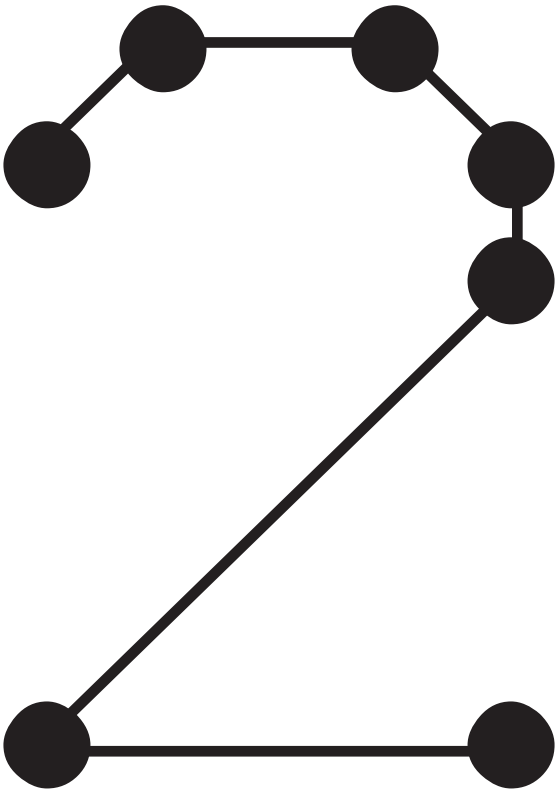


Chairman's message



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Josep Olius Creus, Chairman

Dear shareholders,

In a particularly complex economic context, Banco Sabadell raised profitability by more than projected, an achievement that has been recognized by the market. The good results were based on strong growth in recurring margins as a result of strict cost management, improved credit quality, and organic capital generation. TSB also contributed positively to earnings and strengthened its contribution to the group as a whole.

The year 2022 was characterized by a steady deterioration of global economic growth due to factors such as the war in Ukraine, China's zero-COVID policy, and inflationary pressures arising from a number of sources in different parts of the world.

In Europe, the dynamic post-COVID recovery lost steam due to uncertainty about gas supplies, rising energy prices, and tightening monetary policy. Fiscal policy played an expansive role in the European Union through the adoption of measures to protect households and companies from high energy prices, based on the funds established to boost economies after the end of the pandemic.

The Spanish economy proved to be more resilient, attaining 5.5% growth in the year as a whole since it started from a more advantageous gas supply position than the rest of Europe. Growth was also supported by the normalization of the segments of the economy that had been most affected by the pandemic, such as tourism, the robust household and corporate balance sheets, and the increased use of European recovery funds. The labour market remained solid and the unemployment rate reached its lowest since 2008.

In the United Kingdom, the economic situation was also relatively positive in the year as a whole, although activity gradually lost traction in the face of rising inflation and interest rates and declining household confidence. The labour market was resilient, with record-low unemployment driving robust wage growth. Towards the end of the year, monetary tightening began to weigh on real estate, which is particularly sensitive to interest rates.

On the financial front, 2022 was a very negative year for global markets — both fixed-income and equities — resulting in tighter financial conditions. Central banks focused on steering inflation back towards their targets by increasing interest rates steadily, concluding asset purchase programmes and planning to trim their balance sheets, shifting the paradigm from negative to positive rates.

In this context of interest rate normalization, the Spanish banking sector improved its metrics and resilience in 2022. Spanish financial institutions increased solvency and achieved returns in excess of the euro zone average. At the same time, their share prices rose, reflecting expectations of an improvement in bank profits.

Banco Sabadell performed better than expected in 2022, with attributable net profit of €859 million, 61.9% more than in the previous year, driven not only by the improvement in core revenues but also, in particular, by cost savings and lower provisioning. The recurring margin increased by 26.3% year-on-year and the Return on Tangible Equity (ROTE) stood at 7.8%, exceeding the targets set for 2022. Banco Sabadell also managed to increase volumes, and profitability improved in all business units: business banking, retail banking, corporate and investment banking, TSB and the international business units. Capital adequacy continue to improve, and the capital ratio was raised to 12.55%.

As a result of these good results, credit rating agencies such as S&P, Moody's and DBRS improved their view of Banco Sabadell, which was reflected in their ratings and outlook, and the share gained 58.1% in the year, exceeding the average performance by Spanish institutions (+28%). Sabadell was the second-best performer in the IBEX-35 in 2022 and the top performer in the period 2021-2022. At the European level, it ranked as the third best bank in 2021-2022 out of the more than 40 institutions that make up the European banking index.

Thanks to the bank's strong performance, the Board of Directors has agreed to ask the Shareholders' Meeting to approve a mixed payout of up to 50% of earnings, consisting of a final cash dividend of €0.02 per share and a share buyback programme of up to €204 million, subject to authorization from the European Central Bank. This remuneration is in addition to the interim dividend of €0.02 per share paid at the end of December 2022.

In the area of corporate governance, Ms. Laura González Molero joined the Board of Directors as an independent director, replacing Mr. José Ramón Martínez Sufrategui, to whom I would like to extend my warmest gratitude for his contribution to the bank during all the years in which he served as a director of Banco Sabadell. The appointment of Ms. González Molero strengthens the competencies of the Board in very significant areas and has resulted in an increase in gender diversity, with women numbering 33% of directors and five of the 13 non-executive directors, in line with the current European Directive in this respect.

Banco Sabadell also remains steadfast in its commitment to environmental sustainability, the fight against climate change, and social development. In this regard, the bank presented its first decarbonization objectives for 2030, continues to make progress in incorporating climate and environmental risks into its commercial offer, and has adopted the methodology of the Partnership for Carbon Accounting Financials (PCAF). These actions are a sign of the bank's commitment to aligning its funding and investment portfolio with the goal of net zero emissions by 2050. At the same time, the bank has carried out actions in the area of financial education and inclusion, addressing situations of vulnerability and supporting territorial cohesion protocols. The bank also extended its social impact through the work of the Banco Sabadell Foundation, which continues to implement programmes to support talent, research and sustainability, as well as educational and training activities.

Banco Sabadell enters 2023 in a stronger position. Good financial results drove very strong performance by the stock during the early part of this year and generated a positive perception by analysts. The bank continues to look ahead and faces this new year with optimism and confidence in its plans for the future. The focus continues to be on achieving a more profitable business model, on consolidating the bank's technological and digital transformation, and on the commitment to social and environmental sustainability. In parallel, and in view of the risks associated with the economic slowdown, the bank has adopted a prudent strategy with regard to provisioning and capital in order to continue strengthening its resilience in the medium term and making steady progress towards achieving its objectives.



Josep Olliu
Chairman