.343	0.250	—
Closing	0.592	0.354	—
Market capitalisation (million euro)	3,306	1,976	—
Market ratios			
Earnings per share (EPS) (euro)	0.08	(0.01)	—
Book value per share (euro)	2.39	2.32	—
Price/Book value	0.25	0.15	—
Price/earnings ratio (P/E)	7.69	(27.75)	—

Share performance

Dividend policy

The Bank's shareholder remuneration policy conforms to the provisions of the Articles of Association and is submitted for approval each year by the General Meeting of Shareholders.

On 8 April 2020, in line with the European Central Bank's recommendation to banks not to pay or make irrevocable undertakings to pay dividends out of 2019 and 2020 earnings, the Bank's Board of Directors resolved not to pay a dividend in 2020 as a prudent response to the crisis created by COVID-19.

On 21 July 2021, the European Central Bank issued a note informing that the period of recommendation not to pay or enter into irrevocable commitments to pay dividends would end on 30 September 2021. Afterwards, the Board of Directors, during its meeting that took place on 26 January 2022, proposed to the General Meeting of Shareholders the approval of the distribution of a gross dividend of 0.03 euros per share charged to the income statement of 2021.

It is proposed to distribute a gross dividend of 0.03 euro per share.

Credit rating

In 2021, the four agencies that assessed Banco Sabadell's credit quality were S&P Global Ratings, Moody's Investors Service, Fitch Ratings and DBRS Ratings GmbH.

On 20 May 2021, DBRS Ratings GmbH affirmed the short and long-term credit rating of Banco Sabadell at A (low) and R-1 (low) with a negative outlook, in light of the economic situation brought about by COVID-19. On 30 September 2021, DBRS published its full credit rating (A (low) and R-1(low)) with a negative outlook.

On 24 June 2021, S&P Global Ratings revised Banco Sabadell's long-term rating, placing it at BBB-, with a stable outlook, from BBB, to reflect the challenges of profitability, efficiency, and digitalisation facing the new management team. The short-term rating was changed from A-2 to A-3. In November, S&P again revised Banco Sabadell's rating. On 29 November, it published a new report with an improved sentiment on Banco Sabadell but retaining the rating, outlook, and challenges published in the first half of the year.

On 22 September 2021, Fitch Ratings affirmed Banco Sabadell's long-term rating at 'BBB-', with a stable

outlook, reflecting the Group's sound capitalisation and diversification, and its challenges in terms of profitability and constraining the cost of risk. The short-term rating remained at 'F3'.

On 15 July 2021 and in connection with a change to its methodology for credit rating for banks, Moody's Investors Service affirmed Banco Sabadell's long-term deposit and long-term senior debt ratings at Baa2 and Baa3, respectively, with a stable outlook, and upgraded the rating on long-term junior issues from Ba3 to Ba2. The agency reiterated the improvement in asset quality due to the significant reduction in NPAs and the bank's comfortable liquidity position.

During 2021, Banco Sabadell has maintained continuous interaction with the four agencies. In the virtual meetings with the agencies' analysts, issues such as the 2021-2023 strategic plan, TSB's evolution, results, capital, liquidity, risks and credit quality, and management of NPAs were discussed.

The table below details the current ratings and the last date on which any publication reiterating this rating was made.

Agency	Long-term	Short-term	Outlook	Last updated
DBRS	A (low)	R-1 (low)	Negative	30/09/2021
S&P Global Rating	BBB-	A-3	Stable	29/11/2021
Moody's Investors Service	Baa3	P-2	Stable	15/07/2021
Fitch Ratings	BBB-	F3	Stable	22/09/2021

Credit rating. Ratings and date of last update

Corporate Governance

Banco Sabadell has a sound corporate governance structure that guarantees effective, prudent management. The Internal Governance Framework, which sets out, among other aspects, the shareholder structure, the governing bodies, the Group's structure, the composition and operation of Corporate Governance, the internal control functions, key governance matters, the risk management framework, and the Group's policies, is published on the corporate website www.grupobancosabadell.com (See the "Corporate Governance and Remuneration Policy - Internal Governance Framework" section).

In accordance with the provisions of article 540 of the Capital Companies Law, Banco Sabadell Group has drawn up the Annual Corporate Governance Report for 2021, which, in accordance with article 49 of the Commercial Code, is a part of this Directors' Report of the 2021 consolidated Annual Accounts and is attached as a separate document; it contains a section setting out the

degree to which the Bank adheres to the recommendations on corporate governance in Spain.

Following the 2020 financial year, Banco Sabadell has once again opted to prepare the Annual Corporate Governance Report in free PDF format in order to explain and publicise, with maximum transparency, the main aspects contained therein and, in particular, the substantial changes made during the 2021 financial year to improve and strengthen corporate governance, in line with best practices.

General Meeting of Shareholders 2021

The Bank's main governing body is the General Meeting of Shareholders, in which the shareholders decide on matters attributed to the Meeting by law, the Articles of Association (available on the corporate website under "Corporate Governance and Remuneration Policy - Articles of

Association”) and its own Regulation, and those business decisions that the Board of Directors considers to be of vital importance for the bank’s future and for the social interests.

The General Meeting of Shareholders has adopted its own Regulation, which sets out the principles and basic rules of action (available on the corporate website under “Shareholders’ General Meeting – General Meetings Regulations”) and safeguards shareholder rights and transparency.

In the General Meeting of Shareholders, shareholders may cast one vote for every thousand shares they own or represent. The Policy on communication and contacts with shareholders, institutional investors, and proxy advisors approved by the Board of Directors, in conformity with the June 2020 revision of the Good Governance Code of Listed Companies, aims to promote transparency vis-à-vis the markets and build trust while safeguarding, at all times, the legitimate interests of institutional investors, shareholders and proxy advisors, and of Banco Sabadell’s other stakeholders.

The Ordinary General Meeting of Shareholders held on 26 March 2021, at second call, approved all the items on the agenda, including the annual accounts and corporate management for the financial year 2020 and, as regards appointments, the ratification and appointment of Mr César González-Bueno Mayer as Executive Director and Ms Alicia Reyes Revuelta as Independent Director, as well as the re-election as members of the Board of Directors of Mr Anthony Frank Elliott Ball and Mr Manuel Valls Morató as Independent Directors.

In addition, the Board of Directors submitted to the General Meeting of Shareholders a proposal to amend certain provisions of the Articles of Association, which was approved on 26 March 2021, and which essentially entailed the following:

- Chairman with non-executive status, in line with the leading international banks and Corporate Governance best practice.
- A Strategy and Sustainability Committee increasing the focus point on strategic elements, sustainability, and commitment to ESG (Environmental, Social & Governance) aspects.
- The Delegated Committee has been abolished and the Credit Delegated Committee has been set up to monitor and oversee credit risks on a weekly basis.
- The Appointments Committee has taken on all corporate governance functions and is now called the Appointments and Corporate Governance Committee, also focusing on ESG engagement.
- The powers of the Audit and Control Committee have been updated and revised.
- The possibility of holding the General Meeting of Shareholders telematically has been introduced, in line with the main Spanish listed companies.

Information regarding the General Meeting of Shareholders 2021 is published on the corporate website www.grupobancosabadell.com (see the website section

“Shareholders and Investors-Shareholders’ General Meeting”).

Composition of the Board of Directors

With the exception of matters reserved for the General Meeting of Shareholders, the Board of Directors is the highest decision-making body in the company and its consolidated group, as it is responsible, under the law and the Articles of Association, for the management and representation of the bank. The Board of Directors acts mainly as an instrument of supervision and control, and it delegates the management of ordinary business matters to the Chief Executive Officer.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and the Regulation of the Board of Directors (available on the corporate website under “Corporate Governance and Remuneration Policy-Regulations of the Board”), and it conforms to best practices in the area of corporate governance.

At the Board of Directors meeting held on 18 March 2021, Mr César González-Bueno Mayer accepted the position of Chief Executive Officer, once the corresponding regulatory authorisations had been received, and his appointment as Chief Executive Officer was ratified by the Board of Directors following his ratification and appointment as Director by the General Meeting of Shareholders on 26 March 2021.

Within the framework of the new corporate governance scheme reflected in the amendment to the Articles of Association approved by the General Meeting of Shareholders, the Board of Directors, at its meeting held on 26 March 2021, following the General Meeting of Shareholders, acknowledged the status of the Chairman, Josep Oliu Creus, as “Other External” Director, in accordance with the Capital Companies Act, as well as the status of the Director María José García Beato as “Other External” Director, in accordance with the Capital Companies Act, with effect as of 31 March 2021. The Board of Directors also appointed Gonzalo Baretino Coloma as Deputy Secretary of the Board of Directors.

The Board of Directors, at its meeting of 28 July 2021, appointed Mr Luis Deulofeu Fuguet as Independent Director to replace Mr Javier Echenique Landiribar. In the same meeting, the Board agreed to appoint Mr Pedro Fontana García as Deputy Chairman of the Board, replacing Mr Javier Echenique Landiribar. Following receipt of the corresponding regulatory authorisations, Mr Luis Deulofeu Fuguet accepted the position on 26 October 2021.

The Board of Directors consisted, as of 31 December 2021, of fifteen members: its non-executive Chairman, ten Independent Directors, two Executive Directors, one Other External Director and one Proprietary Director. The composition of the Board of Directors has an appropriate balance between the various categories of Director.

The composition of the Board of Directors is diverse

and efficient. It is of the appropriate size to perform its functions effectively by drawing on a depth and diversity of opinions, enabling it to operate with a level of quality and efficacy as well as in a participatory way. It features suitable diversity in terms of competency, professional background, origin and gender, as its members have extensive experience in banking, finance, digital transformation and IT, insurance, risk management and audit, in regulatory, legal and academic matters, as well as in human resources, consulting, and in the business and international arena. The Board's Matrix of Competencies can be consulted on the website under "Internal Governance Framework of Banco Sabadell" (See the corporate website "Corporate governance and Remuneration Policy – Internal Governance Framework" section).

Since 2019, Banco Sabadell has had a competency and diversity matrix in place, which is revised annually by the Board of Directors. The latest review was carried out on 18 November 2021, in view of the changes that took place within the Board of Directors. The Board has increased its diversity, in relation to the category of Directors and the knowledge, skills, and experience, which have been strengthened in the following areas: retail banking and digital transformation.

The Director Candidate Selection Policy, which was approved by the Board of Directors in 2016 and whose last update was performed in the Board meeting on 30 September 2021, establishes the procedure for selecting candidates and it seeks to ensure an appropriate balance in the composition of the Board of Directors, facilitate the selection of women Directors and, generally, guarantee that it is free of inherent bias that might entail discrimination.

At year-end 2021, there were four female Directors: three female Independent Directors (out of a total of ten Independent Directors) and one female Other External Director.

The CEO, Mr César González-Bueno, brings together the knowledge, skills, and experience set out in the succession plan for the Chairman and CEO. He has an excellent commercial and professional reputation, possesses the appropriate knowledge and experience to discharge his duties and is in a position to exercise good governance of the Bank. Having analysed his experience with regard to the Banco Sabadell Matrix of Competencies, his appointment was found to increase the diversity of the Board of Directors. He is the right person for the job, and he is eminently qualified to hold the positions to which he has been appointed and to lead the Bank into the future, since he represents values and experience that fit the direction and strategy of Banco Sabadell.

The Board of Directors has a Lead Independent Director, who is empowered, under the Articles of Association, to give notice of meetings of the Board of Directors, add items to the meeting agenda, coordinate and meet with the non-executive Directors, reflect the opinion of the External Directors, and direct the regular assessment of the Chairman of the Board of Directors. The Lead Independent Director also coordinates the Succession

Composition of the Board of Directors at 31 December 2021

Chairman

Josep Oliu Creus

Deputy Chairman

Pedro Fontana García

CEO

César González-Bueno Mayer

Lead Independent Director

Anthony Frank Elliott Ball

Female director

Aurora Catá Sala

María José García Beato

Mireya Giné Torrens

Alicia Reyes Revuelta

Director

Luis Deulofeu Fuguet

George Donald Johnston III

David Martínez Guzmán

José Manuel Martínez Martínez

José Ramón Martínez Sufrategui

Manuel Valls Morató

Director-General Manager

David Vegara Figueras

Non-Director Secretary

Miquel Roca i Junyent

Non-Director Deputy Secretary

Gonzalo Baretino Coloma

Plan for the Chairman and CEO that was adopted in 2016 and updated in 2022 and, in practice, chairs any meetings with investors or proxy advisors.

For a better and more diligent performance of its general supervision function, the Board of Directors is obliged to directly exercise the following responsibilities stipulated by Law, amongst others:

- those that derive from good corporate governance rules which are generally applied;
- approval of the general strategy of the company;
- appointing and, as necessary, removing directors of the company's subsidiaries;
- identifying the company's main risks, and implementing and monitoring suitable internal control and reporting systems;
- setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;
- establishing the policy on treasury stock, which the General Meeting of Shareholders determines, where appropriate;
- approving the Annual Corporate Governance Report.
- authorising the company's operations with the Directors and relevant shareholders which might present conflict of interests; and
- generally deciding on business or financial transactions that are of particular importance for the company.

- Strategy and Sustainability Committee.
- Credit Delegated Committee.
- Audit and Control Committee.
- Appointments and Corporate Governance Committee.
- Remuneration Committee.
- Risk Committee.

The organisation and structure of the Board Committees are set out in the Articles of Association and in their respective Regulations, which establish their rules of composition, functioning, and responsibilities (see the section of the corporate website "Corporate Governance and Remuneration Policy-Regulations of the Committees"), and develop and complete the rules of operation and basic functions set out in the Articles of Association and in the Regulation of the Board of Directors.

The Committees have sufficient resources to perform their functions, can draw on external advice, and are entitled to obtain information about any aspect of the institution, with unrestricted access to senior management and Group executives, and to any type of information or documentation at the Bank's disposal in connection with the matters within their competency.

Committees Board of Director

Following the amendment of the Articles of Association, a Strategy and Sustainability Committee and a Credit Delegated Committee were set up, and the competencies of the Audit and Control Committee were updated, while the Appointments Committee was given additional competencies in the area of Corporate Governance and is now called the Appointments and Corporate Governance Committee.

In addition to the constitution of the new Board Committees, on 26 March 2021, the Board of Directors appointed Ms Mireya Giné Torrens as Chairman of the Audit and Control Committee and as a Member of the Appointments and Corporate Governance Committee, appointed Ms Alicia Reyes Revuelta as a Member of the Risk Committee, and appointed Mr Gonzalo Baretino Coloma, General Secretary and Deputy Secretary of the Board, as Non-Director Secretary of the Credit Delegated Committee, the Remuneration Committee, and the Risk Committee.

On 28 July 2021, the Board of Directors appointed Mr. Pedro Fontana García as Chairman of the Credit Delegated Committee, and Mr. Luis Deulofeu Fuguet as Member of the Credit Delegated Committee and of the Strategy and Sustainability Committee, positions he accepted on 26 October.

In accordance with the Articles of Association, the Board of Directors has established the following committees:

Composition of the committees

Position	Strategy and Sustainability	Delegated Credit	Audit and Control	Appointments & Corporate Governance	Remuneration	Risk
Chairman	Josep Oliu Creus	Pedro Fontana García	Mireya Giné Torrens	José Manuel Martínez Martínez	Aurora Catá Sala	George Donald Johnston III
Member	Luis Deulofeu Fuguet	Luis Deulofeu Fuguet	Pedro Fontana García	Anthony Frank Elliott Ball	Anthony Frank Elliott Ball	Aurora Catá Sala
Member	Pedro Fontana García	María José García Beato	José Ramón Martínez Sufrategui	Aurora Catá Sala	George Donald Johnston III	Alicia Reyes Revuelta
Member	María José García Beato	César González-Bueno Mayer	Manuel Valls Morató	Mireya Giné Torrens	José Ramón Martínez Sufrategui	Manuel Valls Morató
Member	César González-Bueno Mayer (*)	Alicia Reyes Revuelta	—	—	—	—
Member	José Manuel Martínez Martínez	—	—	—	—	—
Non-member secretary	Miquel Roca i Junyent	Gonzalo Baretino Coloma	Miquel Roca i Junyent	Miquel Roca i Junyent	Gonzalo Baretino Coloma	Gonzalo Baretino Coloma
Number of meetings in 2021	9	21	12	16	12	14

(*) Member for strategy matters only.

The Delegated Committee held 18 meetings in 2021 before it was disbanded.

Strategy and Sustainability Committee

The Strategy and Sustainability Committee, comprising five Directors, two Other External, and three Independent Directors, and is chaired by the Chairman of the Board of Directors. In matters of strategy, the Chief Executive Officer shall participate in the meetings with the right to speak and vote, and, for this purpose, the Board shall be composed of six members.

In the area of strategy, the Committee's main responsibilities are to evaluate and propose to the Board of Directors strategies for growth, development, diversification or transformation of the company's business; to inform and advise the Board of Directors on the company's long-term strategy; identifying new opportunities for value creation and submitting to the Board of Directors corporate strategy proposals in relation to new investment or divestment opportunities, financial operations with a material accounting impact and relevant technological transformations; studying and proposing recommendations or improvements to the strategic plans and their updates which, from time to time, are submitted to the Board of Directors; and issuing and submitting to the Board of Directors, on an annual basis, a report containing the proposals, evaluations, studies and work carried out during the financial year.

In the area of sustainability, the Committee has the following competencies: review the bank's sustainability and environmental policies; inform the Board of Directors of possible modifications and periodic updates of the sustainability strategy; review the definition and modification of diversity and integration, human rights, equal opportunity and reconciliation policies, and periodically assess their degree of fulfilment; review the bank's social action

strategy and its sponsorship and patronage plans; review and report on the bank's Non-Financial Disclosures Report prior to its review and report by the Audit and Compliance Committee and its subsequent formulation by the Board of Directors; and receive information relating to reports, letters, or communications from external supervisory bodies within the scope of this Committee's competencies.

Credit Delegated Committee

The Credit Delegated Committee is made up of five Directors – one Executive, one Other External and three Independent – whose main functions are to analyse and, where appropriate, resolve credit operations in accordance with the assumptions and limits established by express delegation of the Board of Directors, and to prepare reports on those matters within its sphere of action that are required by the Board of Directors. It shall also have all those functions assigned to it by law, the Articles of Association, and the Regulation of the Board of Directors.

Audit and Control Committee

The Audit and Control Committee comprises four Independent Directors and the Chairwoman is an expert in auditing. It meets at least once per quarter. Its main function is to oversee the efficacy of the Bank's internal control, internal audit, and risk management systems; supervise the process of drafting and presenting regulated financial disclosures; advise on the Bank's annual and mid-year accounts, liaise with the external auditor, and ensure that suitable measures are taken to address any conduct or methods that might be inappropriate. It also ensures that the measures, policies and strategies defined by the Board of Directors are duly implemented.

Appointments and Corporate Governance Committee

The Appointments and Corporate Governance Committee, of which four Independent Directors are members, has as its main responsibilities to ensure compliance with the qualitative composition of the Board of Directors, assessing the suitability, skills and experience required of the members of the Board of Directors; submitting proposals as to the appointment of Independent Directors and reporting on proposals as to the appointment of the remaining Directors; to report on proposals as to the appointment and removal of senior executives and the Identified Staff; to report on the basic conditions of the contracts of Executive Directors and senior executives; and to examine and organise the succession of the Chairman of the Board and the chief executive of the Bank and, if appropriate, make proposals to the Board to ensure that such succession takes place in an orderly and planned manner. It also has to establish a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target.

As regards Corporate Governance, its main powers are to report to the Board of Directors on the company's internal corporate policies and rules, unless they fall within the competence of other Committees; to supervise compliance with the company's corporate governance rules, excluding those corresponding to areas that fall within the competence of other Committees; to report to the Board of Directors the Annual Corporate Governance Report for its approval and annual publication; supervise, within the scope of its competence, the communications that the company makes with shareholders and investors, proxy advisers, and other stakeholders, and report on these to the Board of Directors; and any other actions that may be necessary to ensure good corporate governance in all the company's actions.

Remuneration Committee

The main functions of the Remuneration Committee, which comprises four Independent Directors, are to make proposals to the Board of Directors on policy for the remuneration of Directors and general managers, and on remuneration and other contractual conditions for individual Executive Directors, and to ensure compliance with existing policies. It also advises on the Annual Report on Director Remuneration and reviews the general principles governing remuneration and the arrangements for the remuneration of all employees, ensuring that transparency is maintained.

Risk Committee

The main functions of the Board Risk Committee, which comprises three Independent Directors, are to supervise and exercise oversight to ensure that all the risks of the Bank and its consolidated group are accepted, controlled and managed appropriately, and to report to the Board on

the performance of its duties, in accordance with the law, the Articles of Association, the Regulation of the Board of Directors and the Committee's own terms of reference.

Bank Chairman

Article 55 of the Articles of Association stipulates that the Chairman shall serve as a non-executive Director. He/she is the Bank's highest representative and has the rights and obligations inherent to such representation. In discharging his duties, the Chairman of the Board of Directors is the person with primary responsibility for the effectiveness of the Board of Directors and, as such, shall represent the Bank in any event, and have the power to sign on behalf of the company; he/she shall convene and chair meetings of the Board of Directors, setting the agenda, directing the debates and deliberations within the Board of Directors, and shall be responsible for ensuring compliance with the decisions adopted by the Board of Directors.

Chief Executive Officer

Under article 56 of the Articles of Association, the CEO is the person with primary responsibility for managing and directing the business, and for representing the Bank in the Chairman's absence. The Board of Directors shall also permanently delegate to the CEO all legally delegable powers it deems appropriate.

Control units

The Internal Audit Division and the Risk Division have access to and report directly to the Board of Directors and its committees — the Audit and Control Committee and Board Risk Committee, respectively.

The bank publishes the Annual Corporate Governance Report which includes detailed information on the bank's corporate governance, the Annual Report on Directors' Remuneration and the Non-Financial Disclosures Report, which are part of this Directors' Report, and can be found on the website of the National Securities Market Commission and on Banco Sabadell's corporate website www.grupobancosabadell.com.

The client Brand

"At Banco Sabadell we help people and companies make their projects a reality, looking ahead and ensuring that they make the best economic decisions. We do this through responsible stewardship that is committed to the environment and to society. We are non-conformist and committed. We work professionally and efficiently. And we relate to each other with empathy and openness." That is the promise of the Banco Sabadell brand, the bank

we want to be. The brand is committed to our customers, employees and society because "we are distinguished not only by what we do, but also by how we do it".

In 2021, Banco Sabadell showed that, despite the circumstances, its vision remains as valid as ever, and it is true to its values to support its customers and help them make the best economic decisions. Because, in times of uncertainty, decisions need to be made but one decision takes precedence: To support our customers.

Supporting our customers

The way customers talk about Banco Sabadell, how the bank has accompanied them over time and the quality of the service they receive, is the result of a business model in which the customer is always the main focus of attention.

The COVID-19 crisis has accelerated changes in customer behaviour, particularly in terms of the adoption of new ways of interacting, and has consolidated an environment in which digitalisation and remote channels are becoming increasingly important. The current context highlights the need for transformation, which is why Banco Sabadell has redefined and accelerated the customer relationship model, responding to their new consumer habits.

With greater control of the pandemic, the macroeconomic context is improving and there is an important stimulus package and measures for economic recovery, and Banco Sabadell wants to continue to support and accompany customers on this path.

Furthermore, society is becoming increasingly socially and environmentally aware and Banco Sabadell has therefore taken the firm decision to accompany our customers in their transition towards a sustainable economy.

Private individuals

In Retail Banking, we are moving towards a relationship model that combines the personal support of specialised managers in branches with access to the digital offer of our products, thus offering a differential value proposition to customers, responding to current demand and accessing a greater number of customers in this segment.

Corporate Customers

The ability of our network to establish fruitful and long-lasting relationships with companies – the average

length of service of our customers is 11 years – is one of the strengths of our Business Banking, which we will further enhance. At Banco Sabadell, we have good knowledge of our customers, which allows us to provide them with specialised solutions and accompany them in the development of their business.

Driving digitalisation

Banco Sabadell continues to develop a digitalisation plan to guarantee the most complete and satisfactory user experience possible. This plan involves expanding new digital features and services, and assisting customers in the transition to digitalisation. Some examples of the improvements implemented are the unification of transfers, the elimination of manual verification of new accounts and the contractual simplification of funds and sight accounts, the ability to consult card liquidations from previous months and to claim incorrect charges through digital channels, and improvements in file management capabilities and usability.

Accompanying customers on this journey is vital to ensure that customers are aware of the bank's remote channel solutions and self-service operations and that they have sufficient information to use them. To support customers in their digitalisation process, Banco Sabadell has implemented a personalised Support Plan, segmented by type and adapted to each customer, with simple, user-oriented communications that help customers to familiarise themselves with the use of remote channels and carry out self-service operations conveniently, quickly and securely.

This plan is being maintained over time, so that customers can see we are working with them round the clock, and we encourage them to transition towards digitalisation.

Some of the lines of communication that have been carried out are:

- Working with customers from the outset, promoting the use of remote channels.
- Communicating with customers based on their degree of digitalisation, and a monthly newsletter to inform them of new digital features and highlight existing ones.
- Specifically communicating with senior customers, informing them how to carry out the most frequent operations through remote channels.
- Video tutorials on the main remote transactions so that customers can view a simple, visual explanation of how features work; instruction cards were produced for delivery to customers to assist them in using ATMs, the App and BS Online.

Thanks to all the actions carried out at Banco Sabadell, 60% of our customers are now digital, an increase of 5% over the previous year.

Enhancing the customer experience

Continuous improvement

At Banco Sabadell, we work from the perspective of continuous improvement, which is why we have developed a methodology that allows us to listen to the voice of the customer, measure and assess the main reasons for satisfaction and dissatisfaction, and how close or far we are from meeting our customers' expectations. The ultimate goal is to implement lines of approach that will not only improve their experience, but also try to exceed their expectations.

Research has made it possible to transform and improve these processes by making them much more customer-centric so as to ensure that customers' experience is much more satisfactory.

BS idea: pooling ideas for the Transformation of Banco Sabadell

BS idea is a gamified open innovation programme, inspired by the design thinking methodology, which allows all Banco Sabadell employees to propose ideas for improvement in any area of the organisation. This is a model adapted to Banco Sabadell's strategy in which the talent of the participants helps the management to achieve its objectives.

BS idea is implemented through challenges, which are competitions focused on priority projects for the entity, selected by the BS idea Committee, made up of the entity's directors. In 2021, 12 different challenges have been launched with topics as relevant and diverse as the reduction of non-commercial tasks in offices, new ways of working (SmartWork), European funds, boosting the equity business, the mortgage business of the future, and increasing the use of our digital channels, among others. Participation in these competitions has been a success, demonstrating once again the importance of listening to the voice of employees.

A specific jury for each challenge rewards those ideas that are most aligned with the bank's strategy, with the improvement of customer satisfaction and with the transformation process. It is also an excellent channel for

innovation and communication between teams, enabling them to share opinions and experiences.

As a novelty, this year a new section dedicated to Testing with internal users has been launched.

In an environment of digitalisation and constant change, there is a need for a single space in which to carry out all types of user testing before launching products, services and processes. BS idea offers management and project teams the possibility to improve usability and user experience by testing with bank employees.



1,459
Published Ideas



7,208
Active users

Measuring the
customer experience



484
Selected Ideas



538
New users

Measuring the customer experience

Measuring the Banco Sabadell customer satisfaction focuses on obtaining insights that help with decision-making and drive an increasingly customer-centric culture.

The experience is measured by understanding the market, consumers and customers, using a range of qualitative and quantitative research methodologies.

Qualitative research

Qualitative measuring is based on different studies and research from diverse methodologies in order to gain a better understanding of the environment and customers. The goals of this process include:

- Understanding consumers' concerns, worries and attitudes and their current and future needs.
- Identifying the most emotional and least explicit part of consumer decision-making.
- Listening in depth, actively and constantly to the customer's voice, which enables us to ascertain how they experience their relationship with the bank at a range of touch points.

The methodologies used range from conventional in-depth interviews or focus groups by segments, to more innovative methodologies based on behavioural economics and the detection of consumers' deepest emotions and motivations.

