

Businesses



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The key financial figures associated with the Group's largest business units are shown hereafter, in accordance with the segment information described in Note 38 to the consolidated annual financial statements for the financial year 2022.

Banking business Spain

Key figures

Net profit as at the end of 2022 amounted to 740 million euros, representing sharp year-on-year growth, mainly as a result of the good performance of net interest income, the reduction of costs, and the booking of fewer provisions.

Net interest income amounted to 2,499 million euros as at 2022 year-end, growing by 8.6% year-on-year due to higher loan book yields, in turn supported by higher interest rates, the increased contribution of the ALCO portfolio and the good progression of volumes, which all served to offset higher costs in capital markets.

Net fees and commissions amounted to 1,344 million euros, 0.6% higher than at the end of 2021, due to the increase in service fees, on which topic it is particularly worth mentioning the increases in payment card usage and in the exchange of banknotes and foreign currency, and also due to the increased fees received on risk transactions.

Gains/(losses) on financial assets and liabilities and exchange differences amounted to 95 million euros, a reduction compared to the previous year, which included 323 million euros gained on sales from the ALCO portfolio (at amortised cost) executed to fund the second phase of the efficiency plan.

Equity-accounted results and dividends showed year-on-year growth of 22.5% due mainly to the increased contribution of the insurance business.

Other income and expenses were positively impacted by the insurance claim recoveries associated with TSB's IT migration.

Total costs fell by 17.1% year-on-year, as the previous year included 301 million euros of non-recurrent costs related to the efficiency plan carried out. Not including this impact, costs decreased by 4.5% due to both lower staff expenses as a result of the cost savings delivered by the efficiency plans, and due to the recognition of lower general expenses.

Provisions and impairments amounted to -920 million euros, down by 22.9% year-on-year, due to the booking of fewer provisions for both loan losses and real estate assets.

Gains on asset sales and other revenue showed a year-on-year reduction, as the previous year mainly included 83 million euros (gross) from the sale of the depository business and 42 million euros (gross) from the sale of the BanSabadell Renting business.

Million euro

	2022	2021	Year-on-year change (%)
Net interest income	2,499	2,302	8.6
Fees and commissions (net)	1,344	1,336	0.6
Core revenue	3,843	3,638	5.6
Gains or (-) losses on financial assets and liabilities and exchange differences	95	342	(72.3)
Equity-accounted income and dividends	125	102	22.9
Other operating income and expenses	(225)	(269)	(16.6)
Gross income	3,837	3,812	0.7
Operating expenses and depreciation and amortisation	(1,887)	(2,276)	(17.1)
Pre-provisions income	1,951	1,536	27.0
Provisions and impairments	(920)	(1,193)	(22.9)
Capital gains on asset sales and other revenue	(9)	135	(106.9)
Profit/(loss) before tax	1,021	478	113.7
Corporation tax	(270)	(58)	367.1
Profit or loss attributed to minority interests	11	8	26.9
Profit attributable to the Group	740	412	79.8
Cumulative ratios			
ROE (net profit / average shareholders' equity intangible assets)	8.7 %	4.2 %	
Cost-to-income (general administrative expenses / gross income)	40.3 %	50.2 %	
NPL ratio	4.2 %	4.6 %	
NPL coverage ratio of stage 3 with total provisions	56.2 %	57.6 %	

Key figures of the banking business Spain

Performing loans grew by 1.7% year-on-year, due mainly to customer lending, mortgage loans in particular, and business lending.

On-balance sheet customer funds increased by 2.9% year-on-year, supported by sight deposits and term deposits. Off-balance sheet funds fell by -7.6% year-on-year mainly on account of mutual funds, impacted by financial market volatility.

