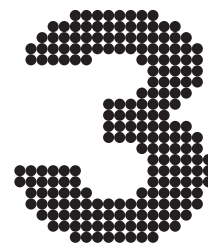


# Financial information



54	Key figures in 2021
55	Profit/(loss) for the year
59	Balance sheet
65	Liquidity management
67	Capital management

# Key figures in 2021

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

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

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

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

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

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

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

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

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

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

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

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

## Profit/(loss) for the year

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

Million euro

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

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

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

# Net interest income

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

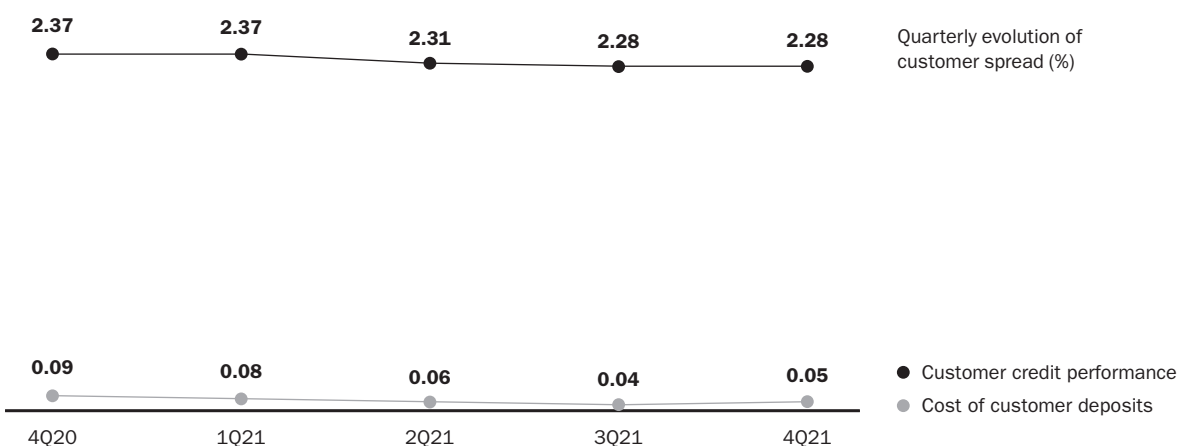
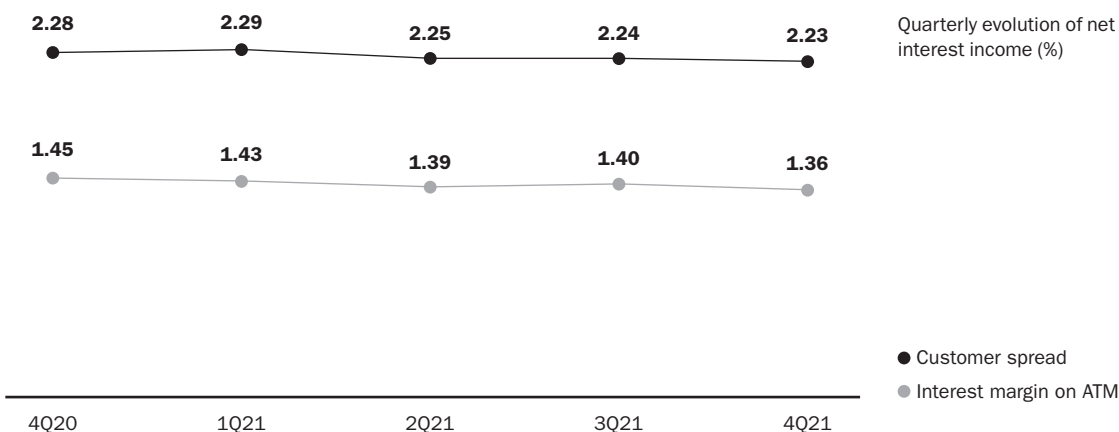
As a result, the return on average total assets was 1.40% in 2021 (1.49% in 2020).

