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Key figures in 2020

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

	2020	2019	Year-on-year change (%)
Income statement (million euro)	(A)		
Net interest income	3,399	3,622	(6.2)
Gross income	5,302	4,932	7.5
Pre-provisions income	1,841	1,719	7.1
Profit attributable to the Group	2	768	(99.7)
Balance sheet (million euro)	(B)		
Total assets	235,763	223,754	5.4
Outstanding gross loans and advances	146,878	144,572	1.6
Loans and advances to customers, gross, excluding repos	152,265	150,749	1.0
On-balance sheet customer funds	150,778	146,309	3.1
Mutual funds	21,366	26,003	(17.8)
Pension funds and insurance brokerage	13,401	13,797	(2.9)
Funds under management and third-party funds	209,748	213,095	(1.6)
Off-balance sheet funds	38,064	43,163	(11.8)
Total customer funds	188,843	189,472	(0.3)
Equity	12,492	12,974	(3.7)
Shareholders' equity	12,944	13,172	(1.7)
Ratios (%)	(C)		
ROA	0.00	0.35	
RORWA	0.00	0.95	
ROE	0.02	5.94	
ROTE	0.02	7.37	
Cost-to-income	55.41	55.63	
Risk management	(D)		
Stage 3 exposures (million euro)	5,808	6,141	
Total NPA exposures (million euro)	7,182	7,326	
NPL ratio (%)	3.60	3.83	
NPL coverage ratio of Stage 3 (%) *	56.5	49.6	
NPA coverage ratio (%) *	52.6	46.9	
Capital management	(E)		
Risk-weighted assets (RWA) (million euro)	78,779	81,231	
Common Equity Tier 1 (phase-in) (%)	(1)	12.4	
Tier 1 (phase-in) (%)	(2)	13.9	
Total capital ratio (phase-in) (%)	(3)	15.7	
Leverage ratio (phase-in) (%)	5.23	5.01	
Liquidity management	(F)		
Loan-to-deposit ratio (%)	97.6	98.6	
Shareholders and shares (as at reporting date)	(G)		
Number of shareholders	244,225	235,034	
Average number of shares (million)	5,582	5,538	
Share price (euros)	0.354	1.040	
Market capitalisation (million euro)	1,976	5,760	
Earnings (or loss) per share (EPS) (euros)	(0.01)	0.13	
Book value per share (euro)	2.32	2.38	
Price/Book value	0.15	0.44	
Price / Earnings ratio (P/E)	(27.75)	8.29	
Other information			
Branches	2,083	2,398	
Employees	23,458	24,454	

(*) Excl. floor clauses.

(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 capital position 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

Group net profit of 2 million euros as a result of the effects of managing the COVID-19 crisis.

Million euros

Profit & loss account

	2020	2019	Year-on-year change (%)
Interest and similar income	4,324	4,985	(13.3)
Interest and similar charges	(925)	(1,362)	(32.1)
Net interest income	3,399	3,622	(6.2)
Fees and commissions (net)	1,350	1,439	(6.1)
Net banking revenues	4,749	5,061	(6.2)
Net trading income and exchange differences	800	126	—
Equity-accounted affiliates and dividends	37	61	(39.4)
Other operating income/expense	(284)	(317)	(10.3)
Gross income	5,302	4,932	7.5
Operating expenses	(2,938)	(2,743)	7.1
Staff expenses	(1,885)	(1,649)	14.3
Other general administrative expenses	(1,054)	(1,095)	(3.8)
Depreciation and amortisation	(523)	(470)	11.4
Total costs	(3,461)	(3,213)	7.7
Memorandum item:			
Recurrent costs	(3,035)	(3,109)	(2.4)
Non-recurrent costs	(426)	(105)	307.4
Pre-provisions income	1,841	1,719	7.1
Provisions for loan losses	(1,832)	(672)	172.7
Provisions for other financial assets	(188)	(22)	—
Other provisions and impairments	(254)	(244)	4.3
Capital gains on asset sales and other revenue	313	170	84.2
Profit/(loss) before tax	(121)	951	—
Corporation tax	124	(174)	—
Profit or loss attributed to minority interests	1	9	(88.9)
Profit attributable to the Group	2	768	(99.7)
Memorandum item:			
Average total assets	227,639	223,470	1.9
Earnings per share (euro)	(0.01)	0.13	—

The average exchange rate used for TSB's income statement is 0.8888 (0.8782 in 2019).