Million euro

	2022	2021	Year-on-year change (%)
Assets	189,545	191,162	(0.8)
Gross performing loans to customers	108,889	107,089	1.7
Non-performing real estate assets (net)	713	842	(15.3)
Liabilities	179,402	181,389	(1.1)
On-balance sheet customer funds	120,118	116,788	2.9
Wholesale funding in the capital markets	19,444	18,090	7.5
Allocated equity	10,143	9,773	3.8
Off-balance sheet customer funds	38,492	41,678	(7.6)
Other indicators			
Employees	12,991	13,855	(6.2)
Branches	1,226	1,288	(4.8)

Key figures of the banking business Spain

Within Banking Business Spain, it is worth noting the main business lines, about which information is given here below:

Retail Banking

Business overview

The Retail Banking business unit offers financial products and services to individuals for personal use. These include investment products and medium- and long-term finance, such as consumer loans, home mortgages and leasing or rental services, as well as short-term finance. Funds come mainly from customer deposits and sight deposit accounts, savings insurance, mutual funds and pension plans. The main services also include payment methods such as cards and insurance products in their different forms.

Management milestones in 2022

The efforts made in 2022 have focused on setting the strategic priorities that are allowing the Retail Banking business to be transformed. The aforesaid priorities are the following:

- Organisation according to products, which makes it possible to focus on customers' needs and to offer specialised and personalised products and services, enabling greater autonomy, immediacy, agility and simplicity.
- The development of digital capabilities in relation to servicing, the attraction of digital demand and the

generation of digital sales in self-service and remote channels.

- The specialised sales force, supported by the branch network, allows a superior customer support model to be offered for products where customers require more advice or support from experts, such as mortgages, protection insurance and savings/investment.

Lastly, the Retail Banking business is firmly committed to achieving the Group's sustainability targets, fulfilling its ambition in terms of sustainability, whilst also contributing to the attainment of key business objectives.

Main products

The main Retail Banking products are described here below:

Mortgages

The performance of the mortgage market in 2022 was characterised by a substantial increase in interest rates and high levels of price variability in the system. New lending in Banco Sabadell increased by 4% compared to 2021, giving rise to a market share of new lending of 7.7% (cumulative data for the third quarter of 2022).

In 2022, the distribution model of mortgage specialists has been consolidated, with a total of 220 specialists

deployed in the branch network and 40 specialists working remotely. It will continue to be developed over the coming months in order to ensure that this ratio of mortgages generated remotely continues to grow, offering a specialised service designed to improve the experience of customers during the process to take out a mortgage with Banco Sabadell.

Furthermore, the mortgage portal for customers is being rolled out, which makes it possible to digitalise interactions with customers and to provide a platform that can be used to complete the most important steps of the application process remotely and digitally, and also to check the status of transactions in real time.

Consumer loans

The trend followed by consumer loans in 2022 was shaped by continued growth of new lending, whose volume increased by 14% compared to the previous year.

The consumer loans trend in 2022, in line with that established in the Strategic Plan, was characterised by an increased use of digital tools and the growth of on-line loan applications, particularly in the case of digital pre-approved loans with greater personalisation and more competitive prices.

With regard to short-term financing solutions available to individuals, the Sabadell Credit Line product (formerly the Expansion Line) continued to record very good usage and uptake levels among customers, and it was rated very highly due to its 100% online usability.

Payment services

2022 has been a good year in terms of card purchases, recording growth of 17.8% and reaching record high levels, while card turnover remained stable. Furthermore, payment card borrowing also recovered its growth trend during 2022.

Significant progress has been made on digitisation, with instantly issued payment cards for immediate use through e-commerce and mobile payments, without having to wait to receive the physical card, in both digital and in-branch sales. The percentage of sales carried out through the digital channel reached 38%. In terms of mobile payments, Banco Sabadell cards have been added to GooglePay, complementing the previously available offer through ApplePay and SamsungPay, and their use has increased by over 50% to account for 19.3% of payments in December.

Alternative payment systems such as Bizum still continue to record good levels of uptake, with sharp growth among Banco Sabadell customers in terms of the number of both users and transactions.

Sight deposit accounts

The main offering of retail accounts comprises the following:

- Sabadell Online Account: for new retail customers, opened digitally.