Average total assets

Thousand euro

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

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



## Gross income

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

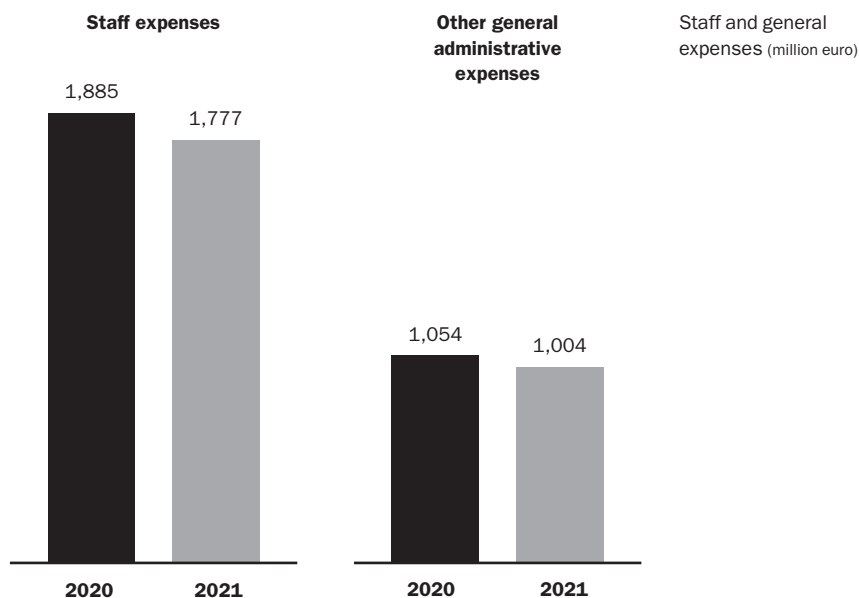
Net fees and commissions reached a figure of 1,468 million euros, representing an 8.7% growth year-on-year, mainly due to the good performance of commissions from services as well as asset management.

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

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

## Pre-provisions income

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



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

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

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

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

## Profit attributable to the Group

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

## Balance sheet

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

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

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

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

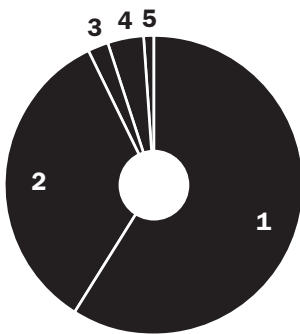
Gross performing loans to customers amounted to 154,912 million euros at 2021 year-end, a 5.5% year-on-year increase. The largest component of gross loans to customers was mortgage loans and credit, which amounted to 90,718 million euros as of 31 December 2021 and accounted for 59% of total gross performing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



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

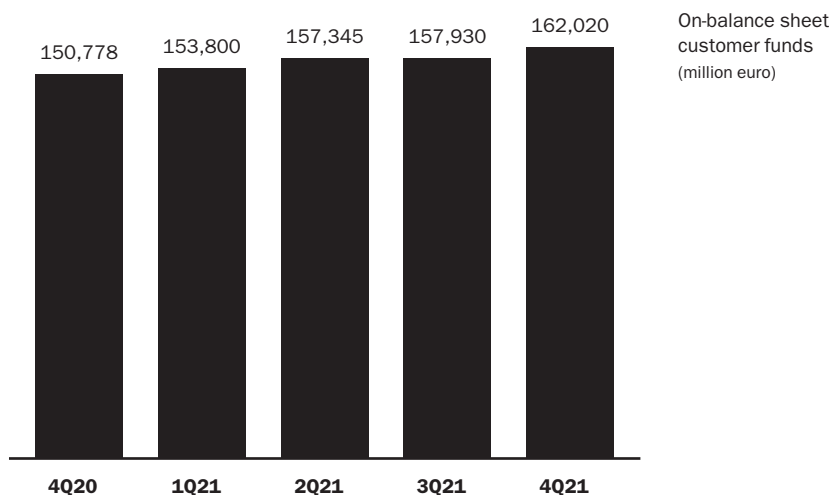
The EUR/GBP exchange rate used for the balance sheet is 0.8403 as of 31 December 2021.