Net interest income

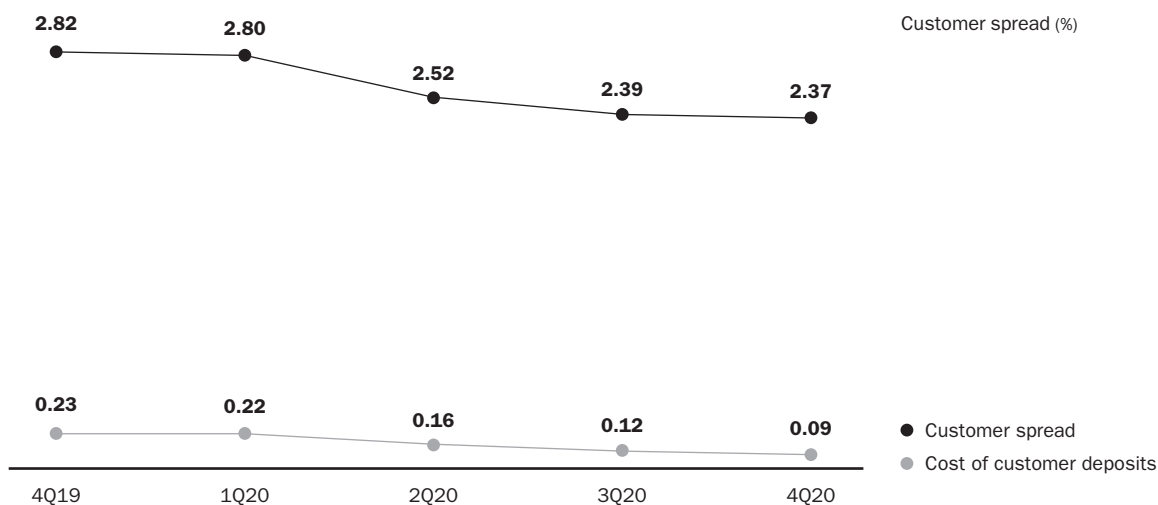
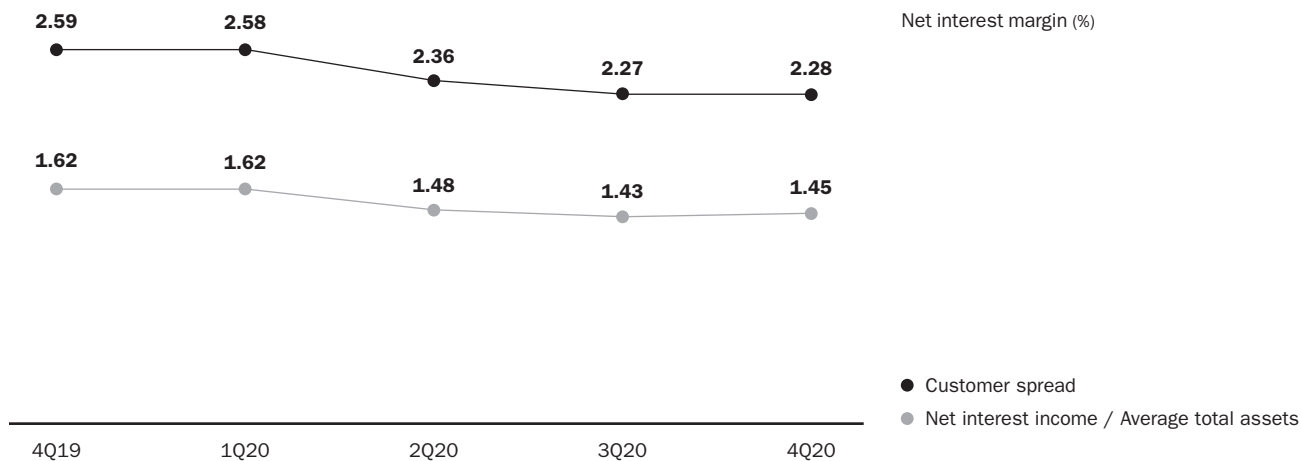
Net interest income totalled 3,399 million euro in 2020, 6.2% lower than in the previous year, mainly due to lower interest rates, a lower contribution from the ALCO portfolio following the divestments made during the year, lower overdraft fees following the measures related to COVID-19, and the reduction in revenues following the securitisation of consumer loans in the third quarter of the previous year.

As a result, the return on average total assets was 1.45% in 2020 (1.62% in 2019).