- Sabadell Account: for retail customers.
- Sabadell Premium Account: exclusively for Private Banking customers.

The main offering is supplemented with the offering aimed at customers with specific needs: non-residents, minors under the age of 18, and the basic payment account for those at risk of exclusion.

In accordance with the Strategic Plan, in early 2022, a digital onboarding process was carried out, which made it possible to grow the digital customer base, improving productivity and customer experience. In less than 10 minutes and with just one contract signing session, new retail customers can register themselves with their mobile phone, quickly and simply, through an integrated onboarding process which, in addition to the Sabadell Online account, also includes a package of products that meet the basic needs of customers: a debit card for payments, the Sabadell Savings account for easy saving, the remote banking service to manage accounts, as well as the alerts and notifications service.

Furthermore, in June, the catalogue of retail accounts was simplified, migrating the Sabadell Expansion Account, the My Family Account, the Experience Account and the Advance Account to the new Sabadell Account and the Sabadell Premium Account, whose main new features include free access, with no requirements, and which, depending on the level of engagement, have a waived or reduced account maintenance fee.

The launch of both the Online Account and the Sabadell Account took place alongside a marketing and communication plan, offering customers clear and transparent explanations about the features of the accounts.

Savings and Investment

Market volatility, interest rates and the invasion of Ukraine weighed on asset performance and, consequently, on mutual fund returns. In spite of this, the equity of mutual funds in the first and second Morningstar quartiles was 70%, with just 3% of assets in the fourth quartile as at the end of December.

As a result, there was a sharp decline among off-balance sheet savings/investment products, concentrated exclusively in those whose assets under management for retail customers had fallen by 3%.

In mutual funds, the main milestones during the year were the following:

1. Strengthen and simplify the supply of mutual funds for retail customers, by incorporating starter products:
 - Products with a partial guarantee: in April, two funds were launched (Sabadell Consolida 85, FI and Sabadell Consolida 90, FI), designed specifically for investors who have no experience in financial markets, as these are multi-asset funds with a global investment vocation, which seek to generate returns whilst at the same time offering a high level of capital protection.
 - New offering of guaranteed products: launch of the guaranteed funds Sabadell Garantía Fija 18, FI and

Sabadell Garantía Fija 19, FI in September and December 2022, respectively.

2. Improve and consolidate new instruments to provide support both for fund managers and, especially, information for customers. During 2022, the support plan was expanded to include more frequent updates sent to customers with information about their investments in funds, in the form of notes and quarterly videos summarising the performance, key investment decisions taken by professionals and the outlooks for the coming months.

With regard to retirement savings products, such as pension plans and Insured Retirement Plans (IRPs), these were affected by the gradual reduction of the limit on tax-deductible amounts. Market performance was also a contributing factor, although the repercussions for the Bank were less severe than for the sector on average, due to its improved position held in products not linked to market performance, such as IRPs with short-term interest rates. Similarly, subscriptions to Insured Retirement Plans with guaranteed long-term interest rates picked up again.

Lastly, the offering of structured products and deposits has been maintained over the year.

It is also worth noting that during 2022 the model of specialists has continued to be rolled out, with Savings and Investment specialists numbering 463 as at the end of the year.

Protection insurance

The Group's insurance business is based on a comprehensive offering that meets customers' personal needs and cash requirements. The subscription itself is carried out through insurers in which the Group holds a 50% stake through the agreement between Zurich Group, BanSabadell Vida and BanSabadell Seguros Generales. The first of these insurers, which has the largest business volume, occupies the top spots in insurance firm rankings, based on premiums issued.

Furthermore, in 2022, the distribution model of specialists has been consolidated, with a total of 197 specialists deployed in the branch network and 87 specialists working remotely.

In 2022, the business has continued to grow in spite of the complicated and uncertain environment that exists at present. The main products that contribute to the insurance business are life insurance, home insurance and health insurance products. Specifically, the strong growth experienced in premiums in the area of health insurance products (41%) was the result of the agreement with the company Sanitas reached at the end of 2020. Also worthy of note is the positive evolution of Blink insurance products (home insurance and vehicle insurance, which recorded growth of 36% and 23% compared to the previous year), supported by the ability to apply for these products remotely.