Quantitative research

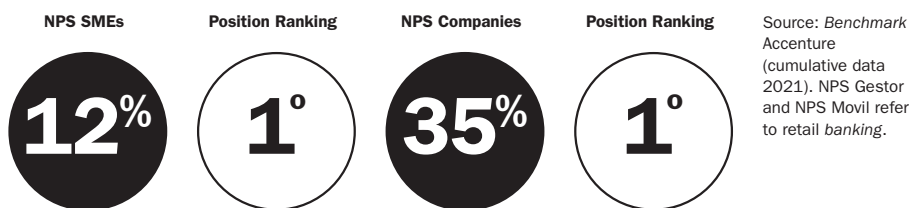
Banco Sabadell Spain also analyses its customers' experience through quantitative surveys. Some are more akin to conventional satisfaction surveys, while others incorporate an emotional component: to make the organisation aware of the importance of considering customers in our decisions, so as to make meaningful improvements.

1. Net Promoter Score (NPS)

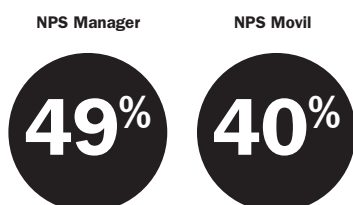
The Net Promoter Score (NPS) is a key market benchmark for measuring the customer experience, enabling Banco Sabadell to compare its performance to that of its competitors and companies in other industries, at domestic and international level.

The NPS is measured in the main customer segments, products, and relationship channels. Of note were the results in the segments of companies and SMEs, segments in which Banco Sabadell has historically developed a greater specialisation, making it the bank most recommended by companies.

Banco Sabadell is the bank most recommended by companies.



In recent years, as a result of the digital transformation, the measurement of digital channels that complement the traditional service channel (manager) has gained importance:



Position Ranking of the entities that form part of the peer group of Accenture's Behk NPS study (BBVA, La Caixa, Santander and Banco Sabadell).

2. Satisfaction surveys

Banco Sabadell conducts regular surveys to gather in-depth knowledge of customer satisfaction and to identify areas for improvement for specific processes and contact channels. For each of these surveys, the Bank sets itself quality targets and keeps the results under constant scrutiny.

Banco Sabadell listens to its customers by conducting over 300,000 surveys per year and analysing more than 20 touch points.

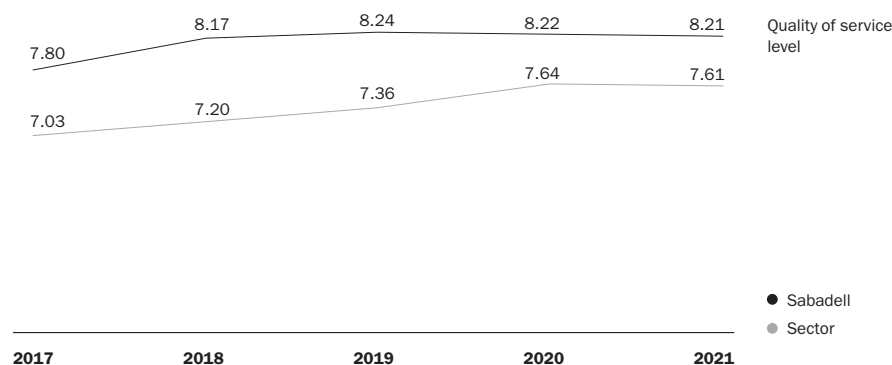
In the current context, marked by the pandemic and digitalisation, surveys in the digital dimension are growing in importance. Banco Sabadell sees the use of digital channels as a Moment of Truth and, consequently, has focused on measuring customer satisfaction and improving the customer satisfaction through BS Online Particulares, BS Online Empresas, the mobile app, etc.

3. Branch quality surveys

In addition to analysing customer perceptions, Banco Sabadell carries out objective studies using techniques such as the Mystery Shopping, under which an independent consultant performs a pseudo-purchase to gauge the quality of service and the commercial approach applied by the sales team.

EQUOS RCB (Stiga), the benchmark survey of Spanish bank service quality, is conducted using the Mystery Shopping technique.

Banco Sabadell continues to maintain a quality differential with respect to the sector, which has increased in the last year.



Accolades

Banco Sabadell is a benchmark for organisations in Spain, due to its consolidated track record in quality management and its recognised management model.

It is the only financial institution in Spain to score over 700 in the European Foundation for Quality Management (EFQM) Seal of Excellence in three consecutive evaluations (2014-2016-2018), as a result of which it obtained the highest level of the EFQM Seal of Excellence, confirming the robustness and excellence of its management model. This EFQM score has also enabled it to hold, since its creation, the title of Ambassador of European Excellence with special mention.

But for Banco Sabadell, internal accolade of excellence is also very important. In this regard, almost 20 years ago, it created awards to recognise the excellence of those branches (as a result of customer satisfaction surveys), corporate divisions and projects that are a benchmark for the rest of the entity.

One of the internal awards that the bank created in 2020, as a result of its firm commitment to sustainability, was the accolade of the best sustainability projects implemented in the organisation, with an impact on the bank's contribution to the Sustainable Development Goals and with ESG (Environmental, Social & Governance) criteria. In 2021, there has been an exponential increase in the number of applications submitted, one of which has also received external accolade. This is the Accompaniment Programme for the socio-economic improvement of vulnerable families, winner of the first prize for Good Management Practices, awarded by the Excellence in Management Club, in the category of Large Organisation.

In 2021, despite the context of restrictions due to COVID-19, Banco Sabadell continued to reward and make internal excellence visible, adapting the acknowledgements to virtual or hybrid formats, depending on the

health restrictions at the time. In these adverse situations, accolade becomes even more important, as it is a motivational driver for employees, which is also reflected in the results externally.

Customer Care Service (SAC)

The Customer Care Service of Banco de Sabadell, S.A. conforms to the provisions of Ministry of the Economy Order 734/2004, of 11 March, the guidelines issued by the European Banking Authority (EBA) and the European Securities Market Authority (ESMA), and the Banco Sabadell Regulations for the Protection of Customers and Users of Financial Services. The most recent amendment to those Rules was approved by the Bank of Spain in June 2021.

In accordance with its terms of reference, the Banco Sabadell Customer Care Service (SAC) handles complaints from customers and users of the financial services of Banco Sabadell and a number of other institutions: Bansabadell Financiación, E.F.C., S.A., Sabadell Asset Management, S.A., S.G.I.I.C. Sociedad Unipersonal, Urquijo Gestión, S.G.I.I.C, S.A. and Sabadell Consumer Finance, S.A.U.

The SAC is independent of the bank's operations and business in order to ensure its autonomy, and it has the necessary resources to deal appropriately with complaints and claims, guided by the principles of transparency, independence, effectiveness, coordination, speed and security. The SAC also has sufficient authority to access all the necessary information and documentation in order to analyse each case, and the operational and business units are obliged to cooperate diligently in this connection. The

Regulations for the protection of customers and users of financial services of Banco Sabadell ensure compliance with the above-mentioned requirements.

In 2021, a total of 49,720 complaints and claims were received, 16.9% more than in 2020, in addition to 1,143 issues that remained unresolved at 31 December 2020. A total of 49,949 cases were processed in 2021.

See Note 42 to the 2021 consolidated annual accounts for further details.

Multi-channel strategy

Banco Sabadell has a set of communication channels with its customers, both physical (national and international branch network and ATM network) and digital (BS Online, Sabadell Movil, Direct Branch and social networks), responding to current customer demand.

The bank continues to seek to combine the best of traditional banking, such as the personal relationship, with the best of the digital world.

The branch is no longer the focal point of operations, but a wide range of touch points, where the customer is the protagonist. This requires simplifying processes as much as possible and changing the distribution model, something to which the bank is devoting a great deal of effort in order to respond to the ubiquity of our customers and offer them the best experiences.

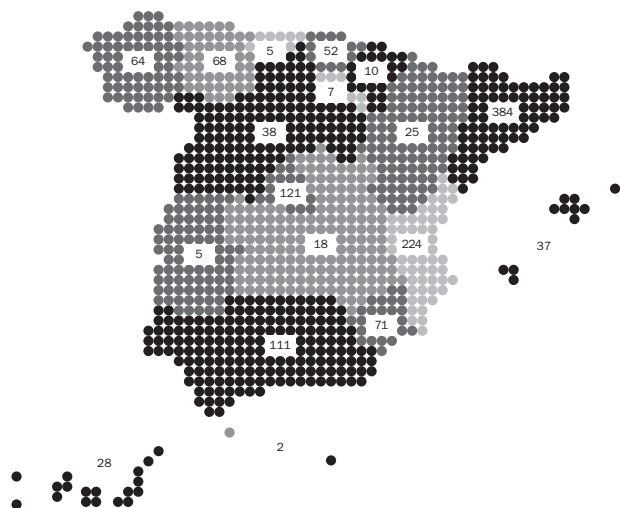
Branch network

Banco Sabadell ended 2021 with a network of 1,593 branches (290 TSB branches), i.e., a net reduction of 490 branches with respect to 31 December 2020 (a reduction of 326 branches excluding TSB).

Of the total Banco Sabadell and Group branch network, 955 branches operate under the Sabadell brand

(including 25 business banking branches and 2 corporate banking branches); 64 as SabadellGallego (including 3 business branches); 85 under the SabadellHerrero brand in Asturias and León (3 business branches); 66 as SabadellGuipuzcoano (5 business banking branches); 11 as SabadellUrquijo; 89 branches under the Solbank brand; and 323 offices that make up the international network, of which 290 are in TSB and 15 in Mexico.

Number of branches
by autonomous community





ATM network

The number of self-service network devices in Spain as of December 2021 is 2,645 units, comprising 1,922 branch ATMs and 723 mobile ATMs. The decrease in the number of ATMs in branches and the increase in the number of displaced ATMs is due to the closure of branches during the year.

With regard to the operations carried out during the year 2021, a downward trend can be observed; a total of 87,407,601 transactions have been carried out, a decrease of 2% in the total number of operations. In terms of the types of transactions most used, cash dispensing recorded similar volumes to the previous year and cash income continued to rise, with a 21% increase in the number of transactions.

During 2021, we have focused our efforts on continuously improving the overall availability of the self-service devices and enhancing customer satisfaction.

In order to achieve this improvement during the year 2021, a series of initiatives have been implemented, of which we highlight the assistance of ATMs outside office working hours, including weekends and holidays, the improvement of ATM monitoring by creating new indicators and follow-up control panels, the new recycling functionality and modifications in the interaction of customers with the most critical operations used by customers.

Other initiatives during the year included the analysis and monitoring of the ATMs moved to ensure greater profitability, operational efficiency and the design of the ATM footprint, which will have an impact on the organisation and distribution of ATMs.

Sabadell Online and Sabadell Mobile

In 2021, 60% of our customers were classified as digital, achieving a 5% increase in the number of digital customers compared to 2020.

The number of digital customers in the private customer segment grew 5% relative to 2020 and 2% in the business customer segment in the same period.

In addition to this growth in the digital customer base, the frequency of connection per customer, usage and contracting through digital channels has also continued to grow, as will be detailed below.

In 2021, we continued to push for the creation of new digital and remote capabilities to provide customers with better service from digital channels, offering greater convenience without having to travel to the branch network. Both the website and mobile devices have contributed to improving customer satisfaction and, at the same time, meeting the efficiency of the strategic plan.

Sabadell Online (bancosabadell.com website)

Despite positive figures growth in mobile usage, Sabadell Online traffic and frequency remain high, and this service received an average of around 10 million visits per month in the year, primarily for operational and transactional purposes, particularly from business customers.

The number of transactions carried out through Sabadell Online continues to grow both in terms of contracting capacity and servicing operations, which have been reduced by around 62% in branches in favour

of remote channels compared to 2020. Specifically, the number of transfers increased by 4% in Sabadell Online compared to the previous year.

In 2021, the customer satisfaction indicator in Sabadell Online Empresas increased to 7.3 points (+0.15 compared to the previous year) thanks to a series of improvements in this digital channel. Based on customer satisfaction surveys and interviews, the focus was on perfecting daily operations and improving the digital experience of Business Banking customers through four main lines of approach:

- Enhance functionalities that customers use on a daily basis (e.g., simplified transfer operations and easier file management);
- Improve usability to increase the quality of the service (e.g., more functional and intuitive menus and new accesses between Sabadell Online Particulares and Sabadell Online Empresas);
- Facilitate customer-manager interaction to strengthen the relationship (e.g., secure video calls between customers and managers and online appointment management);
- Expand the digital offer to surprise customers (e.g., new interface in Sabadell Online Empresas to access PwC's advisory service for processing European Recovery Fund grants).

Sabadell Mobile, adoption and usage habit growth

Banco Sabadell's user adoption of the distance banking app solution continues to grow, rising from 2.8 million to 2.9 million users, an increase of 7% compared to the previous year.

In addition to this increase in users, the frequency of access increased by 5% in logins per user per month compared with the previous year, to an average of 20 logins per month per customer in the individual customer segment.

The focus this year has therefore been on reducing the barriers to entry and friction in the journeys to access digital channels, enabling new functionalities for obtaining distance banking credentials without having to go to the branch network, as well as optimising their recovery in the event of loss or forgetfulness.

In addition to this effort to facilitate access to our online office, we have worked to improve the depth of information available, enabling the consultation of account movements for up to 10 years. In addition, the logos of the main vendors originating the payments have been added to facilitate the understanding and identification of account movements. Thus, at a glance, the customer can recognise the payment source without having to read or delve into it.

Operational improvements such as the debit/credit card blocking flow or tax payments have also been made to offer customers greater clarity, simplicity and ease in the process, achieving a reduction in the abandonment rate of online operations and, at the same time, a decrease in the number of calls to Direct Branch.

With regard to the use of operations related to financial products, we would highlight the following developments:

Specifically, in relation to investment and savings, the use of digital channels for the purchase and sale of securities increased by 5% compared to 2020, with the increase in remote subscriptions of mutual funds accumulated over the year being 42% higher than in the previous period. Extraordinary contributions to remote Savings Plans have increased by 13% and extraordinary contributions to remote Pension Plans by 4% compared to 2020.

Developments in financing products were as follows:

In pre-approved lending, sales are finally returning to pre-COVID levels. The focus in 2021 has been to make larger concession amounts immediately available to users at the click of a button, increasing the average amount contracted online.

In the area of mortgage financing, efforts have been concentrated on continuing to deploy simulation tools to enable users to make progress in their home purchase and financing decisions. This is the first part of a plan to develop tools to facilitate remote mortgage lending, which will be rolled out throughout the fourth quarter and first half of 2022.

Finally, in the range of means of payment, the option for our customers to contract debit and credit cards digitally has been enabled. This process consists of a digital catalogue, selection and comparison of products, 100% online contracting and online activation of the card.

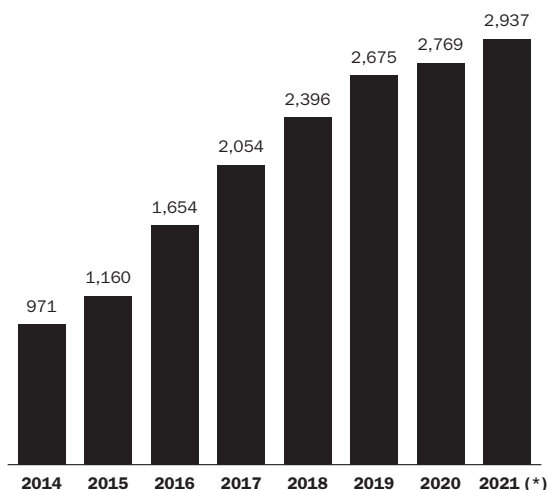
Sabadell Wallet

The trend in the use of Sabadell's mobile payments app continues to show positive growth.

There has been a 58% increase in logins compared to the previous year, with an average of 6 logins per month per customer.

The most frequently used operations include the following:

Bizum sending, which grew by 142% compared to the previous year. The use of Instant Money (a service that enables cash pick-up at ATMs without the need for a card, with just a 6-digit code) grew by 30%. The last operational highlight is the adoption and use of mobile payments, which recorded an 86% increase in the volume of operations compared to the previous year.



Progress of active customers in Sabadell Mobile (thousands clients)

(*) Latest information available as of November 2021.

Direct branch

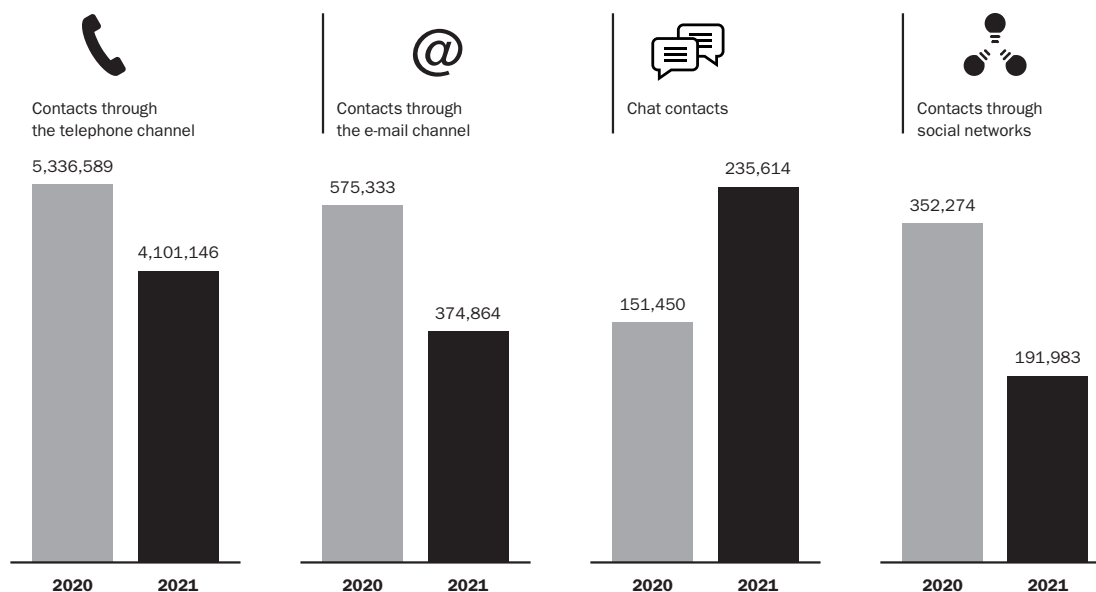
During 2021, contacts with Direct Branch decreased by over 24%, to 4.9 million, compared to 2020.

The service channel that has experienced the greatest growth this year has been chat. Telephone consultations accounted for 84% of the total, followed by e-mail, chat and social media. The following figure shows growth levels, by channel.

As regards service levels, the SLA (Service Level Agreement) ratio for telephone enquiries exceeded 93%, followed by chat (94.9%) and e-mail (91%). Banco Sabadell received 192,000 mentions in social media (SLA: 98%).

The decrease in volumes during 2021 is motivated by the following:

- Reduction of 290,000 calls due to process improvements and efficiency initiatives such as:
 - The activation of self-service locations in the telephone channel, which help our customers to carry out their daily operations.
 - Implementation of the Virtual Assistant.
- Non-critical operating hours restriction (from 19:00 hours to 8:00 hours).



Social media

Banco Sabadell has been active in social media since 2007. The objective: to get to know digital customers and their needs, obtain suggestions from them, and analyse how best to serve them. Three years later, in 2010, Banco Sabadell was an active participant in the most popular social platforms: Facebook and Twitter. Banco Sabadell currently has a presence in five social media: Twitter, Facebook, LinkedIn, YouTube and Instagram, with 20 different profiles at national level, and it has one of the best digital reputations in the financial sector.

Social media are among the main channels for engaging with our customers, both for handling queries and for broadcasting institutional and business messages, marketing campaigns and general interest messages.

Their use is growing exponentially and the Bank sets a high priority on raising its social media profile. Based on demand and the need to serve all customers anywhere in the world, a 24x7 service was implemented at the end of 2011.

Banco Sabadell currently has approximately 600,000 followers. Nearly 350,000 mentions of the brand were monitored or dealt with in 2021.

A key success factor is continuous tracking of interactions with followers and customers. One of the key performance indicators (KPIs) in social media positioning is the response rate, in which Banco Sabadell has a high score. Additionally, social media served as an important channel for conveying corporate and institutional content and as a channel for opinion-makers, particularly during the lockdown and generally during the COVID-19 pandemic. Social media are used to announce and webcast many sponsored events and other educational initiatives in which Banco Sabadell plays an active role, and this became particularly important this year. They include Earnings Presentations, the General Meeting of Shareholders, the Barcelona Open Banc Sabadell - Conde de Godó tennis tournament, a superb example of digital coverage, as well as the South Summit and the Banco Sabadell Foundation Research Awards. The year 2020 also marked a watershed in the Bank's commitment to sustainability and the creation of a solid digital community under the #SomosSabadell and #EstarDondeEstés hashtags.

In line with the initial objectives, Banco Sabadell closely tracks trends, social conversations associated with the Bank, audiences, and it uses the results to develop a strategy to expand and strengthen our presence, impact and engagement. This growth is evidenced by follower numbers in new channels such as Instagram, market opinions gathered via mobile devices, opinions expressed in industry forums and, this year, analysis and interaction of our branch offices in Google Maps.

The Bank continues to expand its digital presence in fast-growing channels such as Instagram and LinkedIn, and maintains a policy of segment-based specialisation through profiles related to such areas as the press (@SabadellPrensa, @SabadellPremsa and @SabadellPress), the Banco Sabadell Foundation (@FBSabadell), @

BStartup aimed at entrepreneurs, @InnoCells in support of new business and the digital transformation, and @Sabadell_Help, which is specifically for customer service.

Digital transformation and customer experience

Banco Sabadell's digital transformation approach and priorities

The priorities in digital transformation, in line with the new Strategic Plan presented in 2021, include the implementation of new remote sales models for sophisticated products, the evolution of self-service purchasing of procurement products, and continuing to improve and incorporate new operations, also in self-service, to make customers more autonomous in their daily lives. The acceleration required to drive these three levers of transformation has created the opportunity to review organisational, methodological, and technological capabilities to improve productivity and user experience.

As part of its commitment to putting digital transformation at the heart of its strategy and operations, Banco Sabadell strengthened the mandate of InnoCells by making this subsidiary the Bank's digital hub. This platform adds digital capabilities to generate synergies, enabling the Bank to achieve challenging goals through a hybrid innovation model (internal and external) with project execution capabilities and digital expertise.

InnoCells

InnoCells has a multidisciplinary team capable of addressing challenges and projects end-to-end, through reflection and execution, enabling it to maximise the impact for the Banco Sabadell Group and enhance the customer experience.

InnoCells adds key capabilities for the group:

- Digital leadership: coordinating the Bank's digital innovation capabilities and providing a strategic vision from the ecosystem on key business aspects by identifying leading practices in the market.
- Strategic design and customer vision: evolving the value proposition towards the delivery of customer-centric digital experiences. Addressing the challenges holistically and incorporating customers' voices throughout the process: understanding users and their problems, proposing new products and services or amending existing current processes, and validating solutions with users.
- Agile technology development: scaling the Bank's organisational capabilities by adopting new agile work methodologies that enhance delivery capacity and continuous learning in projects.
- Strategic alliances: combining internal innovation with external capabilities, actively participating in the

innovation ecosystem. Collaborating on a large scale with startups that complement the Banco Sabadell value proposition and enable it to reduce time-to-market and offer new services or features to customers.

- Driving technology architecture capabilities: developing new technology capabilities to improve productivity and connecting with third parties on a large scale.
- Capacity multiplier: design, implement and deliver key business projects for the Group.

Main deliveries in 2021

InnoCells contributed to Banco Sabadell's digital offer and to improving the customer experience by both developing projects from scratch and adapting existing processes or exploring new environments.

Some recent examples of retail banking with a high impact on customer user experience are:

- Increasing the depth of the transaction query to 10 years: in March 2021, we will enable the visualisation of transactions older than 24 months and up to 10 years in BS Online (BSO) and BS Movil (BSM), allowing customers to consult the corresponding transactions without the need to use assisted channels.
- Improvements to tax operations: in the first quarter of 2021, tax operations were improved by giving greater visibility on both the internet and mobile devices, and improving the tax form experience.
- Online card purchase: as of July 2021, we allow customers to purchase a card via BSO and BSM. In addition, a catalogue is created to help our customers get a better understanding of the cards offered by the bank and see which ones are best suited to their needs.
- Improvements in card operations: between July and September 2021, we improved the service and experience in card operations with different initiatives, such as allowing customers to claim transactions from digital channels with a digital signature, providing greater detail when a payment is rejected, consulting card settlements or improving the visibility of card information in BSO and BSM.
- Web and mobile integration with Adobe Target: for both informational and transactional content, we enabled the integration with Adobe Target, which will allow the bank a greater degree of personalisation of the offers and promotions that we present to customers, also allowing changes to the information presented without the need for intervention by IT teams.
- SMS reduction: throughout 2021, we have been reducing the total number of SMS messages sent to customers from different BSM operations, replacing SMS messages with push notifications and encouraging customers to migrate to digital signature, which has led to significant cost savings for the bank.
- CDD - KYC BSO: within the framework of the implementation of Continuous Due Diligence, a space is created in BSO where the customer can clearly identify the documentation that is required in order to continue to

have an operational account. Similarly, a set of communications has been planned, which will ensure that the customer knows at all times what actions are pending and when they are required to carry them out.

- Virtual Assistant: Banco Sabadell's new Virtual Assistant, supported by the conversational platform and the Virtual Office, ready to incorporate the necessary conversational flows to reduce the volume of calls to the Direct Branch and encourage self-service.
- Improved service and operation of pre-approved loans by increasing the limit that can be contracted through digital channels so that customers can have access to a loan of up to 30,000 euros at any given moment. The contracting flows are improved in both self-service and assisted channels, providing more information to the customer on what is required to formalise the operation and optimising information to the customer service teams to improve the time required to manage requests.
- Improve access to contracting flows, offering a specific space in the global position for contracting products such as insurance and cards, which can also be customised (price, content, etc.) autonomously by marketing.
- Digital mortgage: deployment of new capabilities to start the process of capturing and managing the demand for mortgage products in the digital channel, through the deployment in October of a mortgage simulator that will enable our customers to assess their financing capacity and a first approximation of the resulting instalments, as well as enabling the bank to qualify digital leads according to their maturity in order to allocate commercial resources to manage those with the greatest possibility of conversion, as well as the pilot test in December 2021 of an accompanying portal that will enable and guide the customer to provide online the necessary documentation for the solvency study, while automating the consultation of bureaus and giving the manager better visibility of the status of operations at this phase of the process. This should result in an increase in the demand for mortgage products, better support for our customers, especially in remote channels, and greater conversion of opportunities (reducing the commercial effort and, therefore, improving efficiency).
- CDD - National Identity Card update with Onfido: in December 2021 and within the framework of Continuous Due Diligence, access to available customer information and access to update flows is improved. This year, the possibility of updating the National Identity Card from the website through the provider Onfido is enabled, improving the experience and conversion of the current process with the provider Veridas (the possibility of updating the National Identity Card in BS Movil has been available since January 2022).
- Digital onboarding: opening in December 2021 of the new 100% digital customer registration service, supported by Onfido's identity identification and validation solution, confirmed by digital signature and complying with legal and regulatory requirements, which will enable users to register as new customers of

the bank without the need to visit a branch. In addition, an Expansion Account can also be set up as part of the process. The opportunity has also been taken to simplify the set of contractual documentation for a number of contract products.

- 5 Star Programme: Sabadell Movil's experience improvement initiative has succeeded in moving key KPIs across the stability, performance, and usability levers with continuous delivery of improvements through 2021. Some of the initiatives highlighted include improved display of information and details of account and card transactions, access to 90 days' transactions without additional signature, a new app version for Huawei devices without Google services, improved conversion of the PIN recovery process (from 24% to 54% conversion rate), reduction of app login time and resolution of principal bugs.