Average total assets

Million euros											
	2020			2019			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	32,280,072	(3,770)	(0.01)	29,674,435	63,482	0.21	2,605,637	(67,252)	(61,431)	(6,006)	185
Loans and advances to customers	144,206,662	3,627,861	2.52	139,674,387	4,058,039	2.91	4,532,275	(430,178)	(464,619)	26,919	7,522
Fixed-income portfolio	27,820,630	257,321	0.92	26,937,403	342,243	1.27	883,227	(84,922)	(93,241)	7,404	915
Subtotal	204,307,364	3,881,412	1.90	196,286,225	4,463,764	2.27	8,021,139	(582,352)	(619,291)	28,317	8,622
Equity portfolio	1,009,488	—	—	879,843	—	—	129,645	—	—	—	—
Property, plant and equipment and intangible assets	5,406,276	—	—	5,398,789	—	—	7,487	—	—	—	—
Other assets	16,915,746	159,052	0.94	20,905,143	340,452	1.63	(3,989,397)	(181,400)	—	(181,400)	—
Total capital employed	227,638,874	4,040,464	1.77	223,470,000	4,804,216	2.15	4,168,874	(763,752)	(619,291)	(153,083)	8,622
Credit institutions	28,776,209	116,074	0.40	28,634,214	(43,933)	(0.15)	141,995	160,007	155,318	4,813	(124)
Customer deposits	152,494,537	(223,310)	(0.15)	147,550,925	(391,969)	(0.27)	4,943,612	168,659	173,009	(3,462)	(888)
Capital markets	23,928,673	(310,324)	(1.30)	24,738,681	(357,263)	(1.44)	(810,008)	46,939	16,953	31,017	(1,031)
Subtotal	205,199,419	(417,560)	(0.20)	200,923,820	(793,165)	(0.39)	4,275,599	375,605	345,280	32,368	(2,043)
Other liabilities	9,621,529	(223,788)	(2.33)	9,816,263	(388,655)	(3.96)	(194,734)	164,867	—	164,867	—
Own funds	12,817,926	—	—	12,729,917	—	—	88,009	—	—	—	—
Total funds	227,638,874	(641,348)	(0.28)	223,470,000	(1,181,820)	(0.53)	4,168,874	540,472	345,280	197,235	(2,043)
Average total assets	227,638,874	3,399,116	1.49	223,470,000	3,622,396	1.62	4,168,874	(223,280)	(274,011)	44,152	6,579

Financial income or expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading under liabilities includes negative interest on liability balances with credit institutions, most notably revenues in connection with TLTRO II and TLTRO III.



Gross income

Dividends received and equity-accounted profits amounted to 37 million euros, compared with 61 million euros in 2019 (which included one-off effects). Those revenues are due mainly to the insurance and pension fund business.

Net fees and commissions amounted to 1,350 million euros, down 6.1% year-on-year, affected by the reduction in activity caused by the lockdowns triggered by the pandemic, as well as the lower contribution from asset management fees in the second half of the year following the sale of Sabadell Asset Management.

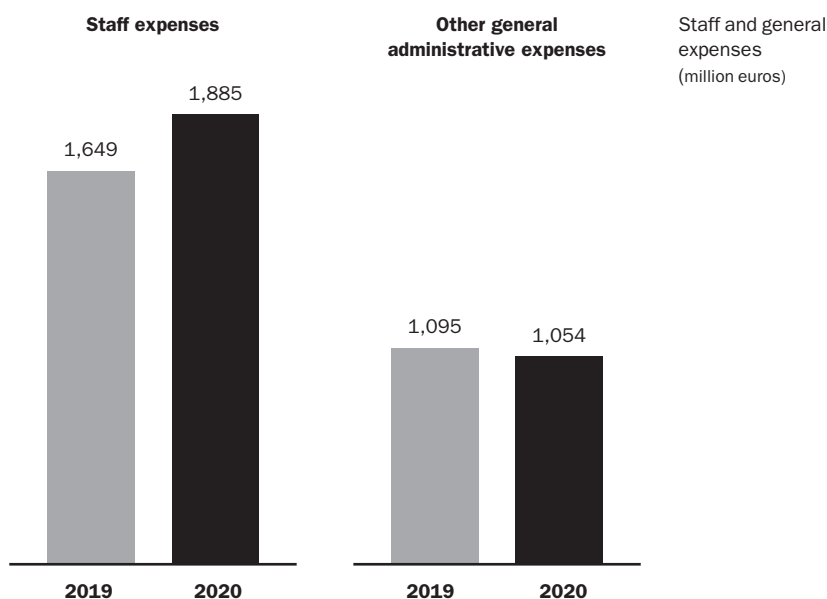
Gains on financial transactions and exchange differences totalled 800 million euros and include mainly the sale of bonds in the portfolio at amortised cost in order to manage credit risk and safeguard the Group's capital position as part of a set of actions taken to improve future profitability and balance sheet quality, as well as the impairment of the SAREB stake by -27 million euros, as a result of which that stake is fully provisioned. In 2019, this item amounted to 126 million euros and included mainly the positive impact of the capital gain on securitising consumer loans in the third quarter of that year.

Other operating revenues and expenses amounted to -284 million euros, compared with -317 million euros in 2019. Notable components of this item include the -123 million euros contribution to the Spanish Deposit Guarantee

Fund (-121 million euros in 2019), the -78 million euros contribution to the Single Resolution Fund (-59 million euros the previous year), -48 million euros of the levy on conversion of deferred tax assets into debt claims against the Spanish tax authorities (the same as in 2019), and the -32 million euros tax on deposits at credit institutions (IDEC) (-31 million euros in 2019).