It should also be mentioned that towards the end of 2022, the funeral insurance product was brought to

market through BanSabadell Seguros Generales, through an agreement with the company Meridiano, a leading institution in this field.

The strategy for the insurance business in Retail Banking consists of offering the best option for protection insurance to the customers of the Bank. To that end, a product offering is proposed, adapted to the needs of each type of customer, so as to improve their experience each time they interact with the Bank and the insurer.

Private Banking

Through SabadellUrquijo Private Banking, Banco Sabadell offers comprehensive solutions to high-net-worth individuals who require specialised advice and attention. It has 175 private bankers, with MiFID II level 2, over 75% of whom are also certified by the European Financial Planning Association. They are distributed across 31 offices and assistance centres to serve those of the Bank's customers with a net worth of over 500 thousand euros located throughout Spain.

2022 will be remembered as one of the most volatile and complex periods of the global economy in the last 40 years. This environment has led the entire SabadellUrquijo Private Banking team to focus on supporting and advising customers at all times. Moreover, the number of in-person sessions on financial markets for customers has been increased to transmit the specialists' message on the outlook for the markets.

In terms of the product offer, the year can be divided in two stages:

- The year started with inflation as the main macroeconomic problem that was tackled with subsequent interest rate hikes. This hampered the performance of both equities and fixed income. In light of this scenario, the Division proposed hedging strategies against inflation and recommended asset classes with real returns, as well as diversification strategies.
- During the second half of the year, the markets had already discounted a large portion of the interest rate rises, so the economy moved to a new scenario with: (i) higher and persistent inflation, (ii) higher interest rates, and (iii) slower pace of growth. This environment increased the uncertainty as regards equities, while at the same time new investment opportunities in fixed income securities began to arise. This new scenario has reactivated guaranteed funds and fixed income maturity portfolios, while the Bank remained cautious in the stock markets with more defensive and higher quality recommendations and solid balance sheet positions.

SabadellUrquijo Private Banking has an open architecture with a robust product selection protocol that enables adapting portfolio to customers' objectives. The strategic agreement with Amundi, the first mutual funds manager in Europe, is particularly noteworthy, because it allows customers to enjoy all the capabilities and strengths of the Amundi Group.

In light of such complex environment in the markets,

the bespoke discretionary portfolio management service offered by SabadellUrquijo Gestión, SGIIC has become especially relevant this year.

Furthermore, the structured deposit offer has been a very good alternative, providing customers with risk control and a predictable return on their investments.

Finally, alternative investments continue to have a high priority in the product offer, with a rigorous screening protocol.

Beyond aspects concerning the markets, for SabadellUrquijo Private Banking, the year 2022 has also been characterised by a plan to acquire new customers.

The focus on advisory services with positions in SICAVs has been strengthened, helping customers make the best decisions on this regard.

The commitment to sustainability continued with the roll-out of a Responsible Investment Training Plan for private bankers, as well as the creation of the Private Banking's "sustainable corner", from which the Bank aims to develop and encourage ideas that promote care and respect for the environment. In this regard, it has been supported by its strategic partner Amundi.

Once again, the professionalism, approachability and trust on the private bankers have been rated as excellent by customers. This drives the Bank to continue to improve the customer experience and competitive differentiation.

As a result of the new approach to facilitate greater growth of Banco Sabadell's Private Banking business, a change in the organisational structure has been implemented, a seed that will become the new Private Banking model to be fully deployed in 2023 and that will add new value customers, as well as the development of new operational, IT and commercial capabilities and increased investment in brand recognition, enabling further growth and profitability. The success of the implementation of this new model will be the biggest challenge for SabadellUrquijo Private Banking in 2023.