Recent examples with a significant impact on the customer satisfaction:

- Improvements in file operations: deployment of new capabilities to provide greater ease of use in one of the most important and recurring operations for business customers and thus improve the satisfaction of BSO Empresas users. In addition, with these initiatives we improve efficiency and increase self-service through improved experience and service. The most relevant initiatives are detailed below:
 - Multiple file signing: more efficient functionality by allowing multiple batches to be signed without the need to go through them one by one. This saves time and effort for our customers.
 - Facilitating the creation of files: enabling customers to retrieve information from previously sent file dispatches and allowing them to be edited, generated and sent, thus reducing management time in a more comfortable way.
 - File import improvements: increase the visibility of the file import initiative to improve onboarding for users who want to carry out this operation.
 - File control centre: creation of a new interface that centralises the most relevant information on file management and has a new space for consultation and monitoring of file status, with direct access to the signature, cancellation, reuse, and details of the file.
- Transactional companies - New navigation menus: redesign of the navigation menus of BS Online Empresas and new organisation of the menus to facilitate the location and use of the operations. With this initiative, we want to improve our customer satisfaction index in order to be more competitive with our peers and reduce the number of customers who say they leave BSO without finding the operation they were looking for.
- European Recovery Fund: creation of a new page on BSO Empresas providing personalised help to customers about the European Economic Recovery Fund. In addition, this page provides our customers with access to PwC's external service that assists with the processing of the call they are interested in.

- Additional validations for international transfers: this project consists of applying a series of improvements to the international transfer screens in order to minimise the number of incidents due to errors in this type of transfer.
- MVP: Manager Area: the strategy in companies is to strengthen customer-manager communication, especially with value customers. With this project, we have created a new digital appointment flow accessible on the Home page and in the new Manager Area. With the proposed solution, it will be possible to request appointments (commercial), checkout (servicing) and appointment management.
- Dual Login: functionality that allows you to switch from private to business account and vice versa in an agile way, without penalising the user to log out to access again. In this way, the customer will have a better digital experience with the aim of increasing the percent of logins in BSO Empresas and positively influencing the improvement of the NPS.

Additionally, InnoCells has executed, from the Collaboration area, both pilots and proofs of concept with third parties (seeking to accelerate the digital transformation of the business through the incorporation of products, services, and differential third-party technologies, with the main focus on the Fintech ecosystem), as well as participation in projects framed within the strategic line of Financing. We can highlight the following:

- Participation in the Request For Proposal for selection of a third-party platform (companies in the RFP: Cobee, in which the Group has stakes, and Compensa) for the digitalisation of the Group Pension Plan product offered to the Bank's corporate customers through the Joint Venture with Zurich, in which the Group has stakes. The solution developed together with Compensa is now deployed in production and active for contracting by corporate customers.
- Deployment of internal Speech Analysis capabilities: transcription and interpretation system with cognitive capabilities of manager-customer phone call recordings with different use cases (from regulatory to commercial). The pilot was carried out with Predictiva (a company in which the Group has a stake) and the Cognitive and Regulatory Compliance Departments, and offered insights on the comparison of the solution vs. the current solution and other providers (Telefónica Recordia).
- Deployment in the productive environment of Banco digital channels (BSMovil and BS Online, initially to employees and subsequently to end customers) of capabilities for detecting recurrent charges or subscriptions, offering the ability to change and cancel them. The pilot was conducted in collaboration with the startup Minna Technologies and provided insights for decision making in the Daily Banking project.
- Participation in the SmartPayments/SmartMoney pilot, through a collaborative action between different entities within the framework of Iberpay (BBVA,

Caixabank, Banco Santander, Banco Sabadell, and Bankia before the merger) to dynamise the transfer of money within the ECEC through tokenisation.

- Orchestration and active collaboration in two projects driven by the Funding strategic line (ongoing):
 - Digital Reactive Lending: offering identified customers in the individual segment the possibility to apply for a reactive loan in a 100% digital contracting process. Participation in the Request For Proposal for the selection of the third-party platform (selected company Indra-Minsait) and continuity in the project as orchestrator of the initiative.
 - Sabadell Consumer Finance-Instant Credit: definition of the strategy, evolution, and strengthening of digital financing operations at points of sale (both e-commerce and physical).

In addition, the area of Collaboration with third parties maintains continuous interaction with the startup ecosystem (collaboration with BStartup and Sabadell Venture Capital and participation in various events: South-Summit, 4YFN, Webinars, etc.) and has a specific portal (www.partnerships.innocells.io) to centralise and receive value proposals that may be of interest to the Group in an orderly fashion. In 2021, 27 contacts have been managed and some QuickWin initiatives have been executed for validation (e.g., collaboration with startup TaxDown, with a proposal for the creation of optimised tax returns).

Banco Sabadell's response to the COVID-19 health crisis

The sudden arrival of the COVID-19 crisis triggered a paradigm shift in the way we work and the way the Group relates to its customers on a day-to-day basis. The Group responded effectively, maintaining operational continuity at all times without impairing customer service and while safeguarding the health of customers and employees alike.

During the pandemic, Banco Sabadell has stood by its customers and society as a whole by offering financial support measures.

The bank continues to offer the business community measures to mitigate the lack of liquidity due to the pandemic, such as the renewal of policies and the extension of different products already contracted. Likewise, through the ICO Support Plan, applications for loans guaranteed by the State through the Official Credit Institute (Instituto de Crédito Oficial) have been managed.

In addition, the Bank has joined forces with the European Investment Bank to increase its capacity to lend to small and medium-sized enterprises (SMEs) and mid-caps affected by the economic impact of the COVID-19 pandemic.

Banco Sabadell continued to prioritise the protection of employees and customers as the main focus of its actions in the first half of the year. The protocols established in the commercial network have been activated depending on the incidence in each territory, although, thanks to the high level of personal responsibility of our employees and the effectiveness of the measures activated, there have been few occasions when this has been necessary.

As for corporate centres, they have remained largely open and, while teleworking has remained the main focus, they have responded to a growing need for the face-to-face dynamics necessary to realise the full potential of hybrid working. In this regard, the completion of the delivery of portable devices to almost 100% of the workforce in February 2021 has been decisive, which, together with the deployment of the capabilities of the Office 365 platform, is shaping a more secure, agile, flexible, and connected organisation.

In terms of the group's financial metrics, after a year 2020 whose results were marked by the pandemic, this year Banco Sabadell has been able to generate 530 million euros of profit in the year 2021. In addition, it continued to increase its solvency level and strengthen its balance sheet, so that the group has solvency levels above its requirements, ample liquidity, and a healthy balance sheet.

In this respect, the CET1 fully-loaded capital ratio stands at 12.22%. Notably, the ratio increased by 20 basis points year-on-year, demonstrating the group's commitment to a broad solvency position with a ratio above 12%. The Group also enjoys a comfortable capital position with respect to regulatory requirements, 395 basis points above them. The Tier 1 and Tier 2 capital issues in January (Tier 2) and March and November of this year (AT1), for an aggregate amount of 1,750 million euros,

contributed to consolidating this total capital ratio.

The Group has a strong liquidity position, with 57,000 million euros in liquid assets, i.e., over 23% of its balance sheet, and a Liquidity Coverage Ratio (LCR) of 221%. Its balance sheet shows a healthy equilibrium between loans and deposits (loan-to-deposits ratio: 96%).

The Group also has a sound balance sheet. As a result of selling portfolios of NPAs in recent years and the ongoing organic elimination of NPAs, the Group's risk profile has improved significantly, so that net NPAs at year-end 2021 account for 1.4% of total assets, with an NPL ratio of 3.7%.

In the wake of the unprecedented shock to the economy as a result of the COVID-19 pandemic, governments adopted a series of measures to support the economy. Those measures include fiscal policies to provide liquidity support to economic agents, families, and companies.

Spain

In this respect, in Spain, some measures adopted in the context of the pandemic remained in place during 2021 and other new measures were promoted. Some of the most important ones are the following: (i) the legislative or sectoral payment moratoriums – both implemented in 2020 – were reactivated by Royal Decree-Law 3/2021 of 2 February, which extended the period for applying to 30 March 2021, stipulating a maximum duration of 9 months; (ii) the two ICO COVID-19 lines of guarantees launched in 2020 (of 100 billion and 40 billion, respectively, for liquidity and investment), whose period for applying was first extended to 31 December 2021 with the approval of Royal Decree-Law 05/2021 in March, and then extended for a further 6 months, until 30 June 2022, by Royal Decree-Law 27/2021, of 23 November; and (iii) the Code of Best Practices, approved in May 2021, and which mainly envisages 3 possibilities to which debtors, if they met a series of specific conditions (amount of public aid received, etc.), could avail themselves of: maturity extensions – up to 10 years – (which could be requested until 15 October 2021), conversion of debt into equity loans (which could also be requested until 15 October 2021) and debt reduction (whose maximum execution period is until 1 December 2022).

In addition, Royal Decree-Law 5/2021 approved by the Spanish Government envisaged a series of extraordinary measures to support solvency of business in response to the COVID-19 pandemic, approving public investment of up to 11 billion euro through three funds: a fund of 7 billion euro for direct aid to the self-employed and companies, to reduce debt levels subscribed from March 2020; a fund of 1 billion euro for those viable companies that cannot access the fund managed by the State Industrial Ownership Corporation (SEPI for its acronym in Spanish); and, finally, a 3 billion euro fund for the restructuring of COVID-19 financial debt. The latter fund is implemented within the framework of a Code of Good Practice, approved by the Council of Ministers Agreement of 11 May 2021. This framework allows for extending the amortisation term of guaranteed loans, extending

grace periods, converting loans into equity loans while maintaining the public guarantee, and granting direct transfers for the reduction of the outstanding principal of guaranteed loans. Banco Sabadell adhered to the Code of Best Practices on 3 June 2021.

As regards moratoriums in Spain, the legal moratorium consisted of offering a 3-month grace period on mortgages and consumer loans, both in interest and principal payments, to customers who met certain vulnerability criteria. Additionally, the sector moratorium consists of grace periods of up to 12 months for mortgages and 6 months for consumer loans to people affected by COVID-19. In this case, the grace period is only for principal repayments, and the customer must continue to pay interest. This moratorium is also applicable to persons who have benefited from a legal moratorium and who, upon expiration of that moratorium, meet the conditions established for the sector moratorium. On 3 February 2021, RDL 3/2021 was approved, extending the period for applying for moratoriums until 30 March 2021, the duration of which was for a maximum period of 9 months, including, where applicable, the moratorium period already enjoyed.

Grace periods granted by Banco Sabadell during the year, under the legal and sectoral moratorium, covered loans amounting to 3,500 million euros. As of 31 December 2021, the total outstanding moratorium amounts to around 3 billion euro. It is worth noting that, of the total loans under moratorium, 75% are mortgages. In addition, about 12% of the total moratorium granted is in stage 3.

With the COVID-19 ICO lines of guarantees ascending to 140 billion euro, the ICO grants a state guarantee of between 60% and 80% of the loans, depending on whether the customer is self-employed, an SME, or a large company. Banco Sabadell has granted, until 31 December 2021, 13.7 billion euro in this type of loans (benefiting from 10.5 billion euro in guarantees), of which 8.6 billion euro have been drawn down with an average guarantee of more than 75%.

United Kingdom

In the UK too, a number of measures have been implemented by the government and the regulator with the objectives of helping the economy and protecting customers of institutions that have been affected by COVID-19. In addition to the sectoral measures, TSB has taken a number of actions designed to protect customers affected by COVID-19.

On the part of the UK regulator, the Financial Conduct Authority (FCA), the measures taken are: (i) a statutory mortgage and consumer moratorium, (ii) exemption from interest payments on overdrafts, (iii) a government guarantee scheme for loans to businesses that have been disrupted by COVID-19 and have a turnover of up to £45 million (CBILS), (iv) a government guarantee scheme for loans from larger businesses that have also been disrupted by COVID-19 (CLBILS) and (v) an accelerated funding plan for all businesses (Bounce Back Loan scheme, BBLs), which is not cumulative with other schemes.

In relation to the statutory mortgage moratorium announced by the UK Government in March 2020, with a duration of 3 months for any customer who has experienced financial difficulties due to COVID-19, the FCA published its supervisory expectations specifying that the moratorium exempts customers from principal and interest payments. At the end of the moratorium period, entities and customers should agree how they intend to repay the remaining instalments, generally by increasing the remaining monthly instalments or by extending the term of the loan. On 2 June 2020, the period for applying for this moratorium was extended to 31 October 2020. Subsequently, in November 2020, the FCA announced a further extension of the period for applying until 31 March 2021.

In relation to the statutory credit products moratorium (personal loans and credit cards) announced by the Government in April 2020, with a duration of 3 months for any customer who has experienced financial difficulties due to COVID-19, the FCA published its supervisory expectations specifying that the moratorium exempts customers from principal and interest payments. At the end of the moratorium period, entities and customers should agree how they intend to repay the remaining instalments, generally by increasing the remaining monthly instalments or by extending the term of the loan. Furthermore, on 1 July 2020, the FCA also extended the period for applying for this moratorium to 31 October 2020. Subsequently, in November 2020, the FCA announced a further extension of the period for applying until 31 March 2021.

In this regard, as of 31 December 2021, all of the £4,442 million of moratoriums granted in TSB have matured, both on mortgages and credit products (personal loans and credit cards).

As regards the overdraft interest exemption, the FCA has published guidance specifying that customers with overdrafts of up to £500 for a term of up to 3 months are exempt from interest and commissions. This measure was initially applicable to all customers until 9 July 2020. In addition, the deadline for this aid was extended until 31 October 2020 for those customers who applied for it. Finally, the guidance has been updated in September 2020 so that banks will continue to provide support to those customers who are in distress after 31 October 2021.

The Coronavirus Business Interruption Loans Scheme (CBILS) with turnover per annum of less than £45 million allows institutions to borrow up to £5 million in the form of loans, overdrafts, invoice finance, and asset finance with a maximum term of 6 years. In this scheme, the government provides an 80% guarantee for each loan and covers the first 12 months of interest payments.

The Bounce Back Loan Scheme (BBL) is not cumulative with other schemes and is independent of turnover per annum. This scheme allows you to borrow up to 25% of your turnover up to a limit of £50,000. The government provides a 100% guarantee and pays the interest for the first 12 months. The company starts repaying the loan after one year and the interest rate is 2.5%, determined by the government. In addition, no refunds will be made during the first 12 months.

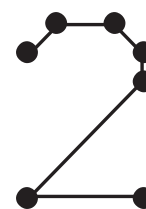
The Winter Economy Plan, announced on 24 September 2020, introduces a number of changes to these guaranteed schemes, most notably the Pay As You Grow option, which allows for payment deferral from 6 to 10 years, interest-only payments for up to 6 months and full payment suspension for up to 6 months (this option can be used once during the life of the loan and only after 6 payments have been made). In addition, in February 2021, the UK Government announced a plan introducing greater flexibility for Pay As You Grow, which now allows the third option to be taken up directly in the first instalment, without the need to make the first 6 payments.

The launch of the Recovery Loan Scheme was announced at the Budget presentation on 3 March 2021, which replaces the BBL and CBIL schemes. This allows, from 6 April 2021, companies of any size to borrow between £25,000 and £10 million with an 80% guarantee until the end of the year.

TSB has granted, until 31 December 2021, a total of £546 million from both the accelerated funding plan for all businesses (BBL) and the business loan guarantee scheme (CBIL).

In addition, TSB supports retail and business customers through the regulatory support measures mentioned above by offering interest-free or interest-refundable overdrafts, as well as through a number of customer service improvements. As an example, TSB employees have contacted the most vulnerable customers to offer assistance and ATM cards have been issued to customers who previously only used a savings book to enable them to better access cash without having to visit a branch. In addition, innovative ways have been put in place for TSB's telephony employees to work remotely to allow them to make large volumes of calls to avoid transactional fraud and bank operational phone calls. Finally, in partnership with IBM, TSB has developed the Smart Agent, which has enhanced the website by providing customer support with a range of services without the customer having to phone or visit a branch.

Economic, business and regulatory environment



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The year 2021 has continued to be marked by the COVID-19, although it has become less central to the economy thanks to vaccination.

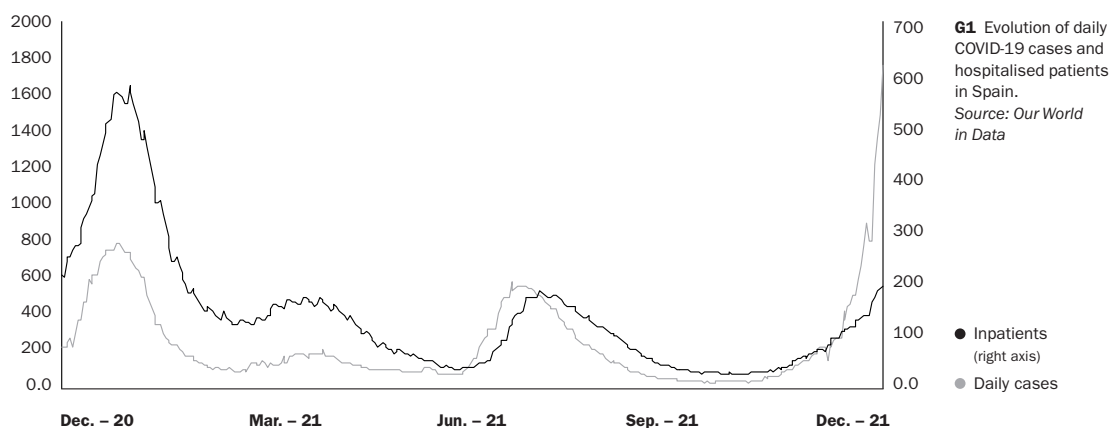
Economic and financial background

The year 2021 has continued to be marked by the COVID-19 pandemic, from the expansion of the alpha variant at the beginning of the year to the omicron in the final part of the year. In any case, COVID-19 has been losing its central role as a determinant of economic activity and financial markets. In terms of activity, developments have been generally favourable thanks to the process of economic reopening, albeit uneven at the global level. For its part, the pick-up in inflation has been one of the most notable surprises of the year and one of the most important market factors. The high levels of inflation eventually led to a shift in monetary policy, first in many emerging countries and later in developed countries. Overall, 2021 has been a positive year for financial markets.

Evolution of COVID-19

The pandemic has remained present throughout 2021. Countries faced successive waves of infections and the emergence of new variants of the virus, adding to uncertainty about the future evolution of the pandemic. Progress in the vaccination process, which gained momentum from the first quarter onwards, did not eradicate the pandemic, but it did have positive effects in reducing the rate of hospitalisations and deaths, making the consequences of the pandemic more manageable. Thus, the containment measures imposed were more limited as new waves occurred, although some measures aimed at the unvaccinated population were more restrictive in the last months of the year, with the aim of increasing the percentage of the population vaccinated.

The effectiveness of vaccines made them the main tool for controlling the pandemic, although their distribution around the world has been very uneven. While third booster doses were already being distributed in developed economies by the end of the year, in many emerging countries satisfactory percentages of the population had not been reached with the initial two-dose vaccination schedule.



This left these countries vulnerable, and they were the origin of variants of the virus that later spread globally, such as Delta (India) or Omicron (South Africa). This last variant was the cause of a new wave of global infections in the final stretch of 2021, which brought the number of

new daily cases detected to the highest levels of the entire pandemic, although the pressure on the health system remained more contained at the end of the year than in previous waves.

Inflation has surprised on the upside and has reached high levels in many countries.

Economic activity and inflation

Global economic developments have been generally favourable in 2021, with developed countries standing out on the positive side. This has been due to the positive effects of the increased control of the pandemic, the re-opening of economies and the high fiscal stimulus introduced. The latest contagion waves had a limited impact on demand. In contrast, zero COVID-19 policies in Asia – mainly in China – partially paralysed production and transport processes, affecting international production chains.

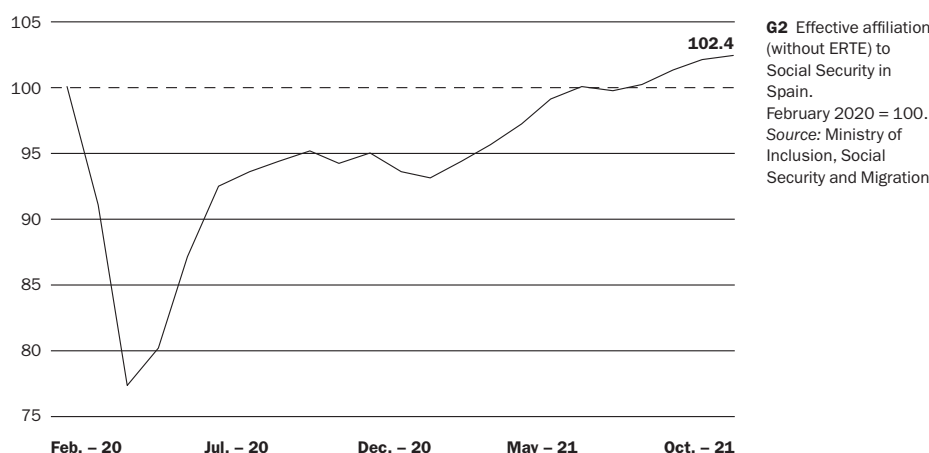
In the Eurozone, GDP will have grown by around 5.0% in 2021, around pre-COVID levels. In addition to the vaccination campaign, activity has been supported by favourable financing conditions and the expansionary fiscal policy stance, which has been helped by the implementation of the Next Generation EU (NGEU) programme. For their part, problems in global production chains and waves of contagion limited economic growth. In the political sphere, the arrival in power in Italy of M. Draghi, former president of the European Central Bank (ECB), and

the formation in Germany of a new coalition government made up of the SPD, the Greens and the Liberals, with a more constructive approach to European integration than the previous government, stood out. In the United Kingdom, the economy also showed strong growth for the year as a whole, with the labour market and the real estate sector performing particularly well. Brexit accentuated the disruptions to supply chains caused by the pandemic. Following the trade agreement reached at the end of 2020 between the UK and the European Union (EU), tensions over the part affecting the Northern Ireland protocol required some relaxation of the terms of the agreement. The issues surrounding this protocol have not been resolved. In the United States, the extraordinary support from fiscal and monetary policy allowed the economy to experience a robust recovery and activity to return to the pre-COVID level in the second quarter. On the fiscal front, a new stimulus package was approved in the first quarter, equivalent to almost 9 % of GDP and including, among other things, direct aid to households and small businesses. Subsequently, the focus was put on promoting investment in infrastructure in order to boost potential growth.

The Spanish economy has shown a favourable evolution, with the number of employed persons above the pre-crisis level.

In Spain, GDP will have grown by around 5% in 2021, after falling by more than 10% in the previous year. In the early part of the year, the economy showed weakness due to the restrictive measures taken to combat the third wave of COVID. The situation subsequently improved with the advancement of the vaccination process and the progressive opening of the economy. In the latter part of the year, rising energy prices, bottlenecks in global value chains and the spread of the Omicron variant of the coronavirus limited activity growth. With regard to the labour market, employment evolved favourably throughout the year and returned to pre-pandemic levels. In the area of economic policy, measures were approved in March to strengthen the solvency of companies to the tune of 11 billion euros (direct aid, aid for

the restructuring of guaranteed financial debt and the creation of an SME recapitalisation fund). In the middle of the year, the European Commission (EC) approved Spain's Recovery Plan associated with the NGEU funds, from which it expects to receive around 70 billion euros in the form of transfers in the coming years. Finally, the new labour reform, which incorporates a new system of permanent Spanish furlough scheme (ERTE) and aims to limit temporary employment, stands out. There was also a reform of the pension system, from which the CPI is again used as the revaluation mechanism and incentives are introduced to delay the retirement age.

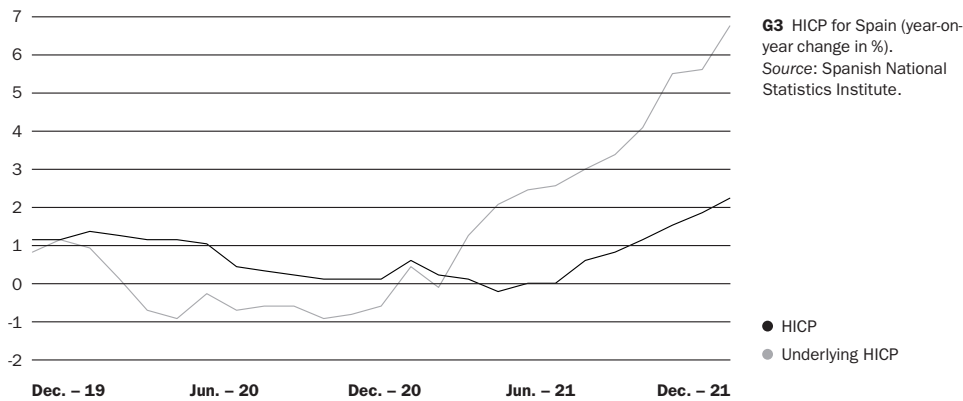


In emerging economies, some countries recovered pre-COVID GDP levels – including some Latin American countries – after China did so as early as the end of 2020. If anything, economic developments in many of these countries have been weak. This is because of poorer health conditions, the impact of the pandemic on the global tourism sector, the reduced capacity to perpetuate economic stimulus in these countries, and the impact in terms of poverty and inequality. Moreover, in the case of China, consumption has remained weak due to zero COVID-19 policies, compounded by the negative impact of the adjustment of the real estate sector and the regulatory tightening promoted by the authorities and aimed at reducing economic and financial imbalances. Faced with the threat that these developments could systemically affect the Chinese economy, and given the significant slowdown in the last part of the year, the authorities adopted a laxer discourse with the aim of “stabilising” the economy by 2022. Finally, Mexico has stood out positively for its low fiscal, financial and socio-political vulnerabilities compared to other Latin American countries, as well as for its high linkages with the United States.

Inflation became increasingly important in 2021. It surprised on the upside and reached very high levels in some cases. The price increase was the result of several forces. First, the rapid recovery in demand, channelled to a greater extent towards the purchase of goods, met with a relatively inelastic supply and difficulties to adjust, leading to the emergence of bottlenecks in some sectors (e.g., shipping and semiconductors). On the other hand, supply disruptions caused by production shutdowns in Asia, labour shortages in some areas (e.g., logistics and primary sector) and certain weather events led to supply problems and contributed to price increase. Finally, the contribution of commodities to inflation is noteworthy, having experienced the largest increase in commodity prices in 40 years. In the second part of the year, Europe experienced an energy shock due to high energy demand and geopolitical issues. As a result, the price of natural gas in Europe reached historically unprecedented levels.

Meanwhile, oil stood out with a 50% increase per annum, the strongest gain since 2016, while industrial metals had their best performance since the financial crisis. Agricultural commodities also recorded decade-high gains, boosting global food prices.

In the Eurozone, inflation rose almost constantly throughout 2021 and the Harmonised Index of Consumer Prices (HICP) stood at 5.0% in December, the highest rate since the beginning of the series in 1997. Most of the increase was explained by the energy component, as a result of the sharp rise in the price of natural gas. The reversal of the VAT cut in Germany was also a contributing factor in keeping inflation at elevated levels. The underlying component also increased, albeit to a lesser extent. In Spain, the increase in inflation was also strongly determined by energy and, in particular, by the increase in electricity prices. Electricity accounted for about 40% of the increase in the HICP in 2021 and drove it to the highest rates since 1992 (Dec-21: 6.6% year-on-year). In the United States, inflation in December was at a 40-year high. Inflationary pressures have been very broadly based by item, with some of the most persistent effects such as rents standing out. In addition, significant wage pressures have started to emerge as a result of labour shortages.



Monetary policy

The context of higher inflation has led to a shift in the monetary policy of central banks.

The major central banks have maintained an accommodative monetary policy, although they have started to move forward with their exit strategy from the stimulus measures implemented during the pandemic, especially in the second half of the year in the high inflation environment.