Pre-provisions income

Expenses in 2020 totalled -3,461 million euros, of which -426 million euros related to non-recurring items, mainly -314 million euros related to the Spanish cost restructuring plan and -101 million euros of restructuring costs at TSB. Expenses in 2019 amounted to -3,213 million euros, including -105 million euros of non-recurring items. Recurring expenses fell by 2.4% due to lower personnel and general expenses.



The cost-to-income ratio improved in 2020 to 55.4%, from 55.6% in 2019.

As a result, pre-provisions income amounted to 1,841 million euros in 2020, compared with 1,719 million euros in 2019, i.e. a 7.1% improvement, mainly as a result of the increase in trading income from the sale of bonds in the portfolio at amortised cost.

Provisions and impairments totalled -2,275 million euros, compared with -938 million euros in 2019. That increase was due mainly to higher provisions in the COVID-19 environment, with a direct impact of around -650 million euros, and higher provisions linked to the sale of portfolios of non-performing assets in the fourth quarter.

Capital gains on asset sales amounted to 313 million euros, mainly from booking the sale of Sabadell Asset Management, and the capital gain on the sale of SDIn and a number of real estate assets; the 2019 figure of 170 million euro was due to the disposal of Solvia Servicios Inmobiliarios and to booking the earnout on the insurance business.

Group net profit

After deducting income tax and the share of profit attributed to non-controlling interests, Group net profit in 2019 amounted to 2 million euros, i.e. less than in 2018 mainly as a result of the higher provisions in the context of COVID-19 and lower revenues, attributable to the decline in activity because of the pandemic. The efficiency plan for Spain and TSB and part of the increase in provisions due to portfolio sales were neutralised by the sale of bonds in the portfolio at amortised cost.

Balance sheet

Dynamic commercial performance driven
by growth in all geographies.

The group sold non-performing assets and
improved the NPA ratio due to the enhanced
portfolio composition after the sales.

	2020	2019	Year-on-year change (%)
Cash, cash balances at central banks and other demand deposits	35,185	15,169	131.9
Financial assets held for trading	2,679	2,441	9.7
Non-trading financial assets mandatorily at fair value through profit or loss	114	171	(33.2)
Financial assets designated at fair value through profit or loss	—	—	—
Financial assets at fair value through other comprehensive income	6,677	7,802	(14.4)
Financial assets at amortised cost	174,488	181,423	(3.8)
Debt securities	18,091	19,219	(5.9)
Loans and advances	156,397	162,204	(3.6)
Investments in joint ventures and associates	780	734	6.3
Tangible assets	3,200	3,462	(7.6)
Intangible assets	2,596	2,565	1.2
Other assets	10,044	9,987	0.6
Total assets	235,763	223,754	5.4
Financial liabilities held for trading	2,654	2,714	(2.2)
Financial liabilities designated at fair value through profit or loss	—	—	—
Financial liabilities measured at amortised cost	217,391	205,636	5.7
Deposits	193,234	178,898	8.0
Central banks	31,881	20,065	58.9
Credit institutions	10,083	11,471	(12.1)
Customers	151,270	147,362	2.7
Debt securities issued	20,413	22,570	(9.6)
Other financial liabilities	3,743	4,168	(10.2)
Provisions	984	430	128.5
Other liabilities	2,244	1,998	12.3
Total liabilities	223,272	210,779	5.9
Shareholders' equity	12,944	13,172	(1.7)
Accumulated other comprehensive income	(524)	(267)	96.3
Non-controlling interests	72	69	3.3
Equity	12,492	12,974	(3.7)
Total equity and total liabilities	235,763	223,754	5.4
Loan commitments provided	29,295	27,564	6.3
Financial guarantees provided	2,036	2,107	(3.4)
Other commitments provided	7,595	10,399	(27.0)
Total memorandum accounts	38,926	40,070	(2.9)

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

At the end of 2020, assets at Banco Sabadell and its Group totalled 235,763 million euros, compared with 223,754 million euros at the end of 2019.

Outstanding gross loans and advances amounted to 146,878 million at 2020 year-end, a 1.6% year-on-year increase. The largest component of gross loans and receivables was mortgage loans, which amounted to 83,573 million euros as at 31 December 2020 and accounted for 57% of total outstanding gross loans and advances.

