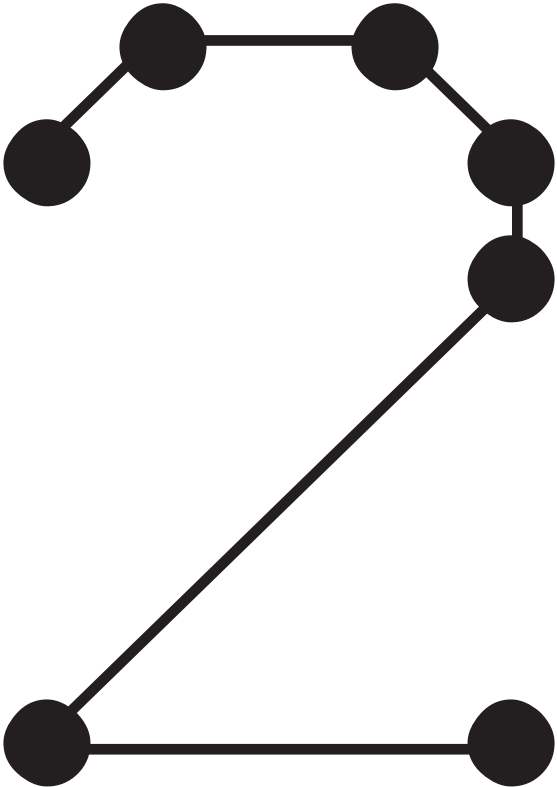


Chairman's message





Josep Olu Creus, Chairman

Dear shareholders,

In 2021 Banco Sabadell's profitability recovered in line with the objectives it had set for itself at the end of 2020 within the framework of a three-year Strategic Plan. At the same time, the bank adopted the corporate governance model presented at the last General Meeting of Shareholders and consolidated an organisation structure focused on its businesses and specific profitability strategies for each of them. In addition, the TSB transition was completed, which contributed positively to the results again, and an important labour agreement was reached, laying the foundations for more competitive costs in the domestic business.

Although the year has continued to be defined by COVID-19 both at a global scale and in Spain, the vaccination process has allowed more control of the pandemic, which has gradually become less central to economic activity and financial markets, resulting in a more favourable evolution for the global economy in general.

Rapidly recovering demand and energy shortages in Europe have led to price increases in most countries, with the risk of consolidating into future inflationary processes. As a result, monetary policy reversals have been announced in most countries in the developed world.

In the UK, the economy performed well. Brexit highlighted the disruptions in supply chains caused by the pandemic, but has faded in the wake of the UK-EU trade deal reached at the end of 2020. Still, tensions over the Northern Ireland protocol have persisted throughout the year.

The Spanish economy also showed a positive evolution in 2021, with growth of around 5% per annum and the recovery of employment as well as turnover in most sectors to pre-crisis levels. In the area of economic policy, it is worth highlighting the implementation of a labour reform, which aims to limit temporary employment, and a pension reform to introduce incentives to delay the retirement age. In addition, the deployment of the Next Generation EU funds offers an opportunity for the transformation and modernisation of the economy's productive fabric.

The Spanish banking sector has consolidated its decisive role in emerging from the crisis and has strengthened its solvency and liquidity, which have improved as compared to the pre-COVID situation. The share prices of Spanish banks, and specifically of Banco Sabadell, have performed favourably over the year as a whole, supported by expectations of a higher interest rate environment and the end of the restrictions imposed by the European Central Bank on distribution of dividends.

Unlike in previous crises, the deterioration in bank asset quality has not been pronounced. This was possible due to improved credit risk management, the favourable starting financial position of the private sector and a rapid and decisive policy response. The end of public support is not materialising in a significant increase in credit losses. In this environment, and after the efforts made in 2020, banks have been releasing provisions, although Spanish banks remain among the most cautious European banks.

Banco Sabadell closed the 2021 financial year with an attributable net profit of 530 million euros and has brought forward the profitability target of its Strategic Plan by one year, aiming to exceed 6% profitability in 2022, measured as *Return On Tangible Equity* (ROTE). The implementation of this plan, the reduction of costs, as well as the large growth driven by the good performance of all segments in Spain and the increase in TSB's mortgage portfolio contributed to a substantial improvement in results and in the recurring margin by more than 12% in the year. In addition, Banco Sabadell has increased its capital ratio, which stands at a solid 12.22% CET1 *fully-loaded*. In view of the above, the Board of Directors proposes to the General Meeting of Shareholders the distribution of a cash dividend of 3 euro cents per share, which represents a *payout* of over 30%.

In this context, Banco Sabadell's shares appreciated by more than 67% in 2021, making it the best IBEX-35 stock among the companies comprising the index since the beginning of the year. This good market reception and the excellent results in the implementation of the plan boost the confidence in the achievement of the objectives set for the coming years.

In 2021, the company also entered into a long-term strategic alliance with the ALD Automotive Group for the supply of vehicle renting products, which included the sale of Bansabadell Renting, and which will allow the Bank to strengthen its value proposition for its customers in terms of mobility solutions. This operation is in addition to the transfer, in 2021, of the institutional depositary business, following the agreement signed in 2020 and the fulfilment of all of its conditions. These operations are part of the strategy of establishing alliances to achieve excellence in services that require large-scale economies in order to be profitable and keep pace. The bank also decided to sell its holding in BancSabadell d'Andorra to Mora Banc Grup to facilitate the creation of a leading bank in the Andorran market after the merger.

In its role as a catalyst for the economy and channeller of resources, Banco Sabadell continues to focus its activity, organisation and processes on making a firm contribution to sustainability and the fight against climate change. To this end, the bank has integrated reference frameworks into its strategy and business model, which are reviewed periodically to adapt and accelerate its initiatives to comply with the Paris Agreement and the 2030 Agenda. The bank's ESG strategy focuses on four main pillars: prioritising the support to its customers in their decisions for the transition to a sustainable economy, helping investors to contribute to sustainability, adapting the organisation to the new paradigm, and contributing to the transition to a sustainable society. In this area, it is worth mentioning its adherence in 2021 to the United Nations' Net-Zero Emissions Banking Alliance, with the aim of aligning the financing and investment portfolio with the objectives of net zero emissions in 2050.

Having just celebrated the 140th anniversary of Banco Sabadell, and having laid the foundations for a more profitable business model, the focus continues to be on customer service, support for digitalisation, and the proper execution of funds to aid economic recovery. Banco Sabadell is convinced that continuing to grow in profitability and shareholder value, maintaining a reliable solvency position and top-tier professionalism, is the best contribution to the development and competitiveness of the business fabric, to the achievement of families' life projects and, in short, to the economic prosperity of society as a whole in the coming years.



Josep Olliu
Chairman