In the Eurozone, the ECB reduced the pace of asset purchases through the PEPP (a programme implemented during the pandemic) and confirmed that it will end in March 2022. Following the end of the PEPP, the ECB will temporarily increase traditional Quantitative Easing (QE). The Bank also signalled that the special conditions applied to TLTRO III (minimum rate of -1.00%) will not be extended beyond June 2022. With regard to inflation, the central bank has maintained that its increase is temporary, although the growing concern was seen among its members. The ECB has thus insisted that it is unlikely to raise interest rates in 2022. Finally, the central bank presented its new monetary policy strategy. The ECB adopted a medium-term inflation target of 2% and acknowledged that it may temporarily allow for moderately higher inflation. It set a symmetrical target, which means that the ECB considers “negative and positive deviations of inflation from 2% to be equally undesirable”. The central bank also indicated that financial stability is a precondition for price stability.

In the United States, the Federal Reserve (Fed), having met its inflation target and given the robust recovery of the labour market, started tapering its asset purchases in November. Moreover, it announced an acceleration of the rate hike at its last meeting of the year and went on to forecast three rate hikes in 2022 and a total of eight by the end of 2024. All this in a context in which the Fed stopped

describing inflation as a “transitory” phenomenon.

In the United Kingdom, the Bank of England (BoE) raised its benchmark interest rate in December by 15 basis points to 0.25%, in response to a significant increase in inflation and a tightening labour market. In addition, the BoE completed the implementation of its asset purchase programme in December. Finally, it announced that it will stop reinvesting the maturities of its asset programme when the policy rate reaches 0.50% and that it will start active sales when the policy rate reaches 1.00%.

In emerging countries, rate increases were aggressive and widespread, at rates of more than 100 basis points in some countries. This was a response to the increase in inflation and fears of a de-anchoring of inflation expectations. In the case of Mexico, the central bank raised the official rate by 150 basis points in total, accelerating the pace of hikes in the final part of the year to 5.50%. In some countries (e.g., Chile, Brazil), official rates ended the year clearly above pre-COVID levels. The main exceptions to this policy were China, where the authorities adopted a laxer tone in the face of the economic downturn, and Turkey, where the central bank cut the policy rate, ignoring rising inflation.

Financial markets

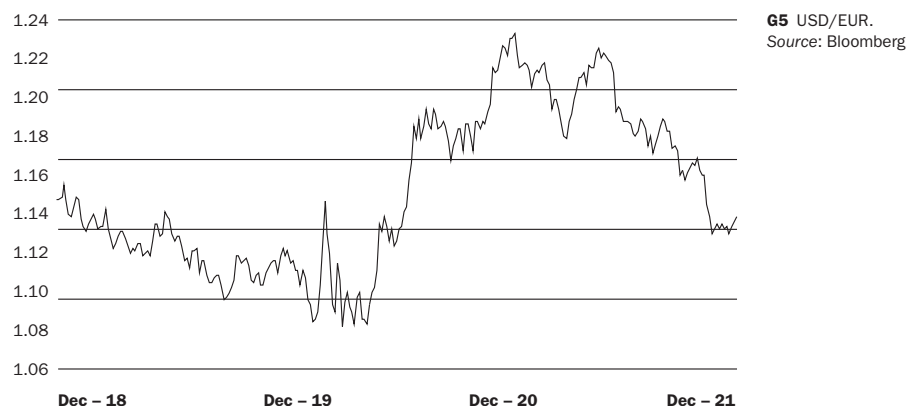
Global financial markets have continued to be supported by the economic measures implemented by the various authorities following the outbreak of the COVID-19 crisis, the implementation of the vaccination process and the economic recovery. Against this backdrop of lax financial conditions and increased pandemic control, risk assets generally performed well, and corporate spreads closed the year at levels close to or below those prior to the outbreak of the COVID-19 crisis. On the negative side, some Asian markets stood out in the face of increased regulatory scrutiny of some sectors by the Chinese authorities and problems in the Chinese real estate sector. Moreover, some vulnerabilities of capital markets were highlighted, such as reduced liquidity and depth in some markets at times of heightened uncertainty or excessive risk-taking, as evidenced, for example, by a high use of derivatives by retail investors.

Long-term government bonds in major developed countries experienced significant increases in 2021 (78 basis points in the UK, 60 basis points in the US and 39 basis points in Germany) on the back of the vaccination process, a higher inflation environment, central banks' pivoting and market recalibration of expectations of official interest rate hikes. Uncertainty caused by variants of the delta and omicron viruses and problems in China's real estate sector put a brake on the upward movement in profitability. Interest rates ended the year at levels still low by historical standards (1.51% in the US, -0.18% in Germany and 0.97% in the UK).

Periphery sovereign risk premiums ended 2021 at somewhat higher levels than the previous year, as the market recalibrated on future rate hikes by the ECB and the confirmation that the PEPP will end in March 2022. In any case, they remained at contained levels, supported by the ECB's asset purchases, the launch of the NGEU, the arrival of Mr Draghi in the Italian government and the upgrades to Italy's debt rating.



With regard to the currencies of developed countries, the dollar was particularly strong, appreciating by almost 7% against the euro. This occurred against a backdrop of uneven and mismatched economic recovery due to vaccine shortages and the reduced capacity of emerging countries to procure vaccines. In addition, the new COVID-19 variants continued to raise fears in the markets about the impact they could have on the economic recovery. Finally, and especially from the summer onwards, the dollar was supported by the Fed's less accommodative tone and the prospect of greater divergence of its monetary policy compared to that of the ECB. The GBP, in its cross against the euro, appreciated by almost 6%. The rapid progress of the British vaccination programme, as well as the attitude and actions of the BoE, contributed to this. Tensions over Brexit and the Northern Ireland protocol possibly prevented further appreciation.



Equity markets in developed countries performed positively, supported by accommodative central banks and the economic recovery. Most European and US stock market indices ended the year with gains of between 15% and 30%, in many cases reaching new all-time highs. Despite widespread gains in the main indices, sectoral differentiation continued to exist, with those most affected by the pandemic performing even worse in relative terms. The IBEX 35 lagged behind, rising only 8% and still trading at levels below pre-pandemic levels.

In financial markets of emerging countries, sovereign risk premia moved upwards, especially in the last part of the year, in a context in which the relative position of these economies was evidenced by their weaker relative position: (i) the reduced control of the pandemic; (ii) aggressive interest rate hikes, which may threaten the incipient economic recovery; (iii) economic and financial weaknesses in China; and (iv) fiscal and/or financial vulnerabilities in emerging countries such as Brazil or Turkey. In addition, profitability on domestic debt rebounded and, with the exception of the yuan, currencies tended to depreciate, most notably the Turkish lira, which lost more than 40% of its value against the dollar.

Banking sector environment

Banking sector

The global banking sector has proved resilient to the COVID-19 crisis. Banks have remained well capitalised after the pandemic in aggregate terms. In major developed economies, the CET1 capital ratio would, according to the authorities, remain above the regulatory minimums, even in an adverse scenario. The favourable solvency situation and the reduced uncertainty regarding COVID-19 have led the Fed, the ECB and the BoE to allow banks to pay dividends and buy back shares again, after not being allowed to do so after the outbreak of the pandemic. The profitability of the banking sector has recovered to pre-pandemic levels, although it has remained at structurally low levels. In terms of liquidity, the TLTRO III have provided important support and have contributed to supporting lending to the real economy.

In this crisis, NPLs have not behaved as usual in a recessionary cycle, thanks, among other things, to the swift and decisive response of economic policy. The aggregate NPA ratio in the Eurozone declined in the first half of the year to 2.4% and the inflow of loans on special surveillance (stage 2) has been moderate during the year. Despite the resilience of asset quality, the sectors most affected by the pandemic, such as accommodation and catering and leisure, have seen the most significant deterioration. On the other hand, the pace of provisioning has moderated after the effort made in 2020, although the authorities have continued to advise caution. In any case, the release of provisions has been heterogeneous across countries and institutions, with Spanish, Italian and French banks being the most cautious. The impact in terms of non-performing loans with moratoriums or public guarantees has been limited.

Regarding the Spanish banking sector, the Bank of Spain (BdE) has pointed out that the pandemic has confirmed the need to address the sector's structural challenges: (i) the generation of profitable turnover in a

The global banking sector has proved resilient to the COVID-19 crisis and has been recovering gradually in 2021.

low interest rate environment; (ii) increasing competition from technology companies; (iii) increasing cyber risks; and (iv) potential negative effects associated with climate risks.

Financial stability and macro-prudential policy

Over the course of 2021, financial authorities have stated that global financial stability risks have been diminishing thanks to the economic recovery. In any case, they argue that these risks remain elevated and centred on the incomplete recovery of some sectors, the persistence of global bottlenecks, an increase in inflation, high public and private debt levels, tight asset valuations and increased risk-taking by the non-bank financial sector.

The COVID-19 crisis has shown that the significant growth of the non-bank financial sector in recent years and the absence of regulation have led to a build-up of vulnerabilities in this sector. These structural vulnerabilities and the interconnections between the non-bank financial sector and the banking sector pose a risk to financial stability. This has led the main global and European regulatory authorities to focus during 2021 on developing the regulatory and macroprudential framework for the non-bank financial sector, focusing on liquidity, maturity, leverage and risk management duration.

In Europe, the authorities have begun to voice their concern about the dynamism of the real estate market in some countries. In the residential segment, this concern has been focused on countries with pre-pandemic vulnerabilities in that sector (e.g., Germany), and in the commercial segment the focus has been on the lack of recovery of lower quality assets. In this context, the ECB has recommended that national authorities adopt macro-prudential policies in the real estate sector. The Bank of England, meanwhile, has indicated that it will evaluate the possible withdrawal of one of the restrictive measures on mortgage loans in place since 2014.

COVID-19 has been a challenge for macro-prudential policy, which has also complemented fiscal and monetary policies. Once the outlook for economic recovery has turned favourable, several European macroprudential authorities have signalled their intention to start rebuilding the released capital buffers. The Bank of England has confirmed that it will increase the counter-cyclical capital buffer (CCyB) from 0% to 1% by the end of 2022, to provide room for manoeuvre in case downside risks crystallise and the economy needs support from the financial sector. In

France, the financial stability authority has indicated that normalisation of the CCyB could start soon, while in Spain it has remained at 0%, because the BdE considers that cyclical systemic vulnerabilities are not increasing.

Still in Spain, the BdE has developed three new macroprudential tools for credit institutions aimed at mitigating systemic risk, which can be activated as of 2022: (i) sectoral component of the counter-cyclical capital buffer; (ii) sectoral concentration limits; and (iii) lending limits and conditions.

Banking Union and Capital Markets Union

Progress in terms of European integration has been limited in 2021, in a context of an election year in Germany. However, the new German government has been more open to moving forward with the completion of the Banking Union and the Capital Markets Union (CMU).

Access to European primary capital markets continued to expand in the first half of 2021, although the securitisation market has shrunk over the past three years. In parallel, the EC has adopted a legislative package including measures in the context of the CMU action plan presented in 2020. The main objectives are to improve access to finance for SMEs, expand investment opportunities for retail investors and enhance capital market integration.

Regulatory environment and supervision

In the second year of COVID-19, the authorities have been returning to regulatory and supervisory normality. Highlights include: (i) the start of the process, in October, for the transposition of Basel III into European regulation; (ii) the end of restrictions on the distribution of dividends and share buybacks by banks in the main developed economies; and (iii) the return to stress testing of the banking sector.

The authorities and the industry have been engaged throughout 2021 in ensuring that the transition of benchmark indices, following the cessation of publication of much of Libor and Eonia on 31 December, would not cause disruption in financial markets. In addition, it has been confirmed that the Libor benchmark administrator is to publish in 2022 the 1, 3 and 6-month sterling and Japanese yen Libor with synthetic methodology based on

F&O risk-free rates. These six Libor adjustments will only be available for use in some existing (legacy) contracts and not for use in new contracts.

Brexit

On Brexit, limited progress has been made following the signing of the MoU (Memorandum of Understanding) in early 2021. The EU has maintained a position that equivalence in financial regulation will be maintained, while the UK has assumed that there will be no more ambitious deal and has begun to look at the possible review of its regulation, as well as increasing the focus on becoming a green and digital hub.

Challenges for the banking sector

In terms of sustainability, both market and regulatory scrutiny of the banking sector's incorporation of climate risks has continued to increase. At the same time, the development of the sustainable finance regulatory framework has continued, with a focus, for the time being, on disclosure. Thus, the financial sector will have to deal with the implementation of a significant amount of new regulation related to sustainable finance in the coming years. The adoption of the taxonomy of environmentally sustainable activities was an important milestone for the EU in 2021, as will be the completion of the ECB's climate stress test in 2022. With regard to Spain, the approval of the Climate Change and Energy Transition Law has reinforced the country's decarbonisation strategy and increased climate information requirements for the financial sector.

The pandemic has accelerated the processes of digitalisation, giving rise to several focus points. On the one hand, the entry of Bigtech into financial services is leading the banking sector to insist on regulation according to the principle of "same activity, same risk, same regulation". For their part, there is a widespread view that crypto-asset technologies have great disruptive potential and that, although they do not pose a systemic risk for the time being, their rapid growth means that efforts to regulate them need to be accelerated. Finally, authorities and the financial industry have warned that cyber-attacks have increased in both frequency and sophistication as a consequence of increasing digitalisation.

Outlook for 2022

Favourable global economic developments are to be expected in 2022 in a context where COVID-19 should continue to lose its centrality as a determining factor for economic activity and financial markets.

Inflation could remain elevated in the coming months, influenced by aspects such as the remaining disruptions in global production chains and energy prices. Greater control of the pandemic should alleviate some of the inflationary pressures.

In policy terms, central banks can be expected to move forward with their exit strategy. The Fed is expected to implement several rates hikes this year, while the ECB may wait a little longer.

Regarding financial markets, relatively loose financial conditions are expected to prevail. In any case, there may be occasional bouts of volatility in the face of upside risks to inflation and central banks' pivoting.

In Spain, the economy is also expected to perform well on the back of the progressive control of the pandemic, the use of European NGEU funds and a still low interest rate environment.

Within the financial environment, progress is expected on the global regulatory framework for crypto-asset-related activities.

Financial information



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Key figures in 2021

The Group's main figures, including key financial and non-financial indicators, are presented below:

	2021	2020	Year-on-year change (%)
Income statement (million euro)	(A)		
Net interest income	3,425	3,399	0.8
Gross income	5,026	5,302	(5.2)
Pre-provisions income	1,719	1,841	(6.6)
Profit attributable to the Group	530	2	—
Balance sheet (million euro)	(B)		
Total assets	251,947	235,763	6.9
Gross performing loans to customers	154,912	146,878	5.5
Gross loans to customers	160,668	152,265	5.5
On-balance sheet customer funds	162,020	150,778	7.5
Mutual funds	24,593	21,366	15.1
Pension funds and insurance brokerage	13,289	13,401	(0.8)
Funds under management and third-party funds	224,968	209,748	7.3
Off-balance sheet customer funds	41,678	38,064	9.5
Total customer funds	203,698	188,843	7.9
Equity	12,996	12,492	4.0
Shareholders' equity	13,357	12,944	3.2
Ratios (%)	(C)		
ROA	0.22	0.00	
RORWA	0.66	0.00	
ROE	4.05	0.02	
ROTE	5.05	0.02	
Cost-to-income	55.33	55.41	
Risk management	(D)		
Stage 3 exposures (million euro)	6,203	5,808	
Total NPAs exposures (million euro)	7,565	7,182	
NPL ratio (%)	3.65	3.60	
NPL coverage ratio of stage 3 with total provisions (%)	56.3	56.5	
NPA coverage ratio (%)	53.1	52.6	
Capital management	(E)		
Risk-weighted assets (RWA) (million euro)	80,646	78,858	
Common Equity Tier 1 (phase-in) (%)	(1) 12.50	12.57	
Tier 1 (phase-in) (%)	(2) 15.47	14.03	
Total capital ratio (phase-in)(%)	(3) 17.98	16.14	
Leverage ratio (phase-in) (%)	5.90	5.25	
Liquidity management	(F)		
Loan-to-deposit ratio (%)	96.3	97.6	
Shareholders and shares (as of reporting date)	(G)		
Number of shareholders	228,432	244,225	
Average number of shares (million)	5,586	5,582	
Share price (euro)	0.592	0.354	
Market capitalisation (million euro)	3,306	1,976	
Earnings (or loss) per share (EPS) (euros)	0.08	(0.01)	
Book value per share (euro)	2.39	2.32	
Price/Book value	0.25	0.15	
Price/Earnings ratio (P/E)	7.69	(27.75)	
Other information			
Branches	1,593	2,083	
Employees	20,070	23,458	

(A) This section sets out key margins from the income statement for the last two years.

(B) This table of key figures provides an overview of year-on-year changes in the main items in the Group's consolidated balance sheet, focusing particularly on loans and advances and customer funds.

(C) The ratios in this section of the table have been included to give a meaningful picture of profitability and the cost-to-income ratio in the last two years.

(D) This section gives some key balances and ratios related to the Group's risk management.

(E) The ratios in this section of the table have been included to give a meaningful picture of the solvency in the last two years.

(F) This section gives a meaningful picture of liquidity performance in the last two years.

(G) This section provides data on the share price and other stock market ratios and indicators.

(1) Core capital / Risk weighted assets (RWA).

(2) Tier 1 capital / Risk weighted assets (RWA).

(3) Total capital/Risk weighted assets (RWA).

Profit/(loss) for the year

Banco Sabadell Group generated attributable profit of 530 million euro at the close of the 2021 financial year, of which 118 million euro at TSB, which continues to make a positive contribution to the Group.

Million euro

	2021	2020	Year-on-year change (%)
Interest income	4,148	4,324	(4.1)
Interest expenses	(722)	(925)	(21.9)
Net interest income	3,425	3,399	0.8
Fees and commissions (net)	1,468	1,350	8.7
Core revenues	4,893	4,749	3.0
Net trading income and exchange differences	344	800	(57.0)
Equity-accounted income and dividends	102	37	174.9
Other operating income and expenses	(313)	(284)	10.1
Gross income	5,026	5,302	(5.2)
Operating expenses	(2,781)	(2,938)	(5.4)
Staff expenses	(1,777)	(1,885)	(5.7)
Other general administrative expenses	(1,004)	(1,054)	(4.7)
Depreciation and amortisation	(527)	(523)	0.6
Total costs	(3,307)	(3,461)	(4.4)
Memorandum item:			
Recurrent costs	(2,988)	(3,058)	(2.3)
Non-recurrent costs	(320)	(403)	(20.7)
Pre-provisions income	1,719	1,841	(6.6)
Provisions for loan losses	(950)	(1,832)	(48.1)
Provisions for other financial assets	(97)	(188)	(48.7)
Other provisions and impairments	(178)	(254)	(30.1)
Gains on sale of assets and other results	126	313	(59.7)
Profit/(loss) before tax	620	(121)	—
Corporation tax	(81)	124	—
Profit or loss attributed to minority interests	8	1	(88.9)
Profit attributable to the Group	530	2	(99.7)
Memorandum item:			
Average total assets	245,313	227,639	7.8
Earnings per share (EUR)	0.08	(0.01)	—

The average exchange rate used for TSB's income statement is 0.8594 (0.8888 in 2020).

Income statement

The core result (net interest income + net fees and commissions - recurring costs) grew 12.6%.

Net interest income

Net interest income in 2021 totalled 3,425 million euros, up 0.8% year-on-year, supported mainly by the growth in volumes, notably the increase in TSB's mortgage portfolio, higher revenues from TLTRO III, higher remuneration charged on corporate deposits, as well as the lower cost of capital markets, which neutralised the lower contribution from the ALCO portfolio following the sales in the previous year and the lower yields.

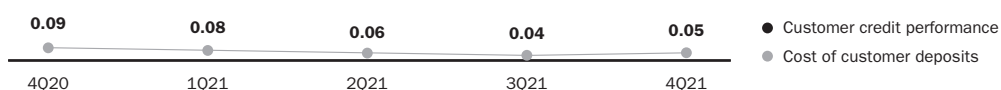
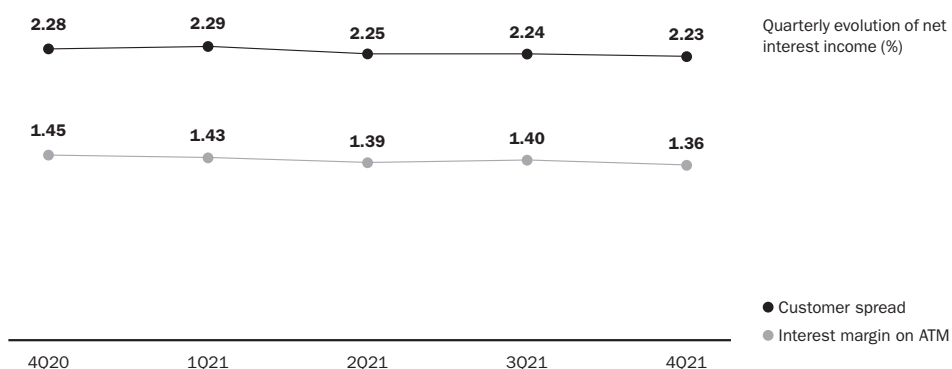
As a result, the return on average total assets was 1.40% in 2021 (1.49% in 2020).

Average total assets

Thousand euro

	2021			2020			Change		Effect		
	Average balance	Profit / (loss)	Rate (%)	Average balance	Profit / (loss)	Rate (%)	Average balance	Profit / (loss)	Rate	Volume	Days
Cash, central banks and credit institutions	48,693,390	(124,460)	(0.26)	32,280,072	(3,770)	(0.01)	16,413,318	(120,690)	(90,715)	(29,954)	(21)
Loans and advances to customers	152,176,194	3,513,182	2.31	144,206,662	3,627,861	2.52	7,969,532	(114,679)	(303,945)	195,793	(6,527)
Fixed-income portfolio	24,991,737	154,224	0.62	27,820,630	257,321	0.92	(2,828,893)	(103,097)	(86,973)	(15,360)	(764)
Subtotal	225,861,321	3,542,946	1.57	204,307,364	3,881,412	1.90	21,553,957	(338,466)	(481,633)	150,479	(7,312)
Equity portfolio	1,044,020	—	—	1,009,488	—	—	34,532	—	—	—	—
Property, plant and equipment and intangible assets	5,178,470	—	—	5,406,276	—	—	(227,806)	—	—	—	—
Other assets	13,229,640	39,565	0.30	16,915,746	159,052	0.94	(3,686,106)	(119,487)	—	(119,487)	—
Total capital employed	245,313,451	3,582,511	1.46	227,638,874	4,040,464	1.77	17,674,577	(457,953)	(481,633)	30,992	(7,312)
Central banks and credit institutions	38,104,600	280,623	0.74	28,776,209	116,074	0.40	9,328,391	164,549	88,413	76,335	(199)
Customer deposits	162,748,792	(87,596)	(0.05)	152,494,537	(223,310)	(0.15)	10,254,255	135,714	150,135	(14,976)	555
Capital markets	22,776,801	(265,876)	(1.17)	23,928,673	(310,324)	(1.30)	(1,151,872)	44,448	35,742	7,843	863
Subtotal	223,630,193	(72,849)	(0.03)	205,199,419	(417,560)	(0.20)	18,430,774	344,711	274,290	69,202	1,219
Other liabilities	8,953,529	(84,206)	(0.94)	9,621,529	(223,788)	(2.33)	(668,000)	139,582	—	139,582	—
Own funds	12,729,729	—	—	12,817,926	—	—	(88,197)	—	—	—	—
Total funds	245,313,451	(157,055)	(0.06)	227,638,874	(641,348)	(0.28)	17,674,577	484,293	274,290	208,784	1,219
Average total assets	245,313,451	3,425,456	1.40	227,638,874	3,399,116	1.49	17,674,577	26,340	(207,343)	239,776	(6,093)

Financial revenues or costs deriving from the application of negative interest rates are recognised as a function of the nature of the related asset or liability. The credit institutions line under liabilities refers to negative interest on the balance of liabilities with credit institutions, the most significant item being TLTRO II and TLTRO III revenues.



Gross income

Dividends received and results of companies accounted for using the equity method totalled 102 million euros, compared to 37 million euros in 2020, after recording higher results from renewable energy-related investees, which explains the variation with the previous year.

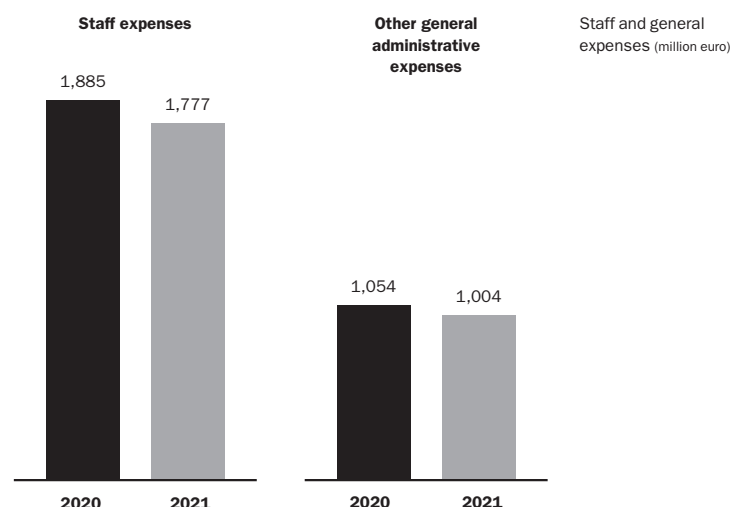
Net fees and commissions reached a figure of 1,468 million euros, representing an 8.7% growth year-on-year, mainly due to the good performance of commissions from services as well as asset management.

Gains on financial operations and exchange differences amounted to 344 million euros and mainly included 324 million euros of capital gains generated in September from the sale of the ALCO portfolio classified in the portfolio at amortised cost to finance the second phase of the efficiency plan in Spain. The year-end 2020 amounted to 800 million euros, as it also included sales of the portfolio at amortised cost to finance efficiency plans and part of the sales of NPAs portfolios in the previous year.

Other operating income and expenses amounted to 313 million euros, compared with 284 million euros in 2020. Of particular note under this heading are the contributions to the Deposit Guarantee Fund of 129 million euros (123 million euros in the previous year), the contribution to the Single Resolution Fund of 88 million euros (78 million euros in the previous year) and the payment of the tax on deposits at credit institutions (IDEC) of 33 million euros (32 million euros in the previous year).

Pre-provisions income

Total costs in 2021 amounted to 3,307 million euros, including 301 million euros of non-recurring costs arising from the second phase of the efficiency plan implemented in Spain in the third quarter of 2021 and 19 million euros from the closure of TSB's branches. Recurring costs represent a reduction of 2.3%, compared with the previous year, due to the improvement in personnel expenses, reflecting the savings from the first phase of the efficiency plan in Spain, as well as the reduction in TSB's general overheads. Total costs in 2020 totalled 3,461 million euros, of which 403 million euros related to non-recurring items, mainly 314 million euros related to the Spanish cost restructuring plan and 89 million euros of restructuring costs at TSB.



The cost-to-income ratio stood in 2021 to 55.3%, from 55.4% in 2020.

At the end of 2021, core profit (net interest income + net fees and commissions - recurring costs) was 1,905 million euros, 12.6% higher year-on-year as a result of the improvement in net interest income and the good performance of commissions, as well as cost savings.

Provisions and impairments totalled 1,225 million euros, compared with 2,275 million euros in 2020. The improvement in the year is mainly due to the fact that the previous year incorporated provisions from the COVID-19 environment which had a direct impact of around 650 million euros and provisions from the sales of NPA portfolios.

Profit from the sale of assets and other results stand at 126 million euros at 2021 year-end, mainly including 83 million euros from the sale of the depository business and 42 million euros from the sale of Bansabadell Renting. The previous year mainly incorporated the valuation gain from the sale of Sabadell Asset Management of 293 million euros.

Profit attributable to the Group

After income tax and the portion of the result corresponding to minority interests, net profit attributable to the Group would be 530 million euros at the end of 2021, a strong year-on-year growth mainly due to the improvement in the core revenues, the reduction in costs and the lower provisions recorded.

Balance sheet

Good performance of outstanding loans in the year supported by positive trends in all segments in Spain and the increase in TSB's mortgage portfolio.

Positive evolution of customer funds, both on and off-balance sheet, supported by growth in demand deposits and mutual funds, respectively.