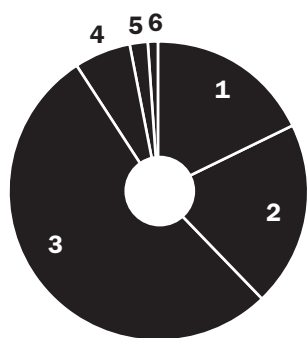
Million euros

Loans and receivables

	2020	2019	Year-on-year change (%)
Mortgage loans & credit	83,573	83,720	(0.2)
Loans and credit secured with other collateral	3,698	3,330	11.0
Commercial loans	4,991	6,443	(22.5)
Finance leases	2,231	2,558	(12.8)
Overdrafts, etc.	52,386	48,521	8.0
Outstanding gross loans and advances	146,878	144,572	1.6
Assets classified as stage 3 (customers)	5,320	5,923	(10.2)
Accruals	3	18	(82.9)
Loans and advances to customers, gross, excluding repos	152,201	150,513	1.1
Repos	63	236	(73.1)
Loans and advances to customers, gross	152,265	150,749	1.0
NPL and country-risk provisions	(3,081)	(2,933)	5.0
Loans and advances to customers	149,183	147,816	0.9

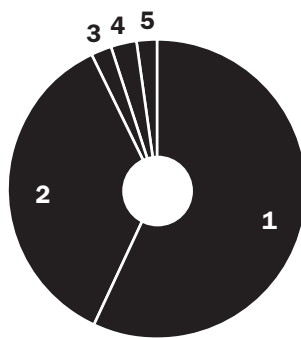
The EUR/GBP exchange rate used for the balance sheet is 0.8990 as at 31 December 2020.

The breakdown of customer loans and advances by customer profile and product type, excluding stage 3 assets and accrual adjustments, is shown in the following graphics:



Loans and advances to customers, by customer profile
31.12.2020 (%)

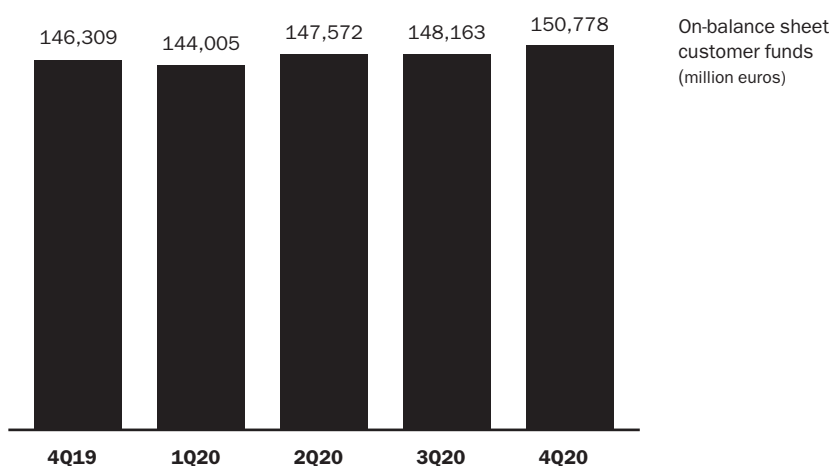
1	Large companies	18
2	SMEs	20
3	Individuals	53
4	Public sector	6
5	Real estate developers	2
6	Other	1



Loans and advances to customers, by product type
31.12.2020 (%)

1	Mortgage loans & credit	57
2	Overdrafts, etc.	36
3	Loans and credit secured with other collateral	2
4	Commercial loans	3
5	Finance leases	2

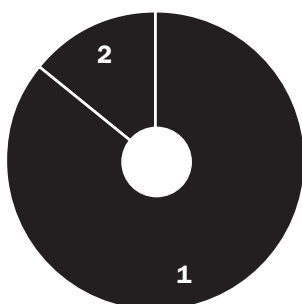
At 2020 year-end, customer funds on the balance sheet amounted to 150,778 million euros, a 3.1% increase on the figure of 146,309 million euros registered at the end of 2019.



Total off-balance sheet customer funds amounted to 38,064 million euros, down 11.8% on the previous year due to the reduction in mutual funds following the sale of Sabadell Asset Management, which amounted to 21,366 million euros, representing a year-on-year decrease of 17.8%.

The balance of demand accounts amounted to 130,295 million euros, 9.6% higher than the previous year.

The breakdown of customer deposits at 2020 year-end is as follows:



Customer deposits (%) (*)

1	Sight deposits	86
2	Deposits with agreed maturity	14

(*) Excluding accrual adjustments and hedging derivatives.

Total funds under management amounted to 209,748 million euros as at 31 December 2020, i.e. 1.6% less than in 2019 (213,095 million euros), due to the aforementioned reduction in off-balance sheet customer funds.

Million euros

Customer funds

	2020	2019	Year-on-year change (%)
On-balance sheet customer funds (*)	150,778	146,309	3.1
Customer deposits	151,270	147,362	2.7
Current and savings accounts	130,295	118,868	9.6
Deposits with agreed maturity	20,805	27,339	(23.9)
Repos	13	951	(98.6)
Accrual adjustments and hedging derivatives	157	204	(22.6)
Bonds and other marketable securities	17,510	19,514	(10.3)
Subordinated liabilities (**)	2,903	3,056	(5.0)
On-balance sheet funds	171,683	169,932	1.0
Mutual funds	21,366	26,003	(17.8)
Equity funds	55	1,606	(96.6)
Balanced funds	192	6,823	(97.2)
Fixed-income funds	73	5,037	(98.6)
Guaranteed return funds	54	3,008	(98.2)
Real estate funds	69	76	(9.9)
Venture capital funds	—	101	(100.0)
Investment companies	1,295	1,667	(22.3)
UCITS sold but not managed	19,627	7,685	155.4
Asset management	3,298	3,363	(1.9)
Pension funds	3,349	3,367	(0.5)
Personal schemes	2,173	2,216	(1.9)
Workplace schemes	1,165	1,140	2.2
Collective schemes	11	11	(1.5)
Insurance products sold	10,051	10,430	(3.6)
Off-balance sheet funds	38,064	43,163	(11.8)
Funds under management and third-party funds	209,748	213,095	(1.6)