As at 2022 year-end, customers to whom the Bank offers wealth management advice numbered 29,359, with total business figures standing at 32,543 million euros, of which it is worth noting that 29,225 million euros are in funds, with a 39% contribution in mutual funds and SICAVs, while 2,462 million euros are under discretionary management contracts.

Sabadell Consumer Finance

Sabadell Consumer Finance is the Group's company specialising in consumer finance at the point of sale. It carries out its activity through various channels and lines of business, entering into cooperation agreements with different retail points of sale.

The company continues to develop its product offering, adapting it to the needs of the market and ensuring a rapid response to the needs of customers.

Activity in 2022 was affected by a shortage of components in the automotive industry, which led to a supply shortage in the market. Nevertheless, the evolution of the company's vehicle business line has been positive

compared to the industry, and the growth rates of this and the other business lines remained steady.

In 2022, efforts continued with regard to the focus areas for which work was already underway, such as training, homeowners' associations and sustainability, with new transactions reaching a weight of 23% of the consumer finance line, thus making Sabadell Consumer Finance a standard-bearer within its sector.

On the digital side of things, its "Instant Credit" tool for e-commerce offers an efficient response to both referrers and customers; the number of contracts has tripled and new business has been generated.

In 2022, Sabadell Consumer Finance executed 196,023 new transactions through more than 11,933 points of sale located throughout Spain, which translated into an inflow of new investments amounting to 1,099 million euros, placing the total outstanding exposures of Sabadell Consumer Finance at 1,919 million euros.

Business Banking

Business overview

The Business Banking business unit offers financial products and services to legal persons and natural persons for business purposes, 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 management solutions, products and services to guarantee the daily operations of collections and payments through any channel and geographical area, as well as risk hedging and bancassurance products.

Banco Sabadell has a clearly defined relationship model for each business segment, which is innovative and differs from the competition and allows the Bank to be very close to its customers, gaining extensive knowledge about them, as well as a strong level of engagement.

Large enterprises (turnover > 10 million euros) are basically managed by specialised branches. The rest of the companies (SMEs, Businesses and Self-Employed) are managed from the branches. All of these have access to managers specialised in the segment as well as expert advice from product and/or sector specialists.

All this allows Banco Sabadell to be a trendsetter for all enterprises and a leader in customer experience.

Management milestones in 2022 and priorities for 2023

Management efforts in 2022 focused on the implementation of the priorities for action for the Business Banking business line, within the framework of the Strategic Plan (2021-2023), in coordination with the rest of the Bank and enhancing the value of its branch network.

During 2022, the various actions carried out have focused on offering specialised services to customers and adapting the commercial offer to more specifically meet

the needs of the various segments. It is worth noting the particular importance of the sectoral commercial offer for businesses and the self-employed, which has been adapted to the changing and unique needs of each sector. On the other hand, in 2022, the Bank has developed sustainable investment programmes, which focus on self-consumption and Next Generation funds. Another priority aspect was improving the business system and making commercial processes more efficient.

Looking ahead to 2023, the challenges are growth and profitability to meaningfully contribute to the ROE targets of the Strategic Plan. Growth will focus on sustainable investment and on helping companies develop projects within the framework of the European funds. Profitability will be achieved by increasing managers' specialisation, with superb pricing management and streamlining of processes to be closer to customers and respond quickly to their needs. For the Large Enterprises segment, the Bank has the challenge of strengthening specialisation from a more sectoral perspective, providing more knowledge to its customers, a greater level of professionalism, adding more value and supporting customers by acting as a key player.

The various segments, specialists and commercial products within Business Banking are described below.

Customer segments

Large enterprises

Banco Sabadell has been at the side of large enterprises, providing end-to-end customer management through specialised managers to help them make the best economic decisions and with a pool of specialists who have supported customers depending on their business' needs.

In an economic environment marked by the complicated international situation, inflation and interest rate hikes, this end-to-end customer management has enabled the Bank to support companies by adapting to these new circumstances. Thus, for those customers with liquidity needs, Banco Sabadell has made available both basic financing solutions and complex solutions with 360° value propositions. And for those customers that are growing, Banco Sabadell has been by their side with specialised lending transactions, typical of middle market, either acting alone or in a 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.