	2021	2020	Year-on-year change (%)
Cash, cash balances at central banks and other demand deposits	49,213	35,185	39.9
Financial assets held for trading	1,972	2,679	(26.4)
Non-trading financial assets mandatorily at fair value through profit or loss	80	114	(30.3)
Financial assets designated at fair value through profit or loss	—	—	—
Financial assets at fair value through other comprehensive income	6,870	6,677	2.9
Financial assets at amortised cost	178,869	174,488	2.5
Debt securities	15,190	18,091	(16.0)
Loans and advances	163,679	156,397	4.7
Investments in joint ventures and associates	639	780	(18.1)
Tangible assets	2,777	3,200	(13.2)
Intangible assets	2,581	2,596	(0.6)
Other assets	8,946	10,044	(10.9)
Total assets	251,947	235,763	6.9
Financial liabilities held for trading	1,380	2,654	(48.0)
Financial liabilities designated at fair value through profit or loss	—	—	—
Financial liabilities measured at amortised cost	235,179	217,391	8.2
Deposits	209,307	193,234	8.3
Central banks	38,250	31,881	20.0
Credit institutions	8,817	10,083	(12.6)
Customers	162,239	151,270	7.3
Debt securities issued	21,051	20,413	3.1
Other financial liabilities	4,822	3,743	28.8
Provisions	886	984	(9.9)
Other liabilities	1,505	2,244	(32.9)
Total liabilities	238,950	223,272	7.0
Shareholders' equity	13,357	12,944	3.2
Accumulated other comprehensive income	(386)	(524)	(26.4)
Non-controlling interests	25	72	(65.1)
Equity	12,996	12,492	4.0
Total equity and total liabilities	251,947	235,763	6.9
Loan commitments provided	28,403	29,295	(3.0)
Financial guarantees provided	2,034	2,036	(0.1)
Other commitments provided	7,385	7,595	(2.8)
Total memorandum accounts	37,822	38,926	(2.8)

The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021.

Gross performing loans to customers amounted to 154,912 million euros at 2021 year-end, a 5.5% year-on-year increase. The largest component of gross loans to customers was mortgage loans and credit, which amounted to 90,718 million euros as of 31 December 2021 and accounted for 59% of total gross performing loans to customers.

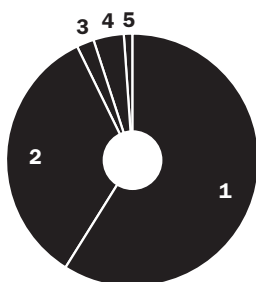
Million euro

	2021	2020	Year-on-year change (%)
Mortgage loans & credit	90,718	83,573	8.5
Loans and credit secured with other collateral	3,596	3,698	(2.8)
Commercial loans	6,050	4,991	21.2
Finance leases	2,106	2,231	(5.6)
Overdrafts, etc.	52,443	52,386	0.1
Gross performing loans to customers	154,912	146,878	5.5
Assets classified as stage 3 (customers)	5,698	5,320	7.1
Accruals	58	3	—
Gross loans to customers, excluding repos	160,668	152,201	5.6
Repos	—	63	(100.0)
Gross loans to customers	160,668	152,265	5.5
NPL and country-risk provisions	(3,302)	(3,081)	7.2
Loans and advances to customers	157,366	149,183	5.5

Loans and receivables

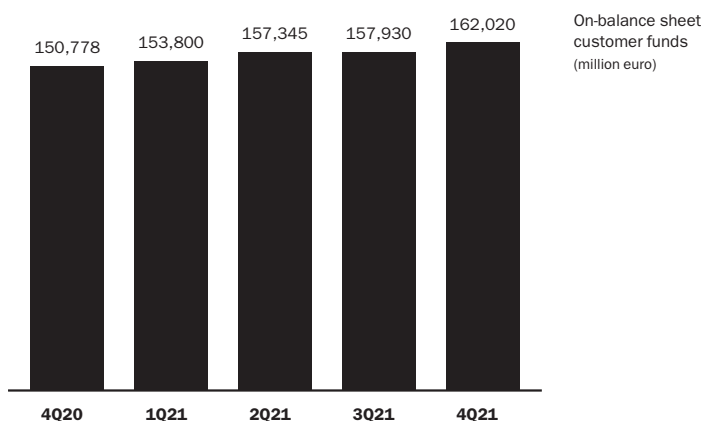
The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021.

The composition of loans and advances to customers by type of product is shown in the following chart (excluding stage 3 assets and accruals):



Loans and advances to customers by product type
31.12.2021 (in %)

1	Mortgage loans & credit	59
2	Overdrafts, etc.	34
3	Loans and credit secured with other collateral	2
4	Commercial loans	4
5	Finance leases	1

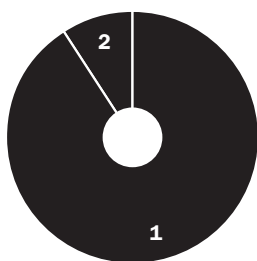


At 2021 year-end, on-balance sheet customer funds amounted to 162,020 million euros, a 7.5% increase on the figure of 150,778 million euros registered at the end of 2020.

The total off-balance sheet customer funds amounted to 41,678 million euros, representing a growth of 9.5% year-on-year due to the increase in mutual funds, mainly supported by the higher volume of inflows. Off-balance sheet customer funds were impacted by the sale of BancSabadell d'Andorra's balances.

The balance of sight deposits amounted to 147,268 million euros, 13.0% higher than the previous year.

The breakdown of customer deposits at 2021 year-end is as follows:



Customer deposits (in %) (*)

- | | | |
|----------|-------------------------------|----|
| 1 | Sight accounts | 91 |
| 2 | Deposits with agreed maturity | 9 |

(*) Without adjustments for accruals or hedging.

Total funds under management and third-party funds amounted to 224,968 million euros as of 31 December 2021, i.e., 7.3% more than on 31 December 2020 (209,748 million euros), due to the aforementioned increase in off-balance and on-balance sheet customer funds.

Million euro

	2021	2020	Year-on-year change (%)
On-balance sheet customer funds (*)	162,020	150,778	7.5
Customer deposits	162,239	151,270	7.3
Current and savings accounts	147,268	130,295	13.0
Deposits with agreed maturity	14,813	20,805	(28.8)
Repos	60	13	—
Accrual adjustments and hedging derivatives	98	157	(37.8)
Bonds and other marketable securities	16,822	17,510	(3.9)
Subordinated liabilities (**)	4,229	2,903	45.7
On-balance sheet funds	183,290	171,683	6.8
Mutual funds	24,593	21,366	15.1
Managed funds	—	443	(100.0)
Investment companies	1,365	1,295	5.4
UCITS sold but not managed	23,228	19,627	18.3
Asset management	3,795	3,298	15.1
Pension funds	3,525	3,349	5.2
Personal schemes	2,300	2,173	5.8
Workplace schemes	1,219	1,165	4.6
Collective schemes	6	11	(45.0)
Insurance products sold	9,765	10,051	(2.9)
Off-balance sheet customer funds	41,678	38,064	9.5
Funds under management and third-party funds	224,968	209,748	7.3

Customer funds

(*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: non-convertible bonds issued by Banco Sabadell, commercial paper and others.

(**) Refers to outstanding subordinated debt securities.

The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021.

The volume of NPAs increased in 2021. The quarter-on-quarter performance of these assets in 2020 and 2021 is shown below:

Million euro

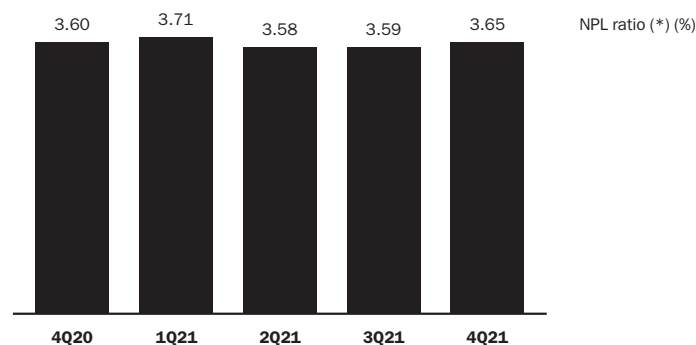
	2021				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net ordinary increase in balance of stage 3 assets	415	1	139	287	71	361	(27)	(213)
Change in real estate assets	6	(9)	3	(11)	125	150	60	(147)
Ordinary net increase in NPAs + real estate	420	(8)	142	276	196	511	33	(360)
Write-offs	95	133	129	89	100	114	205	106
Ordinary quarter-on-quarter change in balance of stage 3 assets and real estate	325	(142)	13	187	96	397	(172)	(466)

Evolution of NPAs

Because of the increase in stage 3 exposures, the NPL ratio reached 3.65% at 2021 year-end, up from 3.60% a year earlier (a 5-basis point increase). The NPL coverage ratio of stage 3 with total provisions was 56.3% as of 31 December 2021, compared with 56.5% a year earlier, and non-performing real estate coverage ratio stood at 38.2% at 2021 year-end (from 36.6% a year earlier).

At 31 December 2021, the stage 3 exposures of the Banco Sabadell Group amounted to 6,203 million euros (including contingent risks). They have increased by 395 million euros in 2022, including an increase of around 190 million euros in TSB's mortgage portfolio due to changes in the criteria applied to estimate which financial assets are to be classified as stage 3, with

a further increase of approximately 150 million euros in Spain, mainly due to adjustments between the agreement and the refinement of the perimeter of assets included in the sale of portfolios of non-performing assets.



(*) Calculated including contingent exposures.

The trend in the Group's coverage ratios is shown in the next table:

Million euro

	2020				2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Exposures classified as stage 3	6,112	6,359	6,127	5,808	6,127	5,995	6,004	6,203
Total provisions	3,228	3,537	3,460	3,279	3,453	3,378	3,477	3,495
NPL coverage ratio of stage 3 with total provisions (%)	52.8	55.6	56.5	56.5	56.4	56.4	57.9	56.3
Stage 3 provisions	2,359	2,578	2,451	2,272	2,335	2,374	2,513	2,553
NPL coverage ratio of stage 3 (%)	38.6	40.5	40.0	39.1	38.1	39.6	41.9	41.2
Non-performing real estate assets	1,310	1,460	1,520	1,373	1,379	1,370	1,373	1,362
Provisions for non-performing real estate assets	451	514	541	502	510	511	508	520
Non-performing real estate coverage ratio (%)	34.4	35.2	35.6	36.6	37.0	37.3	37.0	38.2
Total non-performing assets	7,422	7,820	7,647	7,182	7,507	7,365	7,377	7,565
Provisions of non-performing assets	3,680	4,051	4,001	3,781	3,963	3,889	3,985	4,014
NPA coverage ratio (%)	49.6	51.8	52.3	52.6	52.8	52.8	54.0	53.1

Includes contingent exposures.

Evolution of the group's coverage ratios

Liquidity management

Strong liquidity position of the group, with a balanced retail funding structure.

During 2021, the commercial GAP shows a positive evolution driven by a higher increase in customer funds than in lending. The volume of funding in capital markets was maintained because of the need to fulfil the regulatory requirements such as the MREL (Minimum Requirement for Own Funds and Eligible Liabilities), which, because of the Bank's credit rating, focused on products with a lower cost for a given term. The Group's loan-to-deposit (LTD) ratio at 31 December 2021 was 96.3%.

The Bank took advantage of the various issuance windows to access the capital markets at different times of the year, in a market subject to volatility and spread widenings following the market closure experienced early in the second quarter due to the impact of the coronavirus. Capital market deals amounting to 2,556 million euros matured or were repaid early in the year. Banco Sabadell issued mortgage ordinary, non-preferential bonds in capital markets under its Fixed Income Programme for a total of 67 million euros. In addition, under the EMTN Programme, Banco Sabadell made two issues for a total amount of 1,000 million euros. On 15 January 2021, it issued Tier2 subordinated debt for an amount of 500 million euros and a maturity of 10.25 years with an early cancellation option in favour of Banco Sabadell in the fifth year. In addition, on 16 June 2021, it issued an inaugural 7-year green non-preferred senior debt issue with an early redemption option in favour of Banco Sabadell in the sixth year for an amount of 500 million euros.

- As regards securitisation, Banco Sabadell cancelled the mixed TDA 14, FTA fund early, in January, on its clean-up call date. The IM SABADELL PYME 10 fund, TF whose bonds were fully retained by Banco Sabadell, was also cancelled early in February.
- The institution maintained a liquidity buffer in the form of liquid assets to meet any liquidity needs.
- In relation to the LCR ratio, since 1 January 2018 the minimum regulatory requirement is 100%, a level largely exceeded by all the entity's Liquidity Management Units (LMUs), with LMU TSB and Banco Sabadell Spain presenting a level of 194% and 254%, respectively, in December 2021. At Group level, the LCR remained well above 100% on a stable basis at all times and it ended 2021 at 221%. As for the Net Stable Funding Ratio (NSFR), which came into force on 28 June 2021, the entity has also remained stable at levels above the minimum requirement of 100% in all LMUs. At 31 December 2021, the NSFR ratio is 149% for the TSB CGU, 137% for Banco Sabadell Spain and 141% for the Group.

Key figures and basic liquidity ratios at the end of 2021 and 2020 were the following:

Million euro

	2021	2020
Gross loans to customers, excluding repos	160,668	152,201
Impairment allowances	(3,302)	(3,081)
Brokered loans	(1,290)	(1,977)
Net loans and advances excluding ATAs, adjusted for brokered loans	156,076	147,143
On-balance sheet customer funds	162,020	150,778
Loan-to-deposit ratio (%)	96.3	97.6

Liquidity ratios

The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021 and 0.8990 as at 31 December 2020.

The breakdown of the main sources of funding by instrument and counterparty as of 2021 year-end is as follows (%):



Funding structure (in %) (*)

1	Deposits	71
2	Retail issues	1
3	Repos	2
4	Wholesale market	9
5	ECB	14
6	Bank of England	3

(*) Without adjustments for accruals or hedging.

Institutional emissions detail

(in %) (*)		
1	Covered bond	46
2	Senior debt	30
3	Subordinate and AT1	20
4	Asset-backed securities	3
5	Commercial paper and Yankee CD	1

(*) Without adjustments for accruals or hedging.

For further details of the Group's liquidity management, liquidity strategy and liquidity performance during the year, see note 4 to the consolidated annual accounts for 2021.

Capital management

Key capital figures and solvency ratios

Thousand euro

	Fully-loaded		Phase-in	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Common Equity Tier 1 (CET1) capital	9,859,600	9,486,723	10,079,533	9,911,107
Tier 1 (T1) capital	12,259,600	10,640,262	12,479,533	11,064,646
Tier 2 (T2) capital	2,021,270	1,910,186	2,021,270	1,664,708
Total Tier (Tier 1 + Tier 2) capital	14,280,869	12,550,449	14,500,802	12,729,354
Risk weighted assets	80,689,118	78,901,364	80,645,593	78,858,201
CET1 (%)	12.22%	12.02%	12.50%	12.57%
Tier 1 (%)	15.19%	13.49%	15.47%	14.03%
Tier 2 (%)	2.51%	2.42%	2.51%	2.11%
Total capital ratio (%)	17.70%	15.91%	17.98%	16.14%
Leverage ratio (%)	5.80%	5.06%	5.90%	5.25%

Capital and Solvency

As of 31 December 2021, the main difference between the phase-in and fully-loaded ratios was due to transition to IFRS 9. In 2018, after the entry into force of IFRS 9, the group chose to apply the transitional provisions established in Regulation (EU) 2017/2395.

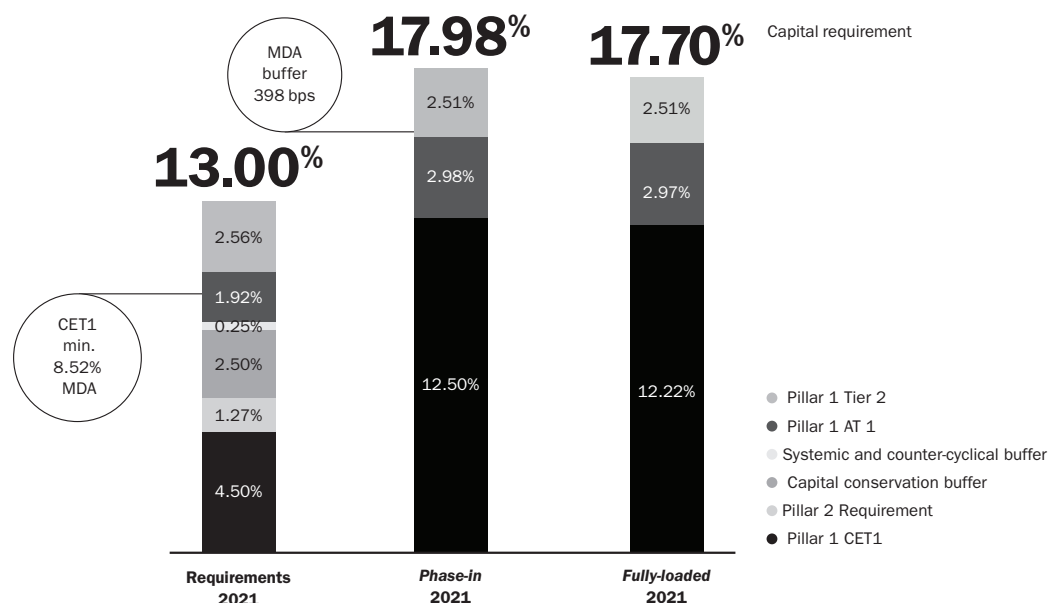
During 2021, the Group increased its total capital by over 1,730 million euros in fully-loaded terms.

In January 2021, the 500 million euros issue of subordinated bonds I/2021, the 500 million euros issue of preference shares I/2021 in March and the amortisation due to the exercise of the early redemption option of TSB's subordinated bond issue in March for 443 million euros were taken into account for the calculation of shareholders' equity in 2021. Finally, the AT1 2/2021 issue of 750 million euros was launched in November.

In terms of risk-weighted assets, a synthetic securitisation was carried out in the period (see note 4.4.2.4 to the consolidated Annual Accounts for 2021). Also noteworthy is the entry into force of the remaining CRR2 regulations on 28 June 2021, whose main changes are the new standardised exposure calculation framework for derivative exposures (SA-CCR) and the changes in the weighting applicable to exposures consisting of units in collective investment institutions.

As a result, the CET1 fully-loaded ratio stood at 12.22% at year-end 2021.

At 31 December 2021, the Group maintains a CET1 phased-in capital ratio of 12.50% —well above the requirements of the Supervisory Review and Evaluation Process (SREP), 8.52% for 2021 and for 2020 alike—and is therefore 398 bps above the minimum requirement.



Banco Sabadell has been notified by the Bank of Spain of the decision adopted by the Single Resolution Board (SRB) on the determination of the minimum requirement for own funds and eligible liabilities (MREL) and the subordination requirement on a consolidated basis applicable to it.

The requirements that must be met from 1 January 2024 are as follows:

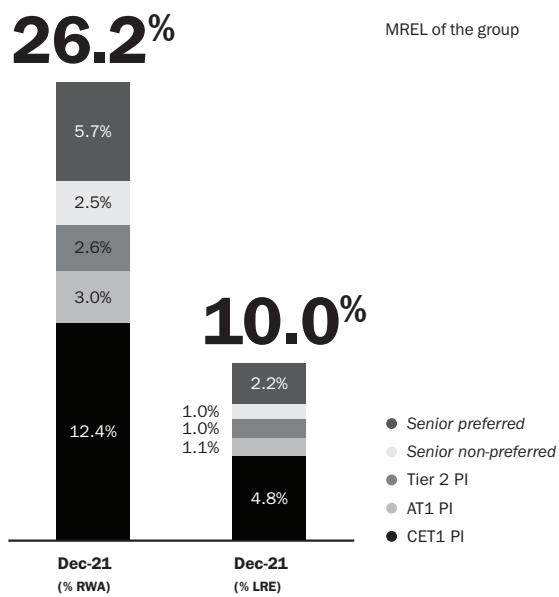
- The minimum MREL is 21.75% of the total risk exposure amount (TREA) and 6.22% of leverage ratio exposure (LRE).
- The subordination requirement is 14.45% of the TREA and 6.22% of the LRE.

The decision set out the following intermediate requirements to be met from 1 January 2022:

- The MREL requirement is 21.05% of the TREA and 6.22% of the LRE.
- The subordination requirement is 14.45% of the TREA and 6.06% of the LRE.

The own funds that the institution uses to meet the combined buffer requirements (CBR, comprising the capital conservation buffer, the systemic buffer and the counter-cyclical buffer) will not be eligible for the MREL or subordination requirements expressed in TREA.

Banco Sabadell already meets the requirements that apply from 1 January 2024, which are in line with Banco Sabadell's expectations and with its funding plans.



The RWA percentage includes capital used to meet the CBR (2.75% RWA).

Businesses



- 71 Banking Business Spain
- 89 Banking Business UK
- 91 Banking Business Mexico

Below are the key figures associated with the Group's main business unit levels, in accordance with the segment disclosures contained in note 38 to the 2021 consolidated Annual Accounts.

Banking Business Spain

Key figures

At the end of the 2021 financial year, net profit amounted to 412 million euros, 89.0% higher year-on-year, mainly due to the good performance of fees and commissions, cost reductions and the recording of lower provisions in the year.

Net interest income amounted to 2,302 million euros, 4.1% lower than at the end of the 2020 financial year, mainly due to the lower contribution from the ALCO portfolio following the sales and lower yields on loans, offsetting the higher revenues from TLTRO III and the higher remuneration earned on corporate deposits.

Net fees and commissions stood at 1,336 million euros, 7.2% higher year-on-year, due mainly to the good performance of service fees and management fees.

Net trading income and exchange differences stood at 342 million euros and mainly included 324 million euros from sales of the portfolio at amortised cost to finance the second phase of the efficiency plan carried out in Spain in September, while at the end of the 2020 financial year

they amounted to 770 million euros as they also included sales of the portfolio at amortised cost to finance the efficiency plans and part of the sales NPA portfolios carried out in the previous year.

Results under the equity method show strong growth due to higher earnings recorded by investees related to renewable energies in the first quarter.

Operating expenses show a year-on-year reduction of 3.8% reflecting savings in staff expenses from the first phase of the 2020 efficiency plan.

Provisions and impairments amounted to -1,193 million euros, representing a reduction of 40.6%, as the previous year included extraordinary provisions associated with the impact of COVID-19 and sales of problematic assets.

Gains on sale of assets and other results primarily included 83 million euros gross (58 million euros net) from the sale of the depository in the second quarter of 2021, 42 million euros gross (41 million euros net) from the sale of Bansabadell Renting and 12 million euros gross (2 million euros net) from the sale of BancSabadell d'Andorra in the fourth quarter.

Corporation tax is impacted by the treatment of results related to investee companies.

Million euro

	2021	2020	Year-on-year change (%)
Net interest income	2,302	2,400	(4.1)
Fees and commissions (net)	1,336	1,246	7.2
Core revenues	3,638	3,646	(0.2)
Net trading income and exchange differences	342	770	(55.6)
Equity-accounted income and dividends	102	37	174.9
Other operating income and expenses	(269)	(271)	(0.7)
Gross income	3,812	4,182	(8.8)
Operating expenses and depreciation and amortisation	(2,276)	(2,344)	(2.9)
Pre-provisions income	1,536	1,838	(16.4)
Provisions and impairments	(1,193)	(2,007)	(40.6)
Gains on sale of assets and other results	135	317	(57.5)
Profit/(loss) before tax	478	147	224.4
Corporation tax	(58)	71	(181.1)
Profit or loss attributed to minority interests	8	1	740.2
Profit attributable to the Group	412	218	89.0
Cumulative ratios			
ROE (profit / average shareholders' equity)	4.2%	2.0%	—
Cost-to-income (general administrative expenses / gross income)	50.2%	47.6%	—
NPL ratio	4.6%	4.4%	—
NPL coverage ratio of stage 3 with total provisions	57.6%	55.7%	—

Key figures of the banking business Spain

Gross performing loans to customers increased year-on-year by 0.7%, despite the collection by the DGF of 1,691 million euros related to the APS. Growth in investment, isolating just the APS, is at 2.3%, driven by commercial loans to companies, SMEs and the self-employed, as well as by the growth in mortgages to individual customers, loans to the public sector and consumer loans.

On-balance sheet customer funds grew by 5.6% year-on-year, driven by sight deposits, partly as the result of funds shifting away from term deposits due to the low interest rate environment. Off-balance sheet funds increased by 9.5%, impacted by the sale of BancSabadell d'Andorra. Excluding that impact, growth of 11.6% due to higher net inflows to mutual funds.

Million euro

	2021	2020	Year-on-year change (%)
Assets	191,162	183,896	4.0
Gross performing loans to customers	107,089	106,327	0.7
Non-performing real estate assets (net)	842	871	(3.4)
Liabilities	181,389	173,664	4.4
On-balance sheet customer funds	116,788	110,572	5.6
Wholesale funding in the capital markets	18,090	18,332	(1.3)
Allocated capital	9,773	10,204	(4.2)
Off-balance sheet customer funds	41,678	38,064	9.5
Other indicators			
Employees	13,855	16,260	(14.8)
Branches	1,288	1,614	(20.2)

Key figures of the banking business Spain

Within the banking business in Spain, the most relevant businesses, on which information is presented below, should be highlighted:

Retail Banking

Business overview

The Retail Banking business unit level offers financial products and services to natural persons with a particular purpose. These include investment products and medium- and long-term finance, such as consumer loans, mortgages and leasing or rental services, as well as short-term finance. Funds come mainly from customer deposits and sight accounts, savings insurance, mutual funds and pension plans. The main services also include methods of payment such as cards and insurance products in their diverse modalities.

Management milestones in 2021 and priorities for 2022

Efforts in 2021 focused on establishing the new strategic priorities of the Retail Banking business, such as: attracting additional demand in digital channels, fully digital and remote commercial activity for individual loans, accounts as well as cards and means of payment, and, lastly, the intervention of specialist managers in branches, focusing on mortgages, insurance and savings and investment products.

The business unit level focuses on distribution specialisation and the creation of the complete new digital relationship process, as well as deliveries aimed at significantly improving new production, optimising the customer satisfaction and reducing operational support.

Moreover, thanks to the digital evolution, it is possible to focus on the deployment of a new distribution model in terms of sales, servicing and customer support.

This distribution model is based on daily self-service operations, the attraction of digital demand as well as the development of digital sales capabilities in simpler products and specialised sales in products with a greater need for advice, such as mortgages, insurance and savings and investment products.

Lastly, the Retail Banking business is firmly committed to the Group's sustainability objectives, meets the Group's ambition in terms of sustainability and, in turn, contributes to achieving the key objectives of the business.

Main products

The main Retail Banking products are described below:

Mortgages

The performance of the mortgage market in 2021 is characterised by a significant recovery and record figures after the significant fall suffered by the COVID-19 crisis in year 2020. The new production in Banco Sabadell in 2021 has had a 38% increase compared to 2020, leading to an increase in our new production market share from up to 8.12% and in our stock instalment from up to 6.59% data to September 2021.

Progress is being made in the roll-out of the mortgage distribution model established in the Strategic Plan of the business, based on the deployment of specialists both in offices and in the remote management teams. There are already 140 of these specialists, and over the coming months more than 200 additional specialists will continue to be deployed to ensure customer satisfaction in the process of taking out a mortgage with Banco Sabadell.

In addition, the year ended with an important campaign to position the mortgage product in the market, focused on providing guidance to people who want to buy a home through a mortgage, helping them to overcome the lack of knowledge and insecurity caused by taking out this product.

Consumer loans

Consumer loans behaviour in 2021 has been marked by a gradual recovery in production, after the pandemic-induced drop in 2020. The increase occurred mainly from the second quarter onwards once the opening of pre-approved loans was completed and continued throughout the rest of the year.

In line with the Strategic Plan, 2021 was characterised by an increase in the use of digital tools and growth in online contracting, through all channels, but especially through BSMovil. This increase has been associated with an increase in pre-approved loans (up 21% compared to 2020 in number of operations and 42% in volume) and accompanied by improvements in contracting processes and customer satisfaction.