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

(**) Outstanding subordinated bonds.

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

The volume of non-performing assets declined in 2020. The quarter-on-quarter performance of these assets in 2019 and 2020 is shown below:

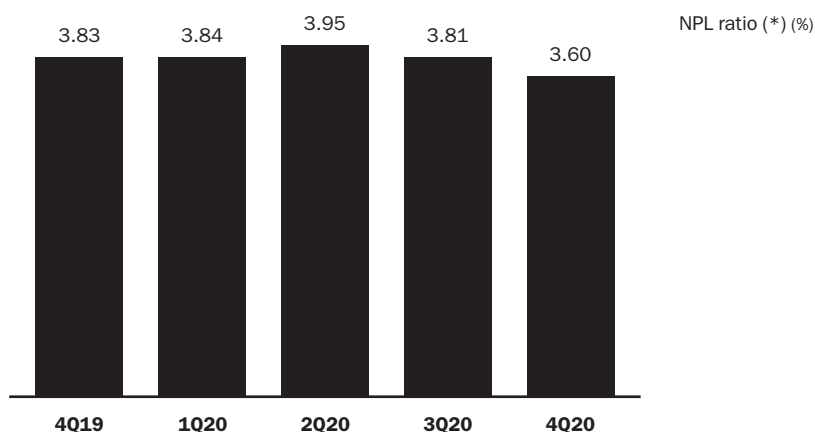
Million euros

	2020				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net ordinary increase in balance of stage 3 assets	71	361	(27)	(213)	50	94	109	(62)
Change in real estate assets	125	150	60	(147)	77	70	(841)	152
Ordinary net increase in NPAs + real estate	196	511	33	(360)	127	164	(732)	90
Write-offs	100	114	205	106	220	97	97	189
Ordinary quarter-on-quarter change in balance of stage 3 assets and real estate	96	397	(172)	(466)	(93)	67	(829)	(99)

Non-performing assets

Because of the reduction in stage 3 risks, the NPL ratio reached 3.60% at 2020 year-end, down from 3.83% a year earlier (a 23-basis point decline). The stage 3 asset coverage ratio was 56.5% as at 31 December 2020, compared with 49.6% a year earlier, and coverage of foreclosed assets stood at 36.5% at 2020 year-end (from 33.3% a year earlier).

As at 31 December 2020, the balance of Banco Sabadell Group's exposures classified as stage 3 amounted to 5,808 million euros, having decreased by 333 million euros during the year.



* Includes contingent exposures.

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

Million euros

	2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Stage 3 exposures	6,383	6,380	6,391	6,141	6,112	6,359	6,127	5,808
Provisions for loan losses	3,360	3,301	3,263	3,045	3,228	3,537	3,460	3,279
NPL coverage ratio of Stage 3 (with total provisions) (%)	52.6	51.7	51.1	49.6	52.8	55.6	56.5	56.5
Provisions for Stage 3 loan losses	2,600	2,558	2,546	2,316	2,359	2,578	2,451	2,272
NPL coverage ratio of Stage 3 (%)	40.7	40.1	39.8	37.7	38.6	40.5	40.0	39.1
Non-performing real estate assets	1,803	1,873	1,032	1,185	1,310	1,460	1,520	1,373
Provisions for non-performing real estate assets	790	831	380	394	451	514	541	502
Non-performing real estate assets coverage ratio (%)	43.8	44.4	36.8	33.3	34.4	35.2	35.6	36.6
NPA exposures	8,186	8,253	7,424	7,326	7,422	7,820	7,647	7,182
Provisions for non-performing assets	4,150	4,132	3,643	3,439	3,680	4,051	4,001	3,781
NPA coverage ratio (%)	50.7	50.1	49.1	46.9	49.6	51.8	52.3	52.6

Group coverage ratios

Includes contingent exposures.

Liquidity management

The group has a sound liquidity position and a balanced retail funding structure.