In 2023, the Bank faces the challenge in the segment of strengthening specialisation from a more sectoral perspective, providing more knowledge to its customers, a greater level of professionalism, adding more value and supporting its customers by acting as a key player.

Enterprises

2022 was characterised on one hand by the return to normal after the health emergency, with the end of virtually all Covid-19-related restrictions, and on the other hand, by the sharp rise of inflation. Banco Sabadell has continued to bet on its forward-looking approach and has been by the side of businesses to meet their needs.

The end of restrictions has created the need for companies to jump-start their investment projects that were put on hold during the pandemic, and the return of economic activity to pre-Covid-19 levels entailed the activation of working capital financing needs arising from transactions among companies. To meet these needs and with the unequivocal commitment to support our customers, Banco Sabadell launched several campaigns to drive investment during the year.

The war in Ukraine resulted in a noticeable increase in the price of commodities and energy. Once more Banco Sabadell supported companies as they dealt with this situation and it launched its Sustainable Future programme, accompanying enterprises in their decision-making in order to prevent this increase in costs from affecting their productivity and/or viability. Within the framework of this Sustainable Future programme, Banco Sabadell focused specifically on financing self-consumption solutions for companies, reaching collaboration agreements with important partners in the market such as Iberdrola and EDP.

Towards the end of 2022, with rising inflation and interest rate hikes arising from the upward trend of the Euribor that will cause an increase in the financial debt burden of companies, Banco Sabadell launched a new support action by contacting all companies with greater potential impact and offering liquidity solutions to cushion the impact of rising operating and financial costs.

Within the framework of the Next Generation EU Funds, Banco Sabadell has continued to hold awareness-raising sessions among companies and has actively provided information on the open calls that the government has published and that are best suited to each of them according to their characteristics.

In terms of sustainability, Banco Sabadell has continued to create and offer sustainable financing and investment solutions to companies. In 2022, in addition to green loans, Banco Sabadell has offered companies sustainability-linked loans, which has enabled these companies to include in their management structures sustainable commitments aligned with their own Sustainable Development Goals.

It is worth highlighting that in 2022, Banco Sabadell has continued to evolve its specialisation model, concentrating the management of larger SMEs in branches specialised in this segment and providing more resources to their managers, in order to keep the customer at the heart of the business relationship in which the manager is a key component.

Small Businesses

Banco Sabadell continued to support the daily activities and new projects of self-employed workers, retailers and businesses, focusing on the development of the customer value proposition and making a concerted effort in 2022 to strengthen the Bank's position as a specialist in the minds of customers of this segment, based on the promotion and consolidation of a business methodology whose key component is a differential offer, specifically designed for each activity 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 activities, building products by actively listening to customers and branch managers, professional groups and representatives from industry associations, ensuring that they really meet the needs identified. Currently, the catalogue of specific solutions includes 32 different activity sectors, prioritising those that offer a greater degree of opportunity in the current economic environment.

In line with this sector specialisation and in order to make it tangible and transfer it to the market, during the past year the Bank has consolidated a systematic approach to both customers and potential customers, through the frequent launch of sector campaigns that on one hand drive the commercial momentum of specialist managers and on the other hand help to convey a much clearer and more powerful message of the product offer, by concentrating it on a target with common needs and interests. Examples of this in 2022 include the "Bars and Restaurants" campaign and the "Small Businesses campaign". Both conveyed the idea of proximity as a common denominator and were supported by an innovative product, the Smart PoS, a smart payment terminal capable of adapting to each user by combining its various available applications, in addition to rewarding the merchants' customers with free purchases during the campaign period as an additional incentive. These campaigns have increased customer acquisition in these key sectors by 28% and 30%, respectively, compared to the previous year.