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



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

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

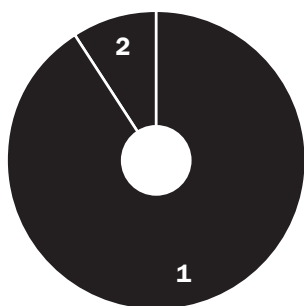


At 2021 year-end, on-balance sheet customer funds amounted to 162,020 million euros, a 7.5% increase on the figure of 150,778 million euros registered at the end of 2020.

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

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

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



#### Customer deposits (in %) (\*)

<b>1</b>	Sight accounts	91
<b>2</b>	Deposits with agreed maturity	9

(\*) Without adjustments for accruals or hedging.

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

Million euro

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

Customer funds

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

(\*\*) Refers to outstanding subordinated debt securities.

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

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

Million euro

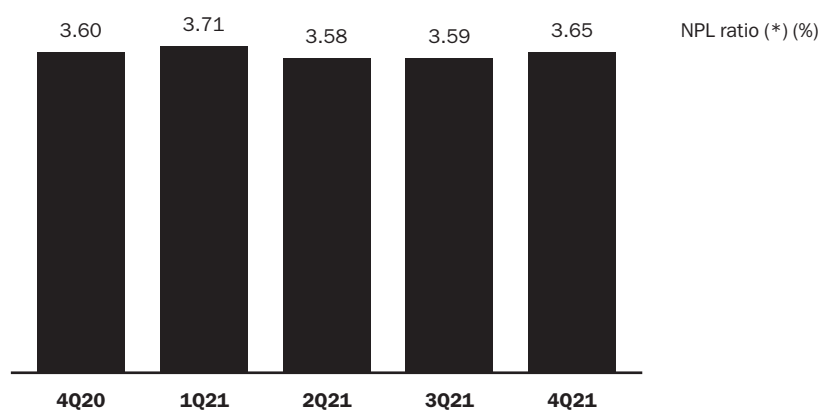
	2021				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net ordinary increase in balance of stage 3 assets	415	1	139	287	71	361	(27)	(213)
Change in real estate assets	6	(9)	3	(11)	125	150	60	(147)
<b>Ordinary net increase in NPAs + real estate</b>	<b>420</b>	<b>(8)</b>	<b>142</b>	<b>276</b>	<b>196</b>	<b>511</b>	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

Evolution of NPAs

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

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

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



(\*) Calculated including contingent exposures.

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

Million euro

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

Includes contingent exposures.

Evolution of the group's coverage ratios

## Liquidity management

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

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

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

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

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

Million euro

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

Liquidity ratios

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

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



**Funding structure (in %) (\*)**

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

(\*) Without adjustments for accruals or hedging.

**Institutional emissions detail**

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

(\*) Without adjustments for accruals or hedging.