- During 2020, the funding gap trended positively due to an increase in lending offset by faster growth in funds. The volume of funding in capital markets was maintained because of the need to fulfil 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 ended 2020 at 97.6%.
- 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 2,548 million euros matured or were redeemed early in 2020. Banco Sabadell issued mortgage covered bonds under its Fixed-Income Programme for a total of 1,000 million euros. Additionally, under the EMTN Programme, on 11 September 2020 Banco Sabadell placed four issues totalling 1,420 million euros, including an inaugural 6-year green senior preferred debt issue callable in the fifth year (500 million euros) and, on 17 January 2020, a 10-year Tier2 subordinated debt issue callable in year 5 (300 million euros). The other two issues were also senior preferred debt.
- Banco Sabadell redeemed the GC Sabadell 2, FTH fund on its clean-up call date in March. It also retired the multi-donor TDA 15 mixto, FTA fund on its clean-up call date in December. TSB also exercised early cancellation of its two asset-backed funds: Duncan Funding 2016 in July, since no outstanding bonds remained in the market, and Duncan Funding 2015 in September, on the date of its step-up call. Following these redemptions, TSB has no outstanding asset-backed securities.
- The institution maintained a liquidity buffer in the form of liquid assets to meet any liquidity needs.
- Since 1 January 2018, the minimum Liquidity Coverage Ratio (LCR) required by the regulator is 100%. All the Group's liquidity management units (LMUs) amply exceed that requirement. At Group level, the LCR remained well above 100% on a stable basis at all times. As at 31 December 2020, the LCR was 219% excluding TSB and 201% at TSB. As for the Net Stable Funding Ratio (NSFR), which is due to come into force in June 2021, the Bank has maintained a stable ratio in excess of 100%.

Key figures and basic liquidity ratios at year-end:

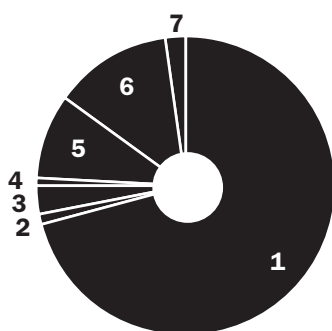
Million euros

	2020	2019
Loans and advances to customers, gross, excluding repos	152,201	150,513
Impairment allowances	(3,081)	(2,933)
Brokered loans	(1,977)	(3,334)
Net loans and advances excluding ATAs, adjusted for brokered loans	147,143	144,246
On-balance sheet customer funds	150,778	146,309
Loan-to-deposit ratio (%)	97.6	98.6

Liquidity ratios

The EUR/GBP exchange rate used for the balance sheet is 0.8990 as at 31 December 2020 and 0.8508 as at 31 December 2019.

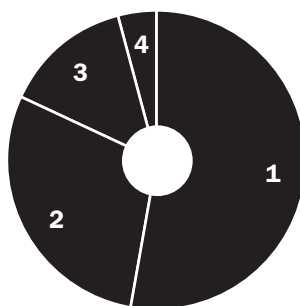
The breakdown of the main sources of funding by instrument and counterparty as at 2020 year-end is as follows (%):



Funding structure (%) (*)

1	Deposits	71
2	Retail issues	1
3	Repos	3
4	ICO funding	1
5	Wholesale market	9
6	ECB	13
7	Bank of England	2

(*) Excluding accrual adjustments and hedging derivatives.



Institutional issues detail (%) (*)

1	Covered bonds	53
2	Senior debt	29
3	Subordinated and AT1	14
4	Asset-backed securities	4

(*) Excluding accrual adjustments and hedging derivatives.

For further details of the Group's liquidity management, liquidity strategy and liquidity performance during the year, see note 4 to the consolidated annual financial statements for 2020.

Capital management

Key capital figures and ratios

Thousand euro

	Fully-loaded		Phase-in	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Common Equity Tier 1 (CET1) capital	9,471,764	9,528,713	9,887,909	10,104,845
Tier 1 (T1) capital	10,625,178	10,682,395	11,041,323	11,257,878
Tier 1 (T2) capital	1,900,977	1,506,445	1,666,928	1,492,357
Total Tier (Tier 1 + Tier 2) capital	12,526,154	12,188,839	12,708,251	12,750,235
Risk weighted assets	78,782,342	81,256,775	78,778,773	81,180,752
CET1 (%)	12.02%	11.73%	12.55%	12.45%
Tier 1 (%)	13.49%	13.15%	14.02%	13.87%
Tier 2 (%)	2.41%	1.85%	2.12%	1.84%
Total capital ratio (%)	15.90%	15.00%	16.13%	15.71%
Leverage ratio	5.04%	4.75%	5.23%	5.01%

Capital adequacy

As of 31 December 2020, 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 2020, the Group increased its capital base by over 337 million euros in fully-loaded terms.

Capital in 2020 was affected by regulatory and supervisory changes, which had significant impacts, as well as by the effects of the COVID-19 health crisis.