In terms of short-term individual financing solutions, the Expansion Line product has shown very good usage and acceptance among our customers, being a highly valued product due to its 100% online use.

Payment methods

During 2021, the trend towards the digitalisation of payments continued to accelerate. Electronic payments, after a stagnant 2020, have returned to double-digit growth of 19.42%, compared to cash payments. It has also been observed that digital payments continue to grow ahead of in-store payments, where mobile payments are also becoming more widespread, reaching 13.5% of transactions in

December. Pre-pandemic growth has recovered with the exception of international payments, which have not yet recovered due to the lack of international mobility. New payment methods, such as Bizum, are growing strongly, with year-on-year increases of 121%.

In 2021 we have launched a new model of more secure and sustainable cards with a vertical design and full data on the reverse side. Degradable PVC materials have been incorporated to reduce the environmental footprint once they are no longer used. And we have taken a further step towards digitalisation with a new contracting capability in a 100% online process for adding debit and credit cards for pre-approved customers, in addition to the existing capabilities of turning the card on and off, managing limits, managing usage, personalising alerts and the ability to change the payment method via Sabadell Mobile.

Sight accounts

The core retail account offering is the Expansion range, which offers different benefits depending on the commercial and operational needs of customers, resulting in the Expansion Account, Premium Expansion and Expansion Plus. We also offer the Relationship Account for non-linked customers.

At the same time, we market specific accounts to meet the needs of specific customer segments, such as the Experience Account (seniors), First (children) and Key Account (foreigners).

The main milestone of 2021 was the launch of the bank's new Digital Onboarding process connected to the Digital Expansion Account, with no commissions and no linkage conditions. This has enabled us to lay the foundations for a new digital customer relationship model and the design of a new differential current account with high added value that is real and perceived by the customer.

Saving and Investment

In 2021, Savings and Investment activity has been boosted by a double effect:

- The excellent performance of the financial markets enhanced by the new management capabilities introduced by Amundi. The equity of mutual funds in Morningstar's first and second quartile is 53% with only 7% of assets in the fourth quartile at the end of November.
- The confirmation of the economic recovery that started in the second half of 2020, coupled with the ECB's willingness to keep benchmark rates negative, has accentuated the profitability-seeking movement among investors, leading to an increase in first-time mutual fund customers (up to almost 27,000 new mutual fund investors) as well as a movement of experienced investors towards products that can offer somewhat higher profitability.

As a result, we have seen strong growth in off-balance sheet Investment Savings Products (1,690 million euros at December 2021) focused exclusively on Mutual Funds,

whose assets under management grew by 13.11% (equivalent to 1,694 million euros) to 14,612 million euros¹.

In Mutual Funds, the offer has been based on the following pillars:

1. Strengthening and organising the supply of mutual funds for retail individuals by incorporating:
 - Starter product: Sabadell Consolida 94, FI. It is especially designed for investors with no experience in financial markets, as it is a multi-asset fund with a global investment vocation and a low risk profile (2/7) that aims to generate profitability while offering a high level of capital guarantee: each year a guarantee of 94% of the previous year's closing net asset price is available.
 - Throughout 2021, progress has been made towards the strategic objective of having a sustainable supply in line with Articles 8 and 9 SFDR². In 2021 the Sabadell Acumula Sostenible, FI, Sabadell Crece Sostenible, FI, Sabadell Inversión Ética y Solidaria, FI, Sabadell EEUU Bolsa, FI and Sabadell Interés Euro, FI funds have been confirmed in accordance with article 8, which enables compliance with the target set of having 15% of assets under management that meet sustainability criteria and which in 2022 will be accelerated to have 75% of assets in ESG funds.
 - Rationalisation of existing supply. The strategic agreement with Amundi expands the investment capabilities available. The process began in 2021 and will continue over the next year with the merger of funds and the outsourcing of management mandates to the most specialised and capable teams. Along these lines, in 2021 the Sabadell Planificación 70, FI income fund was merged with Sabadell Planificación 50, FI; the funds with a high private fixed income component Sabadell Bonos Alto Interés, FI, Sabadell Financiació Capital, FI and Sabadell Rentas, FI with Sabadell Euro Yield, FI; Sabadell Commodities, FI with Sabadell Selección Alternativa, FI and Sabadell Garantía Extra 22, FI and Sabadell Horizonte 2021, FI with Sabadell Interés Euro, FI.
2. Development of support tools for managers by improving product explanatory support documentation or reinforcing training courses, and especially for customers. In this regard, the Support Plan was accelerated throughout 2021 with the preparation of product notes and videos reflecting the performance, the main investment decisions taken by professionals and the outlook for the coming months. More than 249,945 e-mails were sent, covering around 75% of the mutual fund assets, with an average e-mail open rate of 51%.

Within investment savings products, pension plans experienced a moderate increase in assets of 27 million euros at

the end of the year to 3,174 million euros, impacted by the reduction in tax deductible amounts (from 8,000 euros in 2020 to 2,000 euros in 2021, which will be reduced to 1,500 euros in 2022). As a result, pension plan contribution estimates are 35% lower than in 2020, with much of the activity pivoting on external inflow mobilisations. As in the case of mutual funds, the excellent performance of financial markets has also helped the growth of assets where Life-Cycle Pension Plans, products that adapt their composition between defensive and risk assets depending on the age of retirement, have continued their excellent performance compared to the competition.

Finally, the offer of Structured Deposits and Products was maintained throughout the year. In the case of Structured Deposits, 7 illiquid 100% guaranteed products with 6 or 7 years to maturity have been issued, aimed at customers with a more conservative profile. In the case of Structured Products, 10 issues have been carried out with a 95/5 structure in which the capital at risk is a maximum of 5% over 5 years while 95% of the nominal amount matures after 6 months. This type of product is only available to Personal Banking, Private Banking and Corporate customers.

Insurance

The Group's insurance business is based on a comprehensive offering that covers the needs of both personal and property customers. The company's own underwriting is carried out through the insurance companies 50% owned by the agreement with the Zurich Group, Bansabadell Vida and Bansabadell Seguros Generales. The first of these, the largest in terms of business volume, occupies the top places in the ranking of insurers by premiums written.

In 2021, the business grew by 14%, with the main products contributing to the gross income being life, home and health insurance.

Of particular note was the strong growth in health insurance (77%), as a result of the recent agreement with Sanitas, one of the leading health insurers in the Spanish market. Also noteworthy was the positive evolution of Blink insurance (home and car), digital insurance, as well as the boost in the growth of the mortgage market in the sale of combined insurance.

The future strategy for the insurance business in Retail Banking is based on positioning the bank as the best insurance protection option for its customers. To this end, it plans, among other objectives, to advance in the digitalisation of solutions and processes in order to improve the customer satisfaction at every moment when interacting with the company and, at the same time, to adapt the offer to the needs of each customer profile, responding to the rapid changes experienced by the market due, among other factors, to the advance of technology and the appearance of new risks to be covered.

1. Figures expressed in simple average balance at end-December 2021.

2. Regulation (EU) 2019/2088 on sustainability disclosures in the financial services sector (Sustainable Finance Disclosure Regulation). Articles 8 and 9 define

financial products that can be considered as sustainable, with article 8 being a financial product that promotes environmental, social or good governance features, and article 9 being a financial product that pursues sustainable objectives.

Private Banking

Banco Sabadell, through SabadellUrquijo Private Banking, offers comprehensive solutions to high-net-worth customers who require specialised advice and attention. The Division comprises 171 private bankers certified by the European Financial Planning Association, distributed over 31 branches and customer care centres to meet the needs of customers throughout Spain who have assets in excess of 500 thousand euros.

Two milestones marked 2021: on the one hand, the recovery of the impact that COVID-19 had in 2020 both in the markets and in the day-to-day relationship with customers. In this regard, SabadellUrquijo Private Banking continued to strengthen the digital approach of customers to banking services. On the other hand, the growth of investment solutions, mainly aimed at companies, as alternatives to account balances in the current scenario of negative interest rates.

From the point of view of the offer, SabadellUrquijo Private Banking has an open architecture with a robust product selection protocol that allows portfolios to be tailored to customers' objectives. In 2021, there has been a very significant increase in new mutual fund production, with several elements standing out. On the one hand, the strategic agreement signed with Amundi, Europe's leading mutual fund manager, makes all the capabilities and strengths of the Amundi group available to customers. Also noteworthy was the 48% growth in the bespoke discretionary portfolio management service offered by SabadellUrquijo Gestión, SGIIC, to which its excellent performance in terms of profitability undoubtedly contributed. Finally, alternative investments continue to have a high priority, with a rigorous screening protocol. In addition, and in view of the changes in the tax regime SICAV, the focus this year was on advising customers in order to offer them the best solutions.

SabadellUrquijo Private Banking continues to focus on a close relationship of trust between customers and the 171 private bankers, a relationship that is highly valued and which allows us to continue to enhance customer satisfaction and differentiate ourselves from the competition. At the end of the year, the number of customers to whom the Bank offered asset management advice was 27,610, with total business of 31,725 million euros, of which 28,612 million euros were in funds, 42% in mutual funds and SICAVs and 2,434 million euros under discretionary management contracts.

The challenges for 2022 in Private Banking remain focused on offering the best investment solutions and advice to our customers, enhancing digital capabilities and growing the business by taking advantage of market opportunities.

Sabadell Consumer Finance

Sabadell Consumer Finance is the Group company specialising in point-of-sale consumer financing, and it conducts its business through various channels, by establishing partnerships with retailers.

The company continues to expand the commercial offering, ensuring a rapid response to customers' needs.

Activity in 2021 saw a year-on-year recovery in lending of 9.22%, slowed by the lack of components in the automotive sector, which means a lack of supply in the market.

This recovery, which was a direct result of the company's swift commercial coverage and rapid response to immediate operating needs, boosted Sabadell Consumer Finance's market share.

The NPA ratio was 5.64%. Additionally, NPL coverage ratio of stage 3 with total provisions is 99.16%.

The company has successfully completed the acquisition of Instant Credit, which will enable it to increase its digital commercial offering by providing an efficient response to both prescribers and end customers.

For the coming year, following the principles of our own and the group's agreements, e-commerce actions will be strengthened, increasing the link with current prescribers, as well as expanding the plan for financing energy efficiency, mobility in buildings and improving works in communities, developing actions in their systems and processes focused on the digitalisation of the business, both for internal efficiency and in customer and commercial experience.

Overall, the company performed 196,935 new operations through more than eleven thousand points of sale distributed throughout Spanish territory, resulting in 979.9 million euros of new loan production in 2021, bringing the company's total outstanding exposure to above 1,792 million euros.

These improvements helped the company to keep its cost-to-income ratio to 33.26%.

Business Banking

Business overview

The Business Banking business unit level offers financial products and services to legal persons and natural persons with a business purpose, serving all types of companies with a turnover of up to 200 million euros as well as the institutional sector. The products and services offered to companies are based on short and long-term financing solutions, cash surplus treasury solutions, products and services to guarantee the daily operations of collections and payments through any channel and geographic area, as well as risk hedging and insurance banking products.

Banco Sabadell has a clearly defined relationship model for each business segment, innovative and differentiating it from the competition, which allows us to be very close to our customers, acquiring a broad knowledge of them and also a strong commitment.

Large companies (turnover > 10 million euros) are basically managed in specialised offices. The rest of the companies (SMEs, Businesses and Self-Employed) are managed from the offices. Both have managers specialised in the segment, as well as expert advice from product and/or sector specialists.

All this allows Banco Sabadell to be a benchmark for all companies and a leader in customer satisfaction.

Management milestones in 2021 and priorities for 2022

Management efforts in 2021 focused on the design and implementation of the priorities for action in the Business Banking business, within the framework of the new strategic plan, with all initiatives already scheduled and underway, in coordination with the rest of the bank and enhancing the value of the network.

All actions have been designed taking into account the opportunities offered by each segment. In this sense, the lines of work aimed at increasing revenues have been based on a much greater segmentation of our value proposition, in order to respond to the specific needs of each segment. In parallel, the design of a commercial productivity programme is being finalised for implementation as early as 2022. Cost optimisation efforts have also been more specific to each segment. Of note was the reduction and reorganisation of servicing operations in branches, various initiatives to improve the cost of risk thanks to data analytics models, and the development of tools and guidelines to optimise the consumption of capital by segment.

Management in Business Banking is very focused on the growth of the global business of companies, with a strong focus on profitability, in order to contribute decisively to the ROE objectives of the strategic plan.

Finally, the Business Banking business is committed to the Group's ambition in terms of sustainability and, in turn, contributes to the achievement of the key objectives of the business.

The various segments, specialists and commercial products within Business Banking are described below.

Customer segments

Large Companies

Banco Sabadell has been at the side of large companies, providing global management of its customers through specialised managers to help them make the best economic decisions and with a pool of specialists who, depending on the customers' business needs, have accompanied them.

In an economic context marked by the complicated health situation, this global customer management has made it possible to accompany companies according to the impact of the pandemic on their business. Thus, for those customers with liquidity needs, Banco Sabadell has made available both basic financing solutions and operations with ICO guarantees. And for those customers in a situation of growth, Banco Sabadell has been by their side with specialised financing operations, typical of Middle Market, either acting alone or in pool with other credit institutions.

With regard to sustainability, Banco Sabadell has participated in the market as a key agent in the drive towards a more sustainable economy, providing financing for projects developed by its customers for purposes directly

or indirectly linked to environmental, social or governance improvements.

For 2022, the challenge in the segment is to continue strengthening specialisation, adding value to customers and accompanying them in their projects by acting as an essential player for them.

SMEs

Banco Sabadell has stood shoulder-to-shoulder with its corporate customers, anticipating their needs through specialist advisers to help them make the best financial decisions. This year was once again atypical because of the health context and the impact it had on the global economy, on the commercial activity of companies and of Banco Sabadell itself. The needs of companies have largely been translated into two main blocks: on the one hand, the need for liquidity, and on the other hand, new investment projects to relaunch activity.

To provide liquidity, Banco Sabadell has made available to its customers the range of financing solutions in its catalogue, as well as operations with ICO guarantees. In addition, for those companies with current ICO COVID Liquidez operations, it has facilitated the possibility of increasing the grace periods and/or final maturities of these operations, in accordance with the provisions of Royal Decree 34/2020 on urgent measures to support the solvency of business. This commercial accompaniment by Banco Sabadell's network of managers has enabled more than 33,000 customers to take advantage of the measures envisaged in the aforementioned Royal Decree, with a volume of operations in excess of 3,910 million euros. In addition, for all those customers who did not have operations under the ICO COVID Liquidez lines, and who might have difficulties in meeting their payment obligations, Banco Sabadell has studied specific measures that would allow companies to maintain their commercial activity.

On the other hand, this year it was important to support customers who, having passed the most critical phase of their business, needed financing to adapt their production processes and commercial capacities to the new environment. To this end, Banco Sabadell has carried out specific commercial actions through its managers to offer financing to customers who were at this phase of the recovery process.

In both areas of commercial activity – the provision of liquidity and financing to relaunch economic activity – Banco Sabadell has demonstrated the attributes of anticipation, advice and support that define its relationship model.

Within the framework of the Next Generation EU Funds and the Spanish Government's Recovery, Transformation and Resilience Plan, Banco Sabadell has held numerous informative meetings for customers and has drawn up a training plan for its network of managers, which will make it possible during the year 2022 and beyond to provide information in a simple and agile manner on the aid for which a company may be eligible, in accordance with the calls for applications published by the different administrations. It has also reached a collaboration agreement

with PwC so that customers can apply for the most appropriate aid through a specific application platform.

With regard to sustainability, Banco Sabadell has assumed its role as a key agent in promoting the transition to a more sustainable economy, developing specific products for its customers, with a specific focus on the purpose of self-consumption derived from the increase in energy costs. As in the previous year, the ESG vision was maintained this year in the commercial dialogue with customers to measure the sensitivity of SMEs and large companies to these aspects, with a specific focus on those customers in sectors with the greatest progress in a sustainable environment.

For 2022, the challenge in the segment is to continue to scale the Relationship Model, reinforcing our differentiation and specialisation, where the personal manager is the central element in the customer's relationship with the bank.

Business

Banco Sabadell continued to support self-employed customers, retailers and businesses in a year marked by the start of the post-COVID-19 de-escalation, which behaved unevenly depending on the customer's sector of activity. This has been done by adapting to the specific needs of each customer, both by providing information and processing direct aid for the most difficult customers, and by supporting the reactivation of activity and new projects for the most favoured sectors, through specific financing solutions.

On the other hand, and with the focus on the evolution of the customer value proposition, Banco Sabadell has made a firm commitment in 2021 to strengthen its positioning as a specialist for customers in this segment, based on the implementation of an offer designed specifically for each sector of activity, built on active listening to customers and network managers, professional groups and associations representing the sector. The aim is to be able to offer each customer the most suitable solutions based on an even better understanding of the specifics of their daily lives. Currently, the catalogue of specific solutions includes up to 32 sectors of activity, which have been prioritised according to the current economic context.

In line with the context of sector specialisation and in order to make this approach to customers and the market tangible, the campaign "From specialist to specialist" ("You are a specialist in your business. We accompany and advise you to offer you the solutions you need at every vital moment of your business") was launched in the second quarter of the year, with a continuous presence in the media and with its own space on the web where both customers and non-customers can access the proposed solutions for their sector.

In addition, during the past financial year 2021, the network figures specialised in the management of the self-employed, retailers and businesses increased by more than 20%, as a further vector for approaching a customer segment that particularly values proximity and the personalised treatment of an expert manager who understands their business, reinforcing capacities in territories with

greater growth potential. These managers have also been provided with new support and training elements that allow them to know in detail the keys to each sector.

Finally, and in line with the evolution of our customers' new financial services consumption habits, Banco Sabadell continued to promote the digitalisation of customers in 2021, both in response to their needs for self-service operations and remote contracting and management.

For 2022, the challenges in the segment focus on further strengthening specialisation by incorporating new sectors and improving manager training, being key in channelling European Recovery Funds to customers, and strengthening digital capabilities, for example by enabling 100% bank digital onboarding for customers in this segment.

Institutional Businesses

The Institutional Businesses unit was created to enhance and develop business related to public and private institutions so as to position Banco Sabadell as a key player in this segment.

To achieve this, it is necessary to have a specialised range of products and services in order to provide a comprehensive value proposal to public administrations, financial institutions, insurers, religious bodies and the tertiary sector.

2021 has been a special year for the activation of economic policies aimed at overcoming the damage caused by the pandemic. The result has been an increase in the credit needs of institutional customers. In response, Banco Sabadell strengthened its positioning in these segments through greater commercial activity, proximity and proposed solutions, resulting in increases in customer acquisition, business volume and margins through a range of products offering higher value for customers and for the Bank.

Public Institutions

The economic activity of Public Institutions during 2021 has been marked by the importance of the Administrations in the economic recovery after a complicated year 2020 that has been punished by the COVID-19 crisis. Administrations are essential for promoting and channelling the arrival of European Funds and implementing economic policies at each of the local, regional and national levels.

The result is an increase in assets, stemming from the needs to implement the investments to address the economic recovery, and an increase in liabilities, stemming from the additional funds related to the Recovery and Resilience Mechanism.

During this period, some Spanish regions are still authorised to loan refinancing operations they had arranged with the State, thereby lowering their funding costs as Spanish government bond profitability fell. As a result, banks have been granting these refinanced loans.

Banco Sabadell's market shares in lending and deposits were 10.59% and 7.49%, respectively (figures at end of October 2021). Investment reflects a year-on-year decline

of 105 basis points, growing below the system. Deposits were up 40 basis points, a sharper increase than in the system as a whole.

Financial Institutions and Insurers

In 2021, the value proposal for these institutions was further strengthened through products in the categories of treasury, capital markets, mutual funds, research, equity and alternative investment services, consolidating the commercial relationship through a specialised approach that meets customers' needs in the immediate and longer term. Against a backdrop of negative interest rates in financial markets, deposit gathering continued to decline sharply, giving way to a wider range of value products in 2021, including both Amundi Asset Management's expanded range of mutual funds and the launch of Banco de Sabadell's first senior debt fund.

Customised franchise management has been carried out on a customer-by-customer basis with the aim of building customer loyalty and linking customers to value-added products. In this franchise management, the volume of franchises has been reduced to one third of the amount in 2020.

Religious Institutions

The Religious Institutions and Third Sector Division offers customers a range of products and services adapted to the singularity of these groups. They cover everything from transactions to specialised advice on financial assets.

During the year, the university-level qualification of Adviser to Religious Institutions and entities belonging to the Tertiary Sector was launched for employees and customers belonging to these groups. At year-end, Banco Sabadell was the only financial institution with employees holding this qualification.

Secure donation collection facilities have been increased by 26% using the DONE donation collection lectern system. Banco Sabadell currently has 867 devices in the Done ecosystem, including donation lecterns, digital collection boxes and candle holders.

Segment specialists

Tourist Hotel Business

Banco Sabadell is the first financial institution to receive "Q seal of Tourism Quality", granted by the Institute for Spanish Tourism Quality, underpinning its position as a leader and trendsetter in this sector, offering expert advice coupled with the very highest quality standards.

The value proposition in this segment focuses mainly on offering specialised financial solutions to a diverse and highly fragmented group of customers, in three main areas: expert advice, a catalogue of specialised products and rapid response.

Within the value proposition, especially aimed at providing a specific solution for each customer, and taking into account the situation of absolute inactivity that the sector has gone through due to the health crisis caused by

COVID-19, which forced the closure of all establishments by decree, a large part of the activity has been focused on the Support Plan, reviewing the entire hotel portfolio, identifying the specific situation of each customer and offering a specific solution for each need, providing a complete range of solutions, from the most basic ones such as grace periods and moratoriums, debt injection, ICO and ICO Investment Lines, to others of greater depth such as divestment in establishments, replacement of operators and sale of production units.

The Tourism Business Division also received institutional accolade from leading entities in the industry, such as Spain's Tourism Council (Consejo Español de Turismo – Conestur), the Tourism Commission of the Spanish Confederation of Employers' Organisations (CEOE) and the Tourism Commission of the Spanish Chamber of Commerce.

As it does every year, Banco Sabadell was present at the main international tourism fair, FITUR, with its own stand. The fair welcomed 255,000 visitors and 11,040 companies.

The Division has a portfolio of 12,267 customers and a business volume of more than 4,266 million euros, a year-on-year increase of 7.7%.

Agriculture segment

In 2021, Banco Sabadell's Agriculture segment, which includes the agricultural, livestock, fishing and forestry sub-sectors, and which has more than 325 specialised branches, has been recognised by Editorial Eumedia (Agribusiness) as the best Agro Financial Institution in Spain 2021.

The customer base has increased, as has the portfolio of specific financial products and services with features tailored to the requirements of customers in the sector.

Banco Sabadell's firm commitment to this sector, in particular through its personalised support for customers, led to a 7% increase in business volume compared to 2020. We continue to earn the trust of our customers, whose numbers increased by 5% compared to the previous year.

During the 2021 financial year, we reactivated the organisation of events and the usual sector trade fairs, such as Fruit Attraction, where Banco Sabadell was once again present.

Banco Sabadell Agro Segment has the clear objective of accompanying customers in the sector in digitalisation and sustainability, taking advantage of the efficient lever that will be the contribution of the European Union's Next Generation funds.

Employer Providential Schemes

By means of its Providential Schemes Division, Banco Sabadell Group offers solutions and responses to our customers to help them better implement, manage and develop their providential schemes through pension plans and group insurance policies.

During 2021, innovative, flexible and simple solutions were also implemented for small and medium-sized

companies, such as the life-cycle joint promotion plans – with an investment profile adapted to age – and Sabadell Flex Empresa, a fully digital flexible remuneration platform that allows companies to optimise their remuneration model at a very low cost. Of particular note is the Flexible Remuneration Retirement Plan, a savings solution that allows executives or employees to maximise their savings and taxation.

Strong demand for such solutions is expected by 2022, as the bank is in a position to offer the most innovative solution on the market. In addition, a boost to company pension schemes is expected, along with the upcoming legislative amendments being considered by the government.

Real Estate Business

The Real Estate area focuses on integrated services to the residential development business by means of a mature specialised business model.

Banco Sabadell's commitment to this sector has led to a year-on-year increase in developer mortgage loans, guarantees and reverse factoring, with a growing associated margin.

The year 2021 has been marked by the situation arising from COVID-19 (travel restrictions, delays in licensing periods and, therefore, delays in the signing of contracts); however, the Investment Property Division has formalised around 1,805 million euros (an increase of 21.14% compared to the previous year) with a margin of over 50.5 million euros (similar to the previous year, with this year being a record year for the delivery of financed housing).

The Investment Property Division focuses on boosting home deliveries so as to minimise the potential negative impact, as well as monitoring sales in progress.

The main strategy is to maintain our leadership in the sector and to consolidate our market share, prioritising the best business opportunities by pinpointing the most notable projects and soundest customers, with the aim of minimising risk and maximising profit for Banco Sabadell.

Franchising

Banco Sabadell is a leader in the Franchising segment, where it has more than 25 years of experience reaching agreements with the foremost franchising brands, which refer potential customers wishing to open new franchises in Spain.

Banco Sabadell offers specific customised financing, transactionality and protection solutions via the branch network with the support of the team of specialised Franchise Managers.

Banco Sabadell works closely with the Spanish Franchisors' Association, and was the first bank to secure its partnership and support in this business model. This year 2021 we have participated in different Virtual Cafés with the AEF, we have maintained our presence in the Fairs that have been carried out on FranquiShop and different Virtual Fairs, being awarded as the first Financial Entity collaborator in the sector of the franchise by the Online

Franchise Fair where we have actively participated, as well as sponsoring topics such as Women in Franchising, the Franchise Jurisprudence Observatory, interventions in specialised radio programmes, articles in the press and magazines, collaboration with different expert franchise consultancies and an endless number of actions that we have published on social networks that reinforce our notoriety and leadership in this business model.

The franchise market is a growing sector and is better able to withstand the impact of the health crisis due to the support of large franchisor brands, as demonstrated by maintaining default rates below 0.7%. Franchisee customers have a higher value (x2 in margin, x3 in linkage) and is a key segment in the growth strategy of the enterprise business. We have more than 1,000 brands with referral agreements and more than 7,700 franchise customers who contribute more than 20 million euros to the annual margin.

In 2021, the capacity to digitally sign collaboration agreements with franchisor brands has been included and the team has been reinforced with the incorporation of 2 new franchise managers and 4 risk analysts specialising in franchising.

BStartup

Banco Sabadell's BStartup is the pioneering and benchmark financial service in Spanish banking for startups and scaleups, providing specialised banking and equity investment.

Banking specialisation is based on exclusive managers for startups and scaleups in the Region with the highest concentration of this type of companies, as well as on a specific risk circuit and specific products.

As of December 2021, BStartup reached a record 3,978 startup customers, 14.7% more than the previous year. The average margin generated by BStartup customers remains higher than the average for global corporate customers, as well as their internationalisation operations and linkage. The accelerated growth of many of these companies reaffirms the thesis related to the launch of the service in 2013, i.e., that the great companies of the future would emerge from among these companies. The volume of business managed increased by 23.4% to 984 million euros (272 million euros of assets and 712 million euros of liabilities) and the business margin increased by 19.8%.

In 2021, BStartup's specialisation has been given a definite boost. While in 2020 the figure of the BStartup SME Director was created, a manager with extensive experience and knowledge of the sector and exclusively dedicated to managing technology companies, startups and scaleups, in 2021 a further step was taken towards specialisation in the Catalonia DT, concentrating the management of all Commercial Banking startup customers in the main office in Barcelona, in a hub that now concentrates 6 managers, a proxy and a risk analyst who work exclusively for startups and scaleups. In addition, the scaleups that are already in Business Banking have been concentrated in two Business Banking managers in

order to be able to continue offering a specialised service in their specificities when these companies grow. By 2022, a new BStartup DPyme has been authorised in DT Centro (the fourth) and in DT Este (the second). In the remaining territories we maintain 25 BStartup offices that have continued to receive specialised training.

