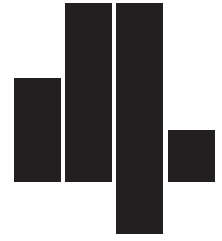


Businesses



- 71 Banking Business Spain
- 89 Banking Business UK
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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 Financial 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 business 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 Italcerc, 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.

	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