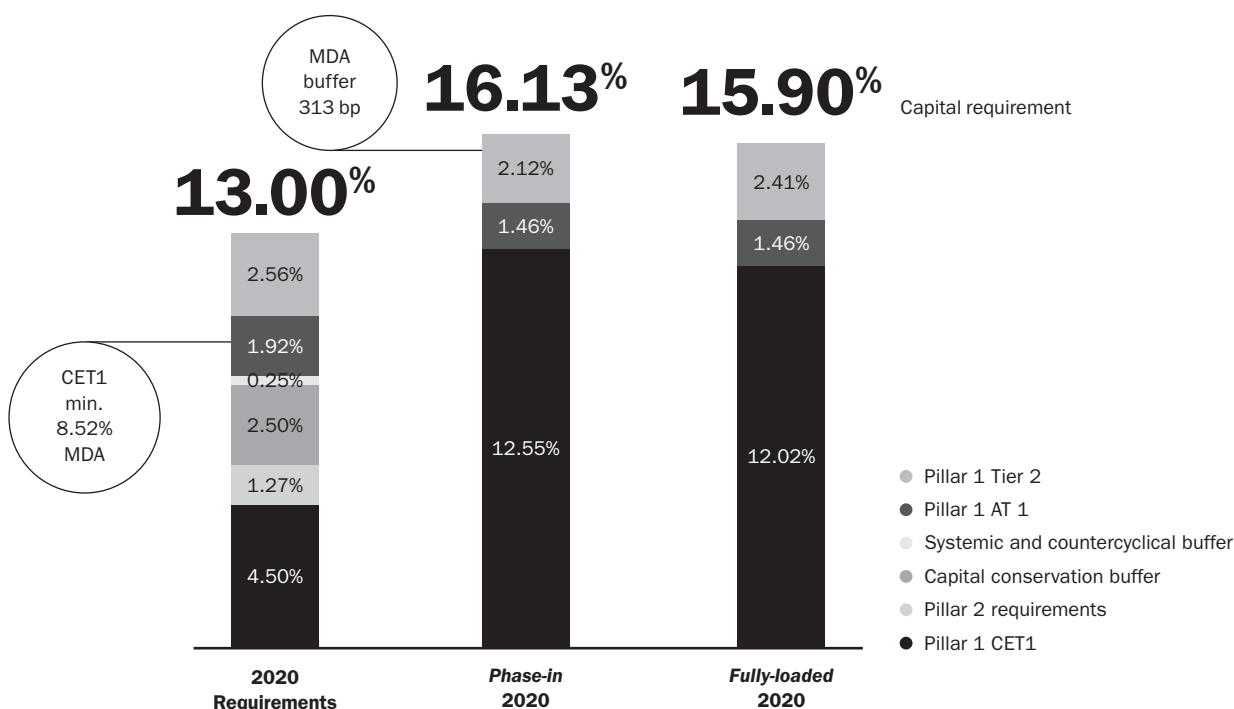
Additionally, the 300 million euros issue of Subordinated Debentures I/2020 began to compute as Tier 2 in February. Notable events in the second half of the year were the entry into force and application of the EBA's RTS (*Regulatory Technical Standards on the prudential treatment of software assets under Article 36 of Regulation (EU) No 575/2013 (Capital Requirements Regulation - CRR) amending Delegated Regulation (EU) 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the council with regard to regulatory technical standards for own funds requirements for institutions*) under which certain software assets with a recoverable value in case of a resolution are not deductible from CET1. As they are not deducted from CET1, a parallel effect must be considered, for a different amount in the denominator of the ratio, as they are computed in terms of risk-weighted assets with a 100% weighting.

As for risk-weighted assets, it is worth highlighting the impact of the synthetic securitisation originated during the first half of the year. Other significant impacts arose in the regulatory sphere: the application of the new definition of default; the measures resulting from the application of Regulation 2020/873, such as the new SME supporting factor and the infrastructure supporting factor (project finance) and the application of the new definition of the high risk category; and the aforementioned effect of the entry into force of Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items. Moreover, the Asset Protection Scheme (APS) concluded and, as regards models, the results of the TRIM (Targeted Review of Internal Models) for Banco Sabadell's Large Corporate portfolio had an impact, as did the approval of the models for the mortgage portfolio and the supervisory add-on for subsidiary TSB's unsecured

portfolio. The various loan moratoria and government-guaranteed funding systems had an impact on the balance sheet.

As a result, the fully-loaded Common Equity Tier 1 (CET1) ratio was 12.02% at year-end.

As at 31 December 2020, the Group had a CET1 capital ratio of 12.55%, well above the requirements established in the Supervisory Review and Evaluation Process (SREP), which are defined in phase-in terms, with a surplus of 305 bp (403 bp if it is considered that, since 12 March 2020, part of the Pillar 2R requirements can be met with AT1 (18.75%) and Tier 2 (25%) instruments, so that, at consolidated level, the minimum CET1 Tier I (CET1 phase-in) requirement that Banco Sabadell has had to meet under the new framework is 8.52%, instead of 9.50%).



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 countercyclical 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.