Equity investment targets early-stage digital and technology companies with strong growth potential and innovative, scalable business models. This year BStartup10 has launched the first BStartup Green call to invest in startups that, from technology or digitalisation, are able to facilitate the transition to a more sustainable world (from the perspective of energy transition, industry 4.0, smart cities and the circular economy). A total of 136 companies applied for this first call, from which 3 were selected for investment. On the other hand, the BStartup Health call has already established itself as a benchmark for investment in health startups in the early phase of transferring science to the market: the fourth call was launched in 2021, to which 121 projects were submitted. In addition to these sectoral calls for proposals, the work with the more digital ecosystem continues and, in total, BStartup10 closes 2021 with 7 new investments made. BStartup's portfolio totals 58 investees with a positive valuation and during 2021 there have been two partial divestments during the year, one of which has led to a multiplier of more than 10 times the money invested. Between them, they have more than 1,664 employees and have raised more than 178 million euros following BStartup's investment.

During the year, the Bank was very present at the main events of the entrepreneurial ecosystem. 115 entrepreneurship events have been organised or actively participated in. This, together with all the previous activity, continues to reinforce Banco Sabadell's reputation and positioning as a benchmark bank for scaleups and startups. As an indicator, BStartup has had 1,826 mentions in different media (offline and online press), has reached 13,589 followers on Twitter, and BStartup has been one of the main topics of discussion about the bank on social networks most months, and always with a positive sentiment.

Companies Hub

Companies Hub is Banco Sabadell's business connection centre, a hybrid model that combines:

- A digital space where companies can connect with everything that matters to them through workshops and webinars led by the Bank's experts and leading external figures; inspiring and participative meetings in which professional experiences, current content and the latest business trends are shared.
- A physical space in the centre of Valencia as a reference for companies, where they can meet and connect with other companies, receive knowledge and business advice from experts in areas such as digital transformation or sectorial economy, as well as other specialities such as financing, internationalisation or startups.

For all these reasons, Companies Hub is a service that

contributes to the bank's positioning in the business segment (with a special focus on SMEs) as the bank that best understands their challenges and the one that can best accompany them along the way.

If 2020 was a year of great changes and challenges for Companies Hub because the pandemic forced the leap to virtuality, which allowed a leap of scale reaching companies all over Spain, 2021 has been a year of development of the new scope of the project: we have worked on the new definition and image and also launched a new website that reflects the reality and the current scope of the project, which prioritises giving visibility to the business content generated by Companies Hub, with a better design and user navigation experience to find content that is of interest to them.

Companies Hub is a tool that serves the purpose of establishing communication between the entity and SMEs, businesses and freelancers, under a single brand based on valuable business content, which is mainly materialised in webinars, but also generates content in other types of media such as articles, news or videos that entrepreneurs can view in the press and social networks. The contents generated around Companies Hub are an instrument for the dissemination of the knowledge and expertise of the entity with a conversation in networks with a 100% positive sentiment.

The main themes are: recovering from the crisis, transforming oneself to face the future, sector specialisation, as well as leadership, professional skills and trends. During the first half of the year, the Editorial Committee reformulated the editorial line of Companies Hub, adapting it to the Bank's current strategic plan. Meetings on international business, meetings related to some sectoral offers, and a specific cycle on the Next Generation EU funds aimed at helping companies to prepare strategically, among many others, would stand out in this regard.

During 2021, the project has continued to grow and increase both the number of webinars and the participation and impact generated by Companies Hub, because the change from face-to-face to online has meant a leap in scale that has allowed it to reach many more freelancers and companies throughout the country. In total, 111 webinars were held (76% increase compared to 2020) in which 49,026 companies and freelancers participated (180% increase compared to 2020), with an average participation of 442 attendees per meeting (12% increase compared to 2020). The evaluations of the sessions continue to reflect the great reception and acceptance of the contents by Spanish companies, with an overall rating of 8.86 out of 10, with 42% of the participants giving them a score of 10.

In addition, 75 videos summarising the sessions were made for dissemination on the bank's social networks, and more than 75 articles and news items were published in different branded content spaces in print and online media about Companies Hub and its support for companies, as well as the topics covered in the webinars.

All this has generated 1,624 mentions in social networks and offline and online media, reaching a total audience of 197,627,051 users, which represents an increase of 68,004,081 vs. 2020 (52.46%).

Professional Associations and Associate Banking

Banco Sabadell leads the way in serving professional associations throughout the country. Its services for this segment are based on a close relationship with associations, meeting the needs of their members through a range of specifically tailored financial products and services.

Associated Banking continues to strengthen the link with corporate and business customers, based on a differentiated range of products and services for their executives and employees, as a significant channel for acquiring individual customers at Banco Sabadell.

This Division's contribution to the acquisition of new individual customers, retailers, SMEs, self-employed individuals and businesses materialised in the form of 3,541 collaboration agreements with active professional associations, enabling us to reach 3,300,000 professional association members, of whom 611,800 are customers of the Bank and benefit from our customised services. This channel accounts for more than 12% of the business segments.

Official Agreements and Guarantees

From the Official Agreements and Guarantees Department, we have managed new agreements with different bodies, both territorial and national and supranational, to help companies manage their financing and guarantee needs, with the clear purpose of adhering to our pacts to fight climate change and strengthen the digitalisation of companies.

To this end, new lines have been signed with the Official Credit Institute (ICO), such as the ICO Red.es, which aims to help both companies and study or research centres in digitalisation, the creation of new technologies and the application of Artificial Intelligence.

New European Investment Bank (EIB) lines have also been signed up, providing us with ECO Friendly lines, such as EIB Investment and Climate Change.

The current post-pandemic situation has not been neglected and that is why we are implementing lines such as EIB DRS and EIB LRS that serve to boost productivity and competitiveness.

In 2021, the main activity of the management team was to manage the ICO State COVID guarantee lines (ICO Liquidez and ICO Inversión), which provided aid to alleviate the impact of the COVID-19 crisis on the economy of the self-employed, SMEs and companies. In many cases, this has been so thanks to the additional guarantee provided by the Mutual Guarantee Societies.

In the third quarter of the year, the Code of Good Practice has been implemented for those companies that have needed additional aid, Banco Sabadell adhering to the extension for 2022.

Management's objective for 2022 is to increase the market share in the marketing of Official Agreements (ICO and EIB) and Guarantees (SGR) in order to contribute positively to the bank's profitability and investment ratio.

To this end, the main partners will be the Mutual

Guarantee Societies (MGS), which will help to reduce endowments and lower capital consumption, as well as the different organisations that will help to obtain better conditions to help our customers.

Sabadell Colaboradores

Sabadell Colaboradores is a lever for acquiring customers and business for the branch network via cooperation agreements with referrers.

This channel's contribution to the Commercial Banking business is highly significant, most notably in terms of:

- Spread (Million euro): 243 (8.40% of the total).
- Mortgages (new contracts): 10,347 (29.48% of the total).
- Customer acquisition: 39,929 (11.50% of the total).
- AutoRenting vehicle lease (new contracts): 604 (10.53% of the total).
- Mutual funds (average balance in Million euro): 1,615 (6.66% of the total).

Five new branches were set up this year for top mortgage partners (a total of 5 offices), aimed at providing a nimbler and more specialised service to collaborators and referred customers. This initiative is part of the programme to centralise the mortgage business which is necessary to adapt the distribution model to new trends in this business line.

Commercial Products

Financial services

Digitalisation continues to be one of the major challenges that we have kept addressing in 2021 in order to provide the best service to our customers in their collection and payment management.

In order to adapt to the needs of business customers, the new maximum amount of 100,000 euros that European regulations allow for immediate payments has been incorporated. Banco Sabadell was also one of the first European banks to offer its companies the possibility of making transfers from their accounts in other banks, through the account aggregator service of our internet banking.

Payment Methods

The POS business has continued to be impacted by the crisis situation due to COVID-19. With the gradual improvement in consumption and domestic tourism, Banco Sabadell has achieved cumulative growth of 17.5% and made available to its customers more than 400,000 physical and e-commerce terminals. The bank has maintained its policy of offering an advanced and personalised service to its retail customers and, to this end, has reinforced its network of POS and e-commerce specialists. In addition, it has increased the platform's services through an integration agreement with American Express.

Through the subsidiary PAYCOMET, which specialises in digital payments, the launch of innovative products continued to be promoted, in particular a solution adapted to

the collection of online hotel bookings, call centre payment management, etc.

Banco Sabadell was also the first Spanish financial institution to integrate the Click to Pay standard, demonstrating its leadership in the world of payment methods.

The use of corporate cards has intensified, with 25% more cards processed than in the previous year.

In order to adapt products to customers' needs, an analysis of the portfolio of services associated with corporate cards has been carried out in order to offer differentiated products that add value to our customers.

Cash Management Service

During the year, work continued on the optimisation and digitalisation of cash, to help shops, businesses and administrations in the management of both coins and banknotes.

In 2021, we continued to add solutions that are increasingly suited to the needs of these establishments, with the firm aim of helping Banco Sabadell customers to improve the cash flow efficiency of their businesses.

The idea is to offer integration between the customer's management systems and the Bank's payment systems, as well as to provide a cash collection service where necessary, offering competitive financing for the overall solution whenever customers need it.

Funding Solutions

Working capital financing has been recovering throughout 2021 as business activity has picked up, especially from the second quarter onwards. This type of funding was particularly affected in 2020 by the COVID-19 crisis. The economic recovery has boosted the use of working capital lines and companies have continued to make active use of short-term financing products such as factoring and reverse factoring, and other more traditional products such as trade discounting and credit facilities.

The recovery in 2021 has led to a 7% increase in factoring activity. Reverse factoring performed better increasing by 19%.

Also noteworthy in 2021 was the significant use of solutions linked to the ICO guarantee lines through the offer of credit and confirming policies.

It is also worth highlighting the central role of financing solutions to help companies and the self-employed to face the economic effects of COVID-19, with an offer mainly linked to ICO lines and with special relevance during the first half of the year.

The volume of production in loans to companies, SMEs and the self-employed has been high during the first half of the year, still linked to the effects of the COVID-19 pandemic, while during the second half of the year there has been a lower demand for new loan production as a result of the start of the recovery of economic activity. However, overall, in 2021 loan demand has returned to pre-pandemic levels.

Financing for sustainable projects is one of our priorities and this year we have continued to formalise operations with ECO products and, in addition, we have incorporated a better offer for these operations, which will

enable us to achieve our objectives of strengthening our commitment and will to accompany our customers in the transition to a more sustainable economy.

Renting and leasing

The year was marked by the effects of the pandemic and mobility restrictions, which led to a decrease in product activity. In addition to these factors, the semiconductor crisis has had a decisive impact on the lack of vehicle stocks, which further exacerbated recruitment difficulties despite the timid recovery in demand.

On the positive side, the focus since 2020 on the supply of sustainable vehicles has led to a considerable increase, with the result that currently 12% of all new hires are sustainable.

At the same time, the digital product range was reinforced in order to increase the uptake of online leads and sales through this channel.

At the corporate level, 2021 was closed with the sale of the renting subsidiary to ALD Automotive, Europe's number one operator, which will entail a leap in quality both in terms of supply and competitiveness, separating the industrial part of the product and focusing on the commercial activity of Banco Sabadell's network.

Sabadell Renting has built upon the capital goods business's focus on sustainability, with a range that includes sustainable products such as solar panels, electric vehicle charging stations, LED lighting, etc. It has also adapted its range of products and services to the current situation, marketing products such as Trabajo Seguro (for a Covid-free working environment at companies and retail establishments), Trabajo Activo (technology leasing for teleworking and in-person working) and Learning Renting (an initiative to modernise the IT capabilities of schools, teachers and students). It also strengthened specific value proposals for customer segments – such as agriculture or religious institutions – where it is a strong market player.

In 2021, Banco Sabadell increased its range of sustainable leasing products, including Eco Leasing Inmobiliario for financing properties with energy certificate A or B, Leasing Autoconsumo for financing photovoltaic installations and Eco Leasing Vehículos for vehicles with an ECO or Zero energy label.

In terms of leasing production in 2021, there was an increase in activity compared to December 2020 of 49% in volume and 46% in the number of contracts, with a notable increase in operations under official agreements and, specifically, the ICO state guarantee line.

Company Insurance

During the year 2021, we have worked on building a differential value proposition that will enable Banco Sabadell to be a benchmark for our customers in the world of business insurance. Improvements to the product and commercial proposition have begun to be defined and will start to materialise over the coming year.

The objective is to adapt the insurance offer to each segment of SME, retail, business and self-employed customers, seeking to offer a comprehensive product offering, with a competitive product accompanied by a quality service.

In order to meet the proposed challenges, the figure of the company insurance specialist will be strengthened to provide him/her with the tools and autonomy necessary to offer a quality service to customers.

International solutions

There has been a focus on implementing new solutions or services aimed at meeting the needs of International in a new scenario for post-COVID companies, reinforced by active support from the International Business Managers.

In terms of financing, the ICO Comex Lines have been launched to support companies with foreign trade business to help them with an active commercial distribution aimed at facilitating the growth of companies abroad.

At the same time, an agreement has been reached with Opportunity Network, a fully digital service, to jointly market the service to Spanish companies, so that they can include their products and services on this platform, seeking a commercial counterpart anywhere in the world.

Another differentiating element is the implementation of eUCPs at the guarantees level. The ICC published new guidance on the use of UCPs. As an entity, we have provided this information and training to interested companies, and we have also provided them with the published

documentation. The specialist Managers of International Business have incorporated it into their discussions with customers and helped them to incorporate the new rules into the normal dynamics of the companies.

In terms of training, we continued with the 4th cycle of the Sabadell International Business Program for companies, dedicated to training companies in important aspects of foreign trade in order to be able to carry out an International Business Plan in the most professional and efficient way. In addition, the environment is conducive to completing this six-month training course with a university degree in a completely digital way.

The specialised monthly foreign trade newsletters continue, incorporating topics aimed at companies, talking about markets, international administrative procedures, specialisation by sector of activity, etc.

The specialised InCompany Training courses on international business have also been reactivated, coinciding with the needs of companies with new incorporations in the foreign trade departments, which make it necessary to be able to explain first-hand the technical tools to ensure maximum security for foreign operations.

In terms of shares of documentary operations, the most significant at the level of companies are the Export Letters of Credits (32%), increasing the positioning and validating the reference that one out of every three operations in Spain goes through Banco Sabadell, showing that the bank is an entity actively focused on Companies serving foreign trade.

Corporate & Investment Banking

Corporate Banking coordinates specialised teams to offer an innovative, global service tailored to customer needs.

Business overview

CIB (Corporate & Investment Banking) offers financial solutions and advisory services to large companies and financial institutions, both Spanish and foreign, through branches throughout Spain and in 17 other countries.

This year, following the succession of the Group's governing bodies, a new structure of the Bank's businesses was established, with CIB becoming one of the three essential units of the Bank, together with Retail Banking and Business Banking, a division structured by differentiating the needs of customers and the capacities of each of the three different banks to provide the best service to them.

CIB structures its activity around two axes: the customer axis, whose objective is to provide service to

its natural customers across the entire spectrum of their financial needs, delimited by their nature and which includes the large Corporate Banking corporations; financial institutions, Private Banking in the USA, and the venture capital business developed through BS Capital and, secondly, the Specialised Businesses area, which groups together the activities of Structured Finance, Treasury, Capital Markets and Contracting and Custody, whose objective is to provide advice, the aim is to advise, design and execute tailor-made operations that anticipate the specific financial needs of its customers, whether companies or individuals, extending its scope from large corporations to smaller companies and customers, insofar as its solutions are the best response to increasingly complex financial needs.

Management milestones in 2021 and priorities for 2022

During 2021, CIB has maintained its objective of prioritising the delivery of value to customers and thereby contributing to their future growth and performance. In this endeavour, it has continued to innovate and boost its specialist capabilities, especially in the areas of Capital Markets and Structured Finance, which are now able to meet 100% of its customers' financial needs. Our teams are also constantly expanding their international coverage, always focusing on those markets in which our customers invest or have commercial interests.

2021 has been characterised by the active accompaniment of customers in the recovery and normalisation of their business volumes and activity, as the health crisis triggered by the COVID-19 pandemic has been controlled and normalised, focusing on the search for optimal solutions to restore stability to their financial profiles, adapting them to the needs, demands and requirements arising as a result of the changes in the economy and mode of operation that the pandemic situation has brought with it.

The key areas in which Corporate & Investment Banking works to transmit value to our customers are as follows:

- Know-how through specialisation. The Corporate Banking teams, located in the different countries where we operate, have not only the specialisation of the large corporate segment but also the knowledge and penetration differentiated by sectors of activity in order to be able to better understand and serve customers according to their own and sector's singularities.
- Coordination. Large corporates require special solutions that are the result of involving several of the Bank's areas (specialist teams or even teams from different countries). Coordination of all these teams is pivotal for providing and transmitting value to our customers.
- Specialisation. CIB has units that develop tailor-made products for large corporations and financial institutions (Corporate Finance, Project Finance, Project Bonds, Operation Syndication, Commercial Paper Programmes, Debt Issuance, M&A, Asset Finance, Derivatives, Risk Hedging, etc.). The units responsible for developing these customised products have a transversal vocation across the entire Banco Sabadell Group, also extending their capacities to the Corporate and Institutional Banking segment.
- Innovation. This is the last, but by no means the least important, of the key areas. Transitioning from idea to action is vital to evolve in such a dynamic and demanding market as that of specialised financing and large corporates. In this sense, we create the necessary spaces and mechanisms for our teams to dedicate part of their time to innovation, understood in its broadest sense: innovation in products, in operations and also in the way we collaborate and interact.

As in previous years, the key figures that best define Corporate & Investment Banking's performance will continue to be total revenues, risk-adjusted profitability on capital (RAROC), strict risk monitoring and advance warning of potential impairments, as well as the NPS (customer satisfaction), which is the best measure of how our customers perceive the service.

Customer Axis

Corporate Banking Europe

Corporate Banking is the unit in charge of large corporates which, because of their size, complexity and unique features, require a customised service in which transaction banking services are supplemented by specialised units; the result is a comprehensive solution model for their needs. The business model is based on close strategic relations with customers, providing them with global solutions that are tailored to their needs while also taking account of the specific features of their economic activity and the markets in which they operate.

This unit also includes a series of branches and offices abroad, notably in London, Paris and Lisbon, from where the international activity of our domestic customers is supported and serviced, and the international business of Corporate Banking is developed.

In addition, this customer unit integrates the activity carried out by BS Capital, which carries out the Group's Venture Capital and Private Equity activities, managing the industrial (non-real estate) investees. Its activity is instrumented through the taking of temporary holdings in companies, with the aim of maximising the return on its investments.

2021 has been characterised by the active accompaniment of our customers in the recovery and normalisation of their business volumes and activity, as the health crisis triggered by the COVID-19 pandemic has been controlled and normalised, focusing on the search for optimal solutions to restore stability to their financial profiles, adapting them to the needs, demands and requirements arising as a result of the changes in the economy and the way of operating that the pandemic situation has brought with it and helping them to strengthen their financial situation.

This year, therefore, has been characterised by financial stability, in which large companies have benefited from comfortable levels of liquidity, a legacy of the previous year, which has materialised in a slight decrease of 4.95% in the lending levels over the course of the year, reaching 11,336 million euros, of which 34.29% correspond to credit positions outside Spain (the decrease in credit positions in the international sphere is 13.91%). In the international arena, the evolution of business was also marked by the focus on optimising the Group's capital consumption, combined with improved profitability. The volume of deposits grew by 25.44% in 2021, with a particular concentration in Eurozone geographies.

Earnings, in absolute terms and expressed as spread, declined by 7.94% over the year, mainly as a result of

the aforementioned moderation in lending volumes. As regards profitability in RAROC terms, specifically in the EMEA region where its performance is closely monitored, was 12.92% at year-end, a very positive level, although it was influenced by an increase in marginal cost of customer deposits and a certain rise in the cost of credit risk, both of which were partly offset by the larger contribution from commissions and, in particular, those associated with value products (M&A, DCM, ECM, Structured Fin., Derivatives, etc.).

For its part, 2021 was an exceptional year for BS Capital, in which it divested several of its most significant investees, achieving a record result in its history. Thus, during the year, BS Capital has been very active in portfolio management, especially in the companies most affected by the impact of COVID-19. Among the year's milestones were the formalisation of the sale of the majority stake in Aurica Capital Desarrollo to its management team; the start of the fundraising process for Aurica IV, whose investors include Grupo Banco Sabadell as anchor investor, and the granting of the first industrial mezzanine loans.

Exceptional year for BS Capital, with remarkable operations in the renewable energy sector.

Equally noteworthy is the signing of an agreement with the European Investment Fund (EIF) for a Pan-European Guarantee Fund guarantee programme (EGF) for venture debt and renewable loans; the EIB's approval of a co-financing agreement with Sabadell Venture Capital for granting venture debt loans to technology companies and the closing of the contractual structure of the Senior Debt Fund (Crisae) for financing Spanish mid-market companies, of which a first closing has already taken place, with the participation of Grupo Banco Sabadell and external investors, and the investment period has begun.

Lastly, milestones for 2021 include the approval of a new framework for renewable energy activities for 2021-2026 with a focus on Spain, for which the first investments have already been made, and the sale of the stakes in Termosolar Borges and Villoldo Solar.

The year 2022 presents a series of challenges, including finally leaving behind the effects of the pandemic that began in 2020 and fully recovering the economic and business levels of pre-pandemic activity, which Corporate Banking faces by reinforcing its strategy of focusing and improving the contribution of value to the segment of large corporations in the various markets in which they operate, with a range of services covering 100% of their financing needs, in both the short and long term, in the domestic market and supporting the international activity of its customers through its international network, being a financial provider of reference in all specialised areas. The contribution of value to customers in the large corporations segment and the improvement in profitability for our shareholders are the two fundamental pillars of the management of this unit, which will also focus next year on optimising capital consumption, with the aim of increasing the return on capital consumed.

In the BS Capital area, priority will be given to equity and debt investments, with the support of international organisations such as the EIB and the EIF, while continuing to manage the current portfolio with the same standards as in previous years and with the clear objective of creating long-term value. As regards renewables,

financing opportunities will continue to be sought, consistent with the new investment framework, and potential sales of assets in Spain and Latin America will be analysed. The venture debt activity and the rotation of the venture capital portfolio will be supported by seeking divestments with capital gains and Crisae will continue with the origination and execution of operations (mobilisation of funds raised) and a new external fundraising process will be carried out to increase the investment capacity of the vehicle.

Corporate and Private Banking USA

Banco Sabadell has been operating in the United States for more than 25 years through an International Full Branch managed from Miami and Sabadell Securities USA, set up in 2008 and operational since then. These business units together manage the international corporate banking and private banking business in the United States and Latin America.

Banco Sabadell Miami Branch is the largest International Branch in Florida. It is one of the few financial institutions in the area with the capacity and experience to provide all types of banking and financial services, from the most complex and specialised services for large corporations to international private banking products, including those products and services that may be required by professionals and companies of any size. To supplement its structure in Miami, the Bank has representative offices in New York, Peru, Colombia and the Dominican Republic.

Sabadell Securities USA, for its part, is a stockbroker and investment advisor in the securities market that complements and strengthens the business strategy aimed at Private Banking customers residing in the United States, responding to their needs by providing investment advice in the capital markets.

The 2021 financial year was characterised by the Branch's alignment with the priorities set out in the 2021-23 strategic plan. To this end, strategies were defined,

and processes designed to improve the return on capital, develop the Private Banking business, reduce costs and control NPLs. Thus, different initiatives aimed at achieving each of these objectives have been carried out.

In the area of improving return on capital, it is worth mentioning the implementation of processes to improve the flow of data required for regulatory capital calculations, as well as the evolution and optimisation of profitability tools per customer, with the consequent review of operations to analyse and calibrate their return on capital consumption. The favourable market conditions also allowed the sale of certain proprietary portfolio positions whose capital consumption exceeded the optimum, generating significant capital gains in addition to the capital release resulting from the sale.

The Private Banking business continued to be boosted by upgrading the technological platform (Phase II of the Aspire Project) to improve customers' capabilities; the use of the products available was expanded, deepening the diversification of income sources, with particular emphasis on commissions generated from transactions; the profitability offered to customers was improved by rebalancing between traditional banking products and investment banking, which also boosted the generation of commissions for the unit and progress was made in coordinating the Private Banking infrastructure, enabling synergies to be exploited and offering a wider range of investment products to corporate customers.

In the area of costs, the efficiency plan initiated in 2020 continued, with particular emphasis on investments to improve the efficiency of processes and services to customers and, in the area of NPL control, the processes for detecting and monitoring credit operations affected by the negative consequences of the pandemic were further developed.

As mentioned above, during the year 2021, the upgrade of the technological platform (Aspire Project) continued to improve the capabilities available to customers and the business and support units, phase II of which is being completed and phase III is pending commencement, which is expected to be completed in 2023, and the project to migrate interest rates from LIBOR to RFR (Risk Free Rates) was launched. These two initiatives are part of the operational improvement plan to adapt the technological infrastructure to the new financial environment.

Turning to the financial figures, it is worth noting that during the 2021 financial year, the volume of business managed exceeded 14,500 million US dollars, an increase of 3.5%. Both the balance of loans and the volume of deposits remained stable, with the former at around 5,800 million US dollars and the latter at around 3,900 million US dollars. Off-balance sheet customer assets under management increased by 6.7% to close at almost 4,900 million US dollars.

Net interest income was 122 million US dollars, down 5.9% year-on-year, mainly due to lower official interest rates. Net fee income was 53 million US dollars, an increase of 16% compared to 2020. Gross income remained

stable at around 175 million US dollars for the year, while administrative and amortisation expenses were up 2.4%, reflecting investments in the technology platform. Net profit for the year was 75 million US dollars, in line with the previous year's profit.

Specialised businesses

Structured finance

The Structured Finance Division encompasses the Structured Finance and Global Financial Institutions units. This Division operates globally and has teams in Spain, the US, the UK, Mexico, France, Peru, Colombia and Singapore.

The Structured Finance activity focuses on the study, design, origination and syndication of corporate finance products and operations, acquisitions, project & asset finance, global trade finance and commercial real estate, with the capacity to underwrite and syndicate operations at national and international level, as well as being active in the primary and secondary markets for syndicated loans.

Activity of the Structured Finance Division

Line of business	
Specialist Finance	Advisory/Distribution
Project Finance and Asset Finance	Syndication
Corporates and Acquisitions	Commercial Real Estate
LBO (Leveraged buyout)	Global Financial Institutions
Trade Finance	

The Global Financial Institutions unit manages the commercial and operational relationship with the international banks with which Banco Sabadell has collaboration and correspondent agreements (some 3,000 correspondent banks around the world), thus guaranteeing maximum coverage for the Banco Sabadell Group's customers in their international transactions. Thus, it ensures optimal support of customers in their internationalisation processes, in coordination with the Group's international network of branches, subsidiaries and investees.

In 2021, Banco Sabadell, thanks to its policy of accompanying customers and adapting to their needs, to seek the best responses to their credit requirements within the possibilities offered by the credit markets in the specific macroeconomic environment, maintained its benchmark position in the Business Banking segment in Spain, good work that is being exported to other geographies. In this context, Financiación Estructurada ranked 4th in the MLA rankings for syndicated loans and 2nd in Project Finance in the Spanish market.

2nd place in the Project finance MLA – Spanish market 2021.

Million euro

Ranking	Mandated Lead Arranger	Deal Value	Number of operations
1	Santander	8,265	162
2	BBVA	5,230	123
3	CaixaBank	6,671	120
4	Banco de Sabadell	3,267	90
5	BNP Paribas	5,424	41
6	SG Corporate & Investment Banking	1,935	34
7	Credit Agricole CIB	1,964	29
8	ING	2,108	24
9	Deutsche Bank	1,528	23
10	Bankinter	665	22

Syndicated loan MLAs
— Spanish market
2021

Million euro

Ranking	Mandated Lead Arranger	Deal Value	Number of operations
1	Santander	985	20
2	Banco de Sabadell	397	11
3	BBVA	334	6
4	BNP Paribas	323	5
5	ING	309	5
6	Abanca Corporación Bancaria, S.A.	131	4
7	Bankinter	154	4
8	CaixaBank	202	4
9	SG Corporate & Investment Banking	245	4
10	Credit Agricole CIB	187	3

Project finance MLA
— Spanish market
2021

The 2021 financial year was characterised by the good performance of Specialised Financing (Project Finance, Acquisition Financing, Commercial Real Estate, etc.), which offset the lower demand for corporate financing following the liquidity injections received by the system in 2020, confirming the adaptation of the teams to remote work, combined with face-to-face work where possible. This adaptation has been successful in all geographies, without affecting the agility of the processes, thanks to the technology available and the quality and involvement of the human team.