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

# Capital management

## Key capital figures and solvency ratios

Thousand euro

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

Capital and Solvency

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

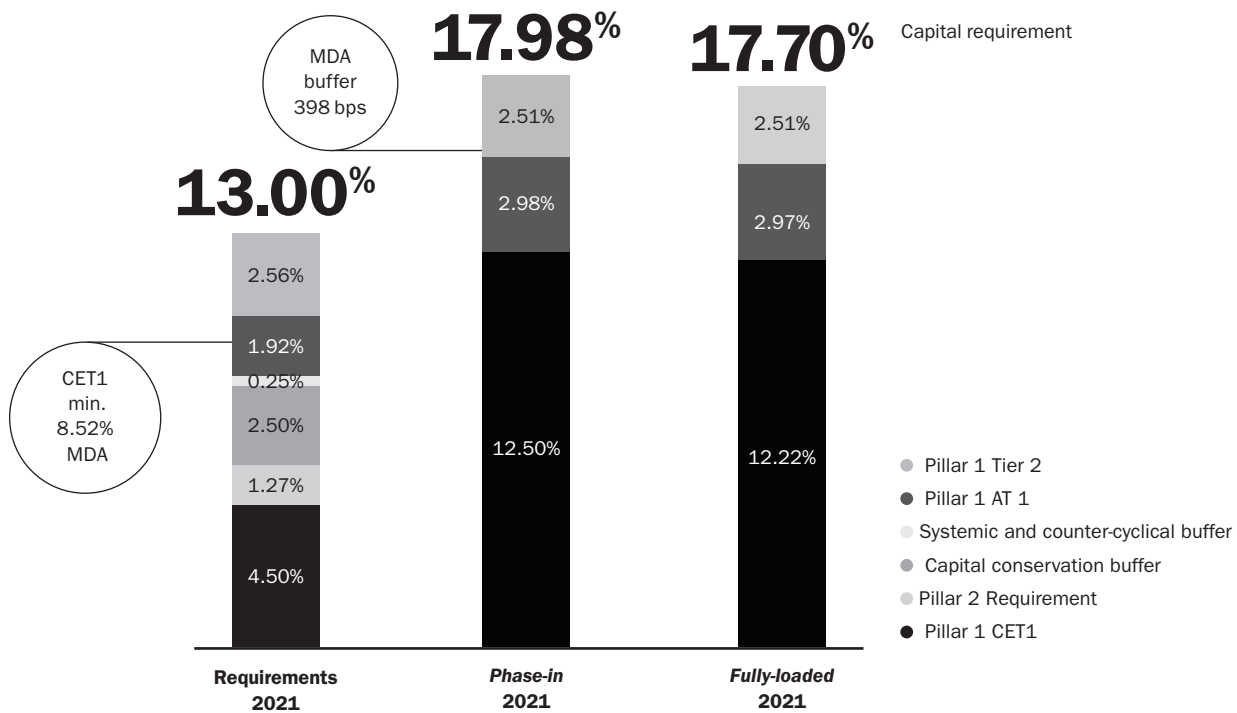
During 2021, the Group increased its total capital by over 1,730 million euros in fully-loaded terms.

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

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

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

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



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

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

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

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

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

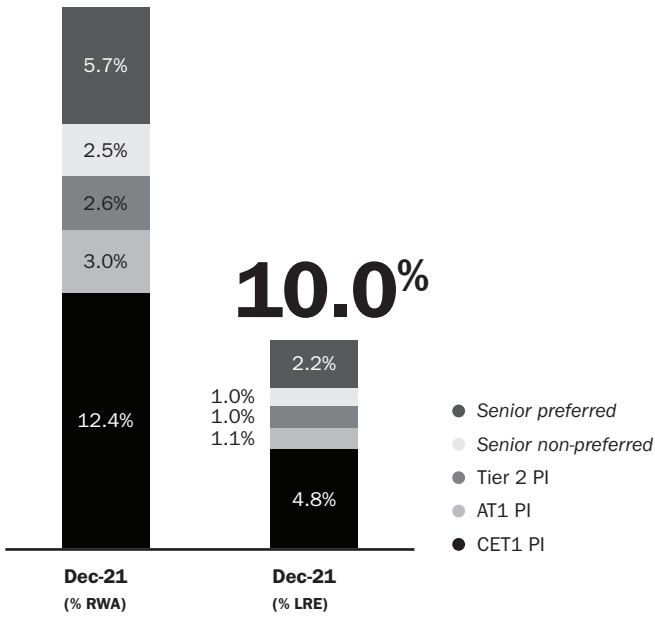
The own funds that the institution uses to meet the combined buffer requirements (CBR, comprising the capital conservation buffer, the systemic buffer and the counter-cyclical buffer) will not be eligible for the MREL or subordination requirements expressed in TREA.

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



# 26.2%

MREL of the group



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