At the end of the 2021 financial year, and looking ahead to 2022, which will still be marked by the effect of the pandemic that began in 2020, our top priority remains to support the customers by designing long-term financing structures for new projects, acquisitions, internationalisation, etc., as well as syndicated operations that guarantee a stable and complete debt for post-COVID-19 debt management, assessing the positive potential of possible solutions combined with capital market products.

Treasury and Markets

Treasury and Markets is responsible, on the one hand, for marketing Treasury products to the Group's customers, through the Group's units assigned for this purpose, both from commercial networks and through specialists and, on the other, for managing the Bank's current liquidity, as well as managing and complying with its regulatory coefficients and ratios. In the same way, it manages the risk of the portfolio activity itself, interest rate risk, and different types of exchange rates, mainly due to in and out flow operations with customers both internally and externally, coming from the activity of the distribution units itself.

In 2021, the Treasury and Markets Division further developed the digitalisation of its customer operations by improving the Sabadell Forex currency application, expanding its product catalogue and enhancing customer satisfaction. In particular, the range of products and solutions offered by management was increased to adapt to the changing market situation which has generated new customer needs, and the trading capacity to assume and control various risk factors such as currency, fixed income and interest rates was improved.

Looking ahead to the new financial year 2022, it is expected that the activity related to currency products will continue to be a central pillar of the strategy and, in this regard, projects related to the Sabadell Forex platform will be promoted to provide differential services of value to customers. As regards the institutional customer segment, work will continue to expand the international investor base for capital market products. In trading, the aim is to boost the capacity to manage risk on our own books, reducing hedges with other entities, and continuing to develop collateral management in order to take the fullest advantage of it.

Capital markets

Capital Markets is the CIB Division that coordinates the channelling of institutional investors' liquidity to the Bank's business customers, in both debt products and capital instruments.

Furthermore, via its M&A (Mergers & Acquisitions) areas, it provides advice on company acquisitions and sales, mergers and the incorporation of new shareholders.

2021 has been the year of consolidation of the MMCC franchise for companies in Banco Sabadell, as well as the start of the commercialisation of several of the projects launched.

The team is once again one of the most active in the origination of public issues, having participated in more than 60 public issuances, most notably those of corporates and financial issuers. 2021 was another record year in terms of the Capital Markets Division's participation in commercial paper programmes, maintaining a market share of over 15%.

One of the basic pillars of activity is the closing of niche operations, such as Project Bonds, securitisations or Direct Lending, with a view to becoming a benchmark in the green world. Of particular note among the operations this year were the structuring of the financing of future credit rights through a securitisation fund and the design of derivatives for operation and maintenance contracts for power generation plants. The purchase of the credit rights has been financed with a long-term bond issue that has been listed on the MARF with an investment grade and green rating.

In renewable energy project bonds, a total of six operations were closed for an aggregate amount of 722 million euros, including two operations secured by a monoline with an S&P rating of AA, as well as three operations at Holdco level.

MMCC continues to focus on offering tailor-made financing solutions, in bond or loan format, in various sectors, from Real Estate to Infrastructure, especially in the domestic middle market segment.

The Equity Capital Markets team has strengthened its position with a number of operations, including being Bookrunner of the Cellnex capital increase and the IPO of Ecoener, as well as co-leads in the IPO of Acciona Renovables.

In Mergers and Acquisitions (M&A), the Bank advised

the shareholders of the Castellón-based tile manufacturer Equipe on its merger with Italy's Italcera, as well as the Valencian pre-prepared convenience food company Foodiverse on the purchase of the healthy food wholesaler Comfresh; advised Alicante-based Chocolates Valor on the purchase of Portuguese chocolate and confectionery company Imperial; the shareholders of the hybrid plant Termosolar de Borges on its sale to Q Energy and the shareholders of a 14MW wind farm to Italy's PLT Energía. It has also advised the Gipuzkoan seafood products company Angulas de Aguinaga in the purchase of the Italian fish ready meals company Deligusti and the Navarre-based photovoltaic capital goods company STI Norland in its sale to the US company Array.

MMCC's strategy in 2022 is to consolidate, maintain and improve the quality standards in the activity, mainly in the process of channelling institutional financing to our SME customers, as well as to conclude the commercialisation of two large projects such as the Senior Debt Fund and the institutional factoring initiative.

Trading, Custody and Research

CCA is the unit responsible, as product manager, for the group's equities, performing the functions of execution in equities, through the trading desk, both in domestic markets, where it acts as a member, and in international markets, as a mere intermediary.

It has an Analysis Department whose objective is to guide and recommend investments in equity and loan markets for customers. To this end, they produce podcasts, webinars, videos, daily reports, sectoral reports, company reports, etc.

In the first half of 2021, the transfer of the bank's institutional depositary business to BNP Paribas Securities Services S.C.A., branch in Spain, was completed, closing the agreement reached between both parties on 28 March 2020.

Developments were also made to the online platforms throughout 2021, in line with the new strategic objectives of the Banco Sabadell Group, based on the pillars of sustainability, digitalisation and customer focus. These developments, which will continue over the next few years, will considerably increase the level of service offered to the customer, with better solutions in transaction processing and greater support in decision-making.

The renewal of the online platform, with a major qualitative leap in information service and market access compared to the previous one, has provided customers with quality solutions based on self-service, enabling them to make investment decisions with maximum efficiency.

Currently, 95% of orders are channelled directly by customers, using the tools that Banco Sabadell makes available to them, with the mobile application being the preferred channel for these operations.

For the 2022 financial year, the main objective is to increase brokerage volumes in the Spanish and international equity markets, based on three main lines of action: the continuous improvement of the customer satisfaction,

adding value with the recommendations and investment ideas of our analysis service; the creation of new ways of investing in the stock market, with new products that meet the needs and expectations of the most advanced investors

in the financial markets and, thirdly, the determined promotion of our international agent banking service for Spanish listed companies that seek financing in international regulated markets, both equities and fixed income.

Product innovation in the areas of Capital Markets and Structured Finance.

Banking Business UK

Business overview

TSB (TSB Banking Group plc) offers a range of retail banking services and products to individuals and small business banking customers in the UK. TSB has a multi-channel model, including fully digital (internet and mobile), telephone and national branch banking service.

We believe that TSB's multi-channel offer creates an opportunity for TSB to serve customers better. Customers want a bank that gives them access to both skilled people and simple digital tools to meet their banking needs and this, in turn, improves their confidence in managing their money. TSB continues to invest in the development of digital products and services that meet current and future customer needs. Combined with the way that TSB serves its customers over the phone or in its network of branches across the whole of the country, TSB lives up to its purpose of "Money Confidence. For Everyone. Every day."

TSB offers current and savings accounts, personal loans, mortgages and credit/debit cards for retail customers and a broad range of current, savings and lending products for SME customers.

Management team priorities in 2021

While 2020 was defined by the response to the pandemic, 2021 was about getting back to growth and delivering the Money Confidence purpose. The three-year strategy, launched in 2019, is based on three pillars: customer focus, simplification and efficiency, and operational excellence. This strategy will be finalised next year when the Board and Executive Committee will incorporate our strategic developments and prepare the bank for even greater success in the future as we develop the next phase of the TSB story.

Executing Strategy

TSB's customer service is improving and customers have more ways of engaging with the bank than ever before. TSB is a simpler, more efficient and more resilient bank and has become more streamlined in how customers are supported with both modern digital services and

reassuring personal support in branch or over the phone when life events demand it.

In 2021 TSB recorded:

- outstanding growth in mortgages, breaking all previous records for TSB, including helping more than 16,000 first-time buyers to get their foot on the first rung of the property ladder;
- the new Spend & Save Plus current account – with additional features to help customers manage their money;
- partnerships that increase customers' financial security, such as with Wealthify and Freedom Finance; and
- 135 branch upgrades, and over 40 new 'pop-up' services to enhance our service to customers.

The new Technology Hub in Edinburgh and cloud-based architecture has provided a robust and stable digital platform that offers customers more convenient services quickly and cost-effectively. The enthusiasm of TSB's colleagues to adopt a digital-first approach has meant that better services can be provided more flexibly, including new video consultations for mortgage customers and chatbot TSB Smart Agent in the mobile app. Together, these have contributed to improved Net Promoter Scores (NPS) by customers for banking on mobile in the second half of the year.

TSB workers have taken ownership of the bank's purpose: "Money confidence. For Everyone. Every day" and find new ways to support customers, particularly through the continuing challenge of the COVID-19 pandemic.

Customers increasingly expect more from companies and want the brands they deal with to share their values. TSB's responsible business strategy – the Do What Matters Plan – ensures that the bank continues to grow sustainably and do the right thing by customers, colleagues and the communities that TSB serves. For TSB, this means setting the gold standard for consumer protection through its industry-leading Fraud Refund Guarantee, paying suppliers promptly, ensuring there are more women in senior roles, working towards stretching diversity goals, and getting on with the vital work to achieve operational net zero by 2030.

Key figures

Net profit stood at 118 million euros as of the end of the 2021 financial year, representing an improvement on last year's figure of -220 million euros, due to higher core revenues, lower costs and fewer provisions.

Net interest income amounted to a total of 1,011 million euros, 14.3% higher than in the previous year due to the strong growth of mortgage volumes.

Net fees and commissions increased by 24.9% year-on-year, mainly due to higher service fees, particularly card fees.

Operating expenses stood at -785 million euros and decreased by 10.3% year-on-year, due to the improvement

of both staff expenses and general expenses. In 2021, -19 million euros of non-recurring costs are recorded as a result of office closures.

In 2021 the expense for provisions and impairments has been offset by the release of provisions for COVID-19 due to updated macroeconomic scenarios with minor unemployment and a higher house price index. The previous year incorporated extraordinary provisions associated with the impact of COVID-19.

Tax relief of 23 million euros is recorded under corporation tax in 2021 related to the UK parliament's enactment of a corporation tax increase from 19% to 25% to take effect as from April 2023.

Million euro

	2021	2020	Year-on-year change (%)
Net interest income	1,011	885	14.3
Fees and commissions (net)	121	96	24.9
Core revenues	1,132	981	15.3
Net trading income and exchange differences	2	25	(90.3)
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(33)	2	(2,096.3)
Gross income	1,101	1,008	9.2
Operating expenses and depreciation and amortisation	(942)	(1,035)	(9.0)
Pre-provisions income	159	(27)	(685.4)
Provisions and impairments	—	(240)	(100.0)
Gains on sale of assets and other results	(9)	(4)	120.6
Profit/(loss) before tax	150	(271)	(155.4)
Corporation tax	(32)	51	(162.6)
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	118	(220)	(153.7)
ROE (profit / average shareholders' equity)	4.5%	—	—
Cost-to-income (general administrative expenses / gross income)	71.3%	86.8%	—
NPL ratio	1.4%	1.3%	—
NPL coverage ratio of stage 3 with total provisions	38.1%	57.4%	—

Key figures of the banking business UK

In TSB, gross performing loans to customers has grown by 19.1% year-on-year, supported by the appreciation of sterling. At a constant exchange rate, this item increased by 11.3% year-on-year due to the growth of the mortgage portfolio.

On-balance sheet customer funds increased by 11.9%. At a constant exchange rate, there has been a growth of 4.6% year-on-year due to the increase in current accounts reflecting higher levels of consumer saving.

Million euro

	2021	2020	Year-on-year change (%)
Assets	55,657	47,284	17.7
Gross performing loans to customers	44,050	36,977	19.1
Liabilities	53,012	45,566	16.3
On-balance sheet customer funds	42,779	38,213	11.9
Wholesale funding in the capital markets	2,975	2,319	28.3
Allocated capital	2,645	1,736	52.3
Off-balance sheet customer funds	—	—	—
Other indicators			
Employees	5,762	6,709	(14.1)
Branches	290	454	(36.1)

Key figures of the banking business UK

Banking Business Mexico

Business overview

As part of the internationalisation process that commenced under the previous strategic framework, the Bank decided to focus on Mexico, a country that represents a clear opportunity as an attractive market for the banking business and one in which Sabadell has been operating since 1991, first by opening a representative office and then through its interest in Banco del Bajío, held for 14 years (from 1998 to 2012).

The business was established in Mexico through an organic project with the creation of two financial vehicles, starting with a SOFOM (multi-purpose financial company), which commenced operations in 2014, followed by a bank. The banking licence was obtained in 2015 and the bank commenced operations in early 2016.

Both vehicles operate using a customer-focused approach, with agile processes, digital channels and no branches. The roll-out of commercial capacities is based on the aforementioned vehicles and the following business lines:

- Corporate Banking, with the focus on companies and major corporations: 3 branches (Mexico City, Monterrey and Guadalajara) and sector-specific specialisation.
- Banking for Companies, which reproduces the group's original business relationship model: launched in 2016, it has continued to expand since then.
- Personal Banking, based on a disruptive digital model initially focused on capturing customer funds, recently buoyed by commercial alliances to offer consumer loans. By the end of 2021, the closure of the digital businesses began as a strategy to give greater impetus to traditional banking, which will be completed by the beginning of 2022.

Management priorities in 2021

During the year, the global COVID-19 pandemic continued to wreak havoc, affecting various sectors of the economy in Mexico and other countries, leading to the closure of businesses and hence a slowdown in lending and higher non-performing loans (NPLs). In this context, the Mexican subsidiaries (Banco Sabadell, IBM) performed well, since the numbers are above the budget for the year.

During 2021, the Mexican subsidiaries continued to focus on growth, financial self-sufficiency, and profitability. The following initiatives were implemented during the year:

- In Corporate Banking, Banco Sabadell's Fiduciary Division and the transaction of Derivative Financial Instruments were strengthened, enabling a more comprehensive service to be offered to the structured finance segment, which strengthens the link with customers.
- In Business Banking, we continued to enhance our transactional capabilities, an initiative that will continue in 2022. Initiatives in the commercial model and a new incentive scheme seek to boost banker productivity and efficiency and to continue offering an excellent service, which has been a distinctive feature since this segment was created.
- In the Retail Banking segment, the decision was taken at the end of the year to start closing the digital businesses in order to focus on those businesses where there are greater competitive advantages that will improve the Bank's profitability.

Other horizontal initiatives implemented in the year include: 1) a delinquency prevention plan with restructuring support, 2) strengthening IT architecture, and 3) establishment of new funding lines in MXN and USD. The latter initiatives served to optimise funding and capital in the Mexican franchise.

A financial planning exercise was conducted in 2021 in line with that of Banco Sabadell Group to determine the main lines of strategic approach for Banco Sabadell in Mexico with the goal of driving value creation by the Group's Mexican franchise, as summarised below:

- Enhancement of ROE by increasing income without capital consumption (through greater fees and commissions and fostering new business lines, such as consumer lending, derivatives, currency trading, trusts, etc.).
- Promotion of financial self-sufficiency actions, through: i) the incorporation of transactional services and products that increase customer loyalty; and ii) improvement of our customer onboarding platform.

On 6 July, HR Ratings ratified the long-term and short-term credit ratings in Mexican national scale, maintaining HR AA+ (long-term) with Stable Outlook and also maintaining HR1 (short-term) which is based on the financial and operational support from Banco Sabadell, and which continues to show low delinquency levels, in addition to solvency levels and the diversification of the loan portfolio per geographic area.

Key figures

Net profit at the end of the 2021 financial year amounted to 1 million euros, representing a decline in year-on-year terms, mainly due to reduced net interest income and increased costs and provisions.

Net interest income amounted to 113 million euros having fallen by 1.4%, affected by reduced volumes.

Net fees and commissions amounted to 11 million euros, 41.6% higher than the previous year due to one-off transactions and increased activity.

Operating expenses stood at -81 million euros having increased year-on-year, mainly due to higher staff and IT costs.

Provisions and impairment losses amounted to -32 million euros, higher than in the previous year mainly due to impairment and credit risk calculation models update.

Million euro

	2021	2020	Year-on-year change (%)
Net interest income	113	114	(1.4)
Fees and commissions (net)	11	7	41.6
Core revenues	123	122	1.2
Net trading income and exchange differences	—	4	(98.1)
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(10)	(14)	—
Gross income	114	112	1.3
Operating expenses and depreciation and amortisation	(89)	(82)	9.4
Pre-provisions income	24	30	(20.5)
Provisions and impairments	(32)	(28)	17.4
Gains on sale of assets and other results	(0.011)	—	—
Profit/(loss) before tax	(8)	3	(382.0)
Corporation tax	9	1	557.9
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	1	4	(88.1)
Cumulative ratios			
ROE (profit / average shareholders' equity)	0.1%	0.8%	—
Cost-to-income (general administrative expenses / gross income)	71.1%	64.3%	—
NPL ratio	1.0%	0.5%	—
NPL coverage ratio of stage 3 with total provisions	265.7%	231.6%	—

Key figures of the banking business Mexico

Gross performing loans to customers grew by 5.6% year-on-year, supported by the appreciation of the Mexican peso. At a constant exchange rate, this item fell by 1.3% due to a conservative policy for granting new loans.

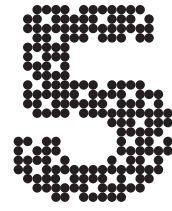
On-balance sheet customer funds increased by 23.0% year-on-year, supported by the evolution of the Mexican peso exchange rate. At a constant exchange rate, this item increased by 16.2%.

Million euro

	2021	2020	Year-on-year change (%)
Assets	5,128	4,584	11.9
Gross performing loans to customers	3,773	3,574	5.6
Real estate exposure (net)	—	—	—
Liabilities	4,550	4,041	12.6
On-balance sheet customer funds	2,453	1,993	23.1
Allocated capital	578	551	4.9
Off-balance sheet customer funds	—	—	—
Other indicators			
Employees	453	489	(7.4)
Branches	15	15	—

Key figures of the banking
business Mexico

Risks



- 95 Strategic risk management and control processes
- 95 Main 2021 milestones in risk management and control
 - Strategic risk
 - Credit risk
 - Financial risk
 - Operational risk
 - Compliance risk

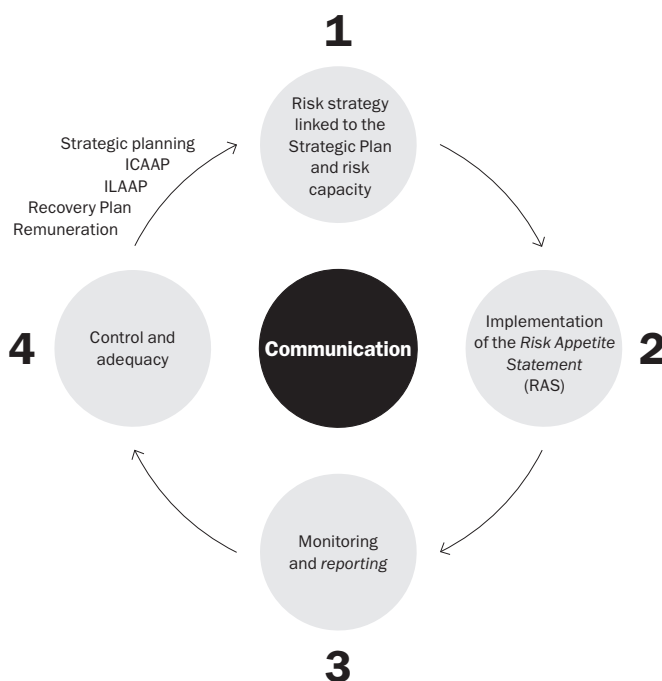
In 2021, Banco Sabadell Group continued to strengthen its Global Risk Framework by making improvements in line with best practices in the financial sector.

The Group maintains a medium-low risk profile, in accordance with the risk appetite defined by the Board of Directors.

The Group's risk strategy is fully implemented and linked to the Strategic Plan and the Group's risk capacity,

articulated through the Risk Appetite Statement (RAS), under which all material risks are monitored, tracked and reported, and the necessary control and adaptation systems are established to ensure compliance:

Strategic risk management and control processes



Main 2021 milestones in risk management and control

Below are the most noteworthy aspects in terms of their management and actions of the first-tier risks identified in Banco Sabadell Group's risk taxonomy in 2021:

Strategic risk

Definition:

Risk of losses (or negative impacts in general) as a result of the adoption or subsequent implementation of strategic decisions. It also includes the inability to adapt the Group's business model to the evolution of the environment in which it operates.

Main milestones in 2021:

(i) Strategy and reputation

- An outstanding position supporting customers during the health crisis and in the transition towards a more digital model.

(ii) TSB

- Throughout 2021, TSB has been completing the actions of its Master Plan to improve profitability and efficiency.

(iii) Improvement of the capital position

- The CET1 ratio improved to 12.22% in fully-loaded terms at 2021 year-end, driven significantly by organic capital creation. Generalised capital compliance with regulatory requirements.
- Total Capital also improved, ending 2021 at 17.65%, and the Leverage ratio increased from 5.04% to 5.81% year-on-year (in fully-loaded terms).

(iv) Profitability

- Group net profit amounted to 530 million euros in 2021. The Group's banking revenues remain strong and are close to pre-crisis levels.
- During 2021, a series of efficiency initiatives have been launched in Spain, which will help reduce recurrent costs and which include further digitalisation of customer services and process re-engineering.

Credit risk

Definition:

Credit risk refers to the risk of incurring losses as a result of borrowers' failure to comply with payment obligations, as well as experiencing a loss of value due to the impairment of borrowers' creditworthiness.

Main milestones in 2021:

(i) Non-performing assets

- Slight increase in the NPL ratio from 3.6% to 3.7%, mainly due to higher inflows from the regulatory changes in TSB and the repurchase of non-performing Spain portfolios.

(ii) Concentration

- From a sectoral point of view, diversified loan book with limited exposure to sectors with higher sensitivity to COVID-19 and with a downward trend.
- Also, in terms of individual concentration, the downward trend in the concentration risk metrics of large exposures continues, due to both a lower exposure (numerator) and an increase in capital (denominator). The credit rating of the largest exposures is affected, albeit not significantly, by a deterioration of balance sheets, resulting from the health crisis.
- In geographical terms, the portfolio is positioned in the most dynamic regions, both nationally and internationally. International lending continues to account for around a third of the loan book

(iii) Lending performance

- Gross performing loans continued to grow year-on-year in all geographies with growth of +2.3% in Spain, +19.1% at TSB and +5.6% in Mexico per annum.
- In Spain, year-on-year growth was mainly supported by commercial loan to companies, SMEs and the self-employed as well as by the increase in individual mortgages. The project finance portfolio was also dynamic, with particular traction in sustainable projects.

(iv) TSB loan performance

- At TSB, all loan categories showed solid growth, especially in mortgages. Growth in mortgages benefited from increased mortgage market activity, as well as TSB's operational resilience to absorb the increase in demand. Consumer loans and personal loans increased once the lockdown was lifted.

Financial risk

Definition:

Possibility of obtaining insufficient profitability or having insufficient liquidity such as to prevent compliance with requirements and future expectations.

Main milestones in 2021:

(i) Robust liquidity position

- Solid liquidity position, where the LCR (Liquidity Coverage Ratio) stands at 221% at the end of 2021 at Group level (194% at MLU TSB and 254% at Banco Sabadell Spain) and the NSFR (Net Stable Funding Ratio) at 141% at Group level (149% at MLU TSB and 137% at Banco Sabadell Spain) both at the end of 2021, after having optimised funding sources with access to new long-term financing from the ECB (TLTRO III) for a total amount of 32,000 million euros and with the Bank of England (TFSME) for an amount of 6,545 million euros, as well as maintaining a growing generation of commercial gap in 2021.
- The loan to deposits ratio at the closure of September 2021 is 96.3% with a balanced retail funding structure.
- Moreover, as regards capital markets, in 2021, Banco Sabadell fulfilled its issuance plan, and its strong investor appetite enabled it to optimise the associated costs.

(ii) Structural interest rate risk

- The Bank continued to adapt the balance sheet structure to the current and expected environment of negative rates in the Eurozone, showing great resilience to possible future declines. The mortgage portfolio in Spain is exhibiting an increasing preference for fixed rates. On the liabilities side, the customer deposit base makes it possible to pass negative rates on to the whole-sale segments.
- The Bank maintained its programme of adaptation to the new benchmark indices following the entry into force of the European Benchmark Regulation (BMR) and it has successfully achieved the milestones set for the EUR and other affected currencies (mainly USD and GBP).

Operational risk

Definition:

Operational risk is defined as the risk of loss resulting from failures or inadequacies in people, processes, and systems or from unforeseen external events.

Main milestones in 2021:

(i) Digital transformation

- Sustained increase in the use of digital/assisted channels both in terms of volume and type of transactions, mainly due to the effects of the COVID-19 pandemic and the change in the business model, mainly at the retail level. In general, this increase in transactions was not matched by a proportional increase in the losses associated with this type of channel; accordingly, the control environment is considered to have performed appropriately.
- The implementation and adoption of telework, also derived from COVID-19, also caused a change in the risk profile associated with the execution of internal processes and it was necessary to implement specific controls aimed at protecting employees and information, incorporating the massive adoption of secure corporate laptops which have proven to be effective, as no events or incidents related to this new situation and way of working have been detected.

(ii) Business model transformation

- As a result of the changes and adaptations made on the occasion of COVID-19 and within the new Strategic Plan, the process of change and transformation towards a digital business model has been accelerated, in which customer relations have evolved towards greater use of non-face-to-face channels and, consequently, a reduction in the branch network.
- This process of change has driven the adaptation of the entity's systems, processes and activities, ensuring the robustness of the existing control environment, minimising exposure to risks and developing and implementing new opportunities arising from the transformation associated with the new business model.

Compliance risk

Definition:

Compliance risk, which is part of operational risk, is defined as the possibility of incurring legal or administrative sanctions, significant financial losses or reputational losses due to non-compliance with laws, regulations, internal rules and codes of conduct applicable to the banking business, minimising the possibility of non-compliance and ensuring that any non-compliance that may occur is identified, reported and dealt with diligently.

Main milestones in 2021:

(i) Promoting a culture of ethics and compliance among employees

- Designing and approving the new Code of Conduct.
- Strengthening of the Regulatory School to cover the training needs of employees in a user-friendly way in each of its classrooms: Regulators and Supervisors Classroom, Ethics and Conduct Classroom, Sale and Contracting of Products and Services Classroom, Prevention of Money Laundering and Counter-Terrorist Financing Classroom, Data Protection Classroom and Customer Service Space.

(ii) Planning and monitoring

- The Compliance establishes, applying the principle of proportionality in accordance with the nature, volume and complexity of its activities, a Compliance Programme which includes a detailed planning of its activities. This programme covers all services provided and activities carried out by the entity and defines its priorities based on the assessment of compliance risk and in coordination with the Risk Control function.
- In order to guarantee the effectiveness of the Programme, two half-yearly Monitoring Plans have been drawn up, which include two types of information: those that illustrate the activities developed from a quantitative perspective, with KPIs linked to the operational execution of the programme, and those that deal with qualitative variables.
- The action plan required to implement in the Bank the new obligations of Royal Decree-Law 7/21, which transposes the 5th EU directive on the prevention of money laundering and terrorist financing, has been carried out.

(iii) Relationship with supervisors

- Management maintains constant interaction with the main authorities supervising the Bank's activities.
- All requests received from the different supervisors have been dealt with within the established deadlines.

(iv) Incorporation of the Customer Service Department into the Compliance Division

- In May 2021, as a result of the new structure designed and aligned with the new Bank of Spain Banking Guidelines published in July 2021, the Customer Service Department will be incorporated into the Compliance Division, initiating a process of adaptation to its organisation and functioning.

For more details of the corporate risk culture, the global risk framework and the overall organisation of the risk function as well as the main financial and non-financial risks, see note 4 "Risk management" in the consolidated Annual Accounts for 2021.