On the other hand, during the past year, managers specialised in supporting self-employed workers, retailers and businesses have become the largest and most representative management figure of the entire branch network, thus demonstrating the Bank's clear vocation for and commitment to a customer segment that especially values proximity and personalised assistance by an expert manager who understands their business. These managers had access to new management support elements designed to better understand the key aspects of each sector to thus provide the best response to the specific needs of each of them.

In parallel and in line with the development and consolidation of customers' new financial services consumption habits, Banco Sabadell has continued to drive the digitalisation of customers, both to respond to their needs for self-service transactions and to enable new products and services to be applied for and managed remotely.

By 2023, the challenges in this segment mainly

involve, on one hand, continuing to strengthen specialisation with a clearly differentiated offer for the professional sectors that present more opportunities and improving the training of specialised managers and, on the other hand, implementing a 100% online channel of acquisition and engagement for self-employed customers, which makes it possible to consolidate a digital management model for this segment, minimising reliance on brick-and-mortar branches, but all the while continuing to offer the best experience to each customer.

Institutional businesses

The Institutional Businesses unit was created to develop and enhance 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 proposition to general governments, financial institutions, insurers, religious organisations and the third sector.

2022 has been a very busy year in all institutional businesses. It is worth noting the high degree of momentum in lending and borrowing activity in an environment in which negative rates have turned positive. In response to these new circumstances, Banco Sabadell strengthened its position in these segments through greater commercial activity, proximity and proposed solutions, resulting in an increase 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 2022 was marked by the importance of governments in the economic recovery. Governments are essential for promoting and channelling the arrival of the European funds and for implementing economic policies at each of the local, regional and national levels.

The result is an increase in assets, stemming from the need to make investments to tackle the economic recovery, and an increase in liabilities, stemming from the additional funds related to the Recovery and Resilience Facility.

During the first half of 2022, some autonomous communities obtained authorisation to refinance the asset-side transactions that they had arranged with the State, thus decreasing their financing costs. As a result, it is the banks that have been granting new loans restructuring this debt.

Banco Sabadell's market shares in lending and deposits were 12.16% and 9.22%, respectively (figures as at end of September 2022). Lending recorded a year-on-year increase of 167 basis points, growing above the system. Deposits were up 93 basis points, a sharper increase than in the system as a whole.

Financial Institutions and Insurers

In terms of investments, 2022 was marked by an environment of geopolitical uncertainty, high rates of inflation, contractionary monetary policies and considerable volatility in the markets. This has led to corrections in financial assets, both in more conservative fixed-income assets and in equities. As a result, investors have turned towards more liquid and less complex assets, which are currently returning to attractive profitability levels. Investors have shown a preference for positions in fixed-income products, such as government bonds, to the detriment of value-added products such as alternative investments.

The Financial Institutions and Insurers unit has continued to roll out the value-added proposition for these institutions, with a special focus on adapting the offer towards plain vanilla products. Therefore, with the new environment of positive interest rates, the Financial Institutions unit has adapted the interest offered on accounts in this segment, immediately after the first interest rate hike by the European Central Bank. On the other hand, for fixed-income products, the Bank has taken advantage of investors' interest for private issues of floating bonds (with a minimum rate) and for sustainable issues. At the same time, the senior debt fund has positioned itself with interesting transactions, while in terms of Private Equity, the participation of several institutional investors in the launch of the Aurica IV Private Equity fund is particularly noteworthy.

Religious Institutions and the Third Sector

The Religious Institutions and Third Sector Division offers customers a range of products and services adapted to the unique characteristics of these groups. They cover everything from transactions to specialised advice on financial assets.

During the year, the second edition of the university-level qualification of Financial Adviser to religious institutions and third-sector organisations was launched for employees and customers belonging to these groups. A total of 206 students (127 customers and employees of RI and TS, 9 from other sectors and 70 Sabadell employees) are currently enrolled on the course. This year the course was open to professionals from all sectors and a wide range of scholarships were made available covering up to 80% of the enrolment fee. The enrolment for the third edition, which will take place from 30 January to 30 June 2023, is now open.

Secure donation collection facilities have been increased by 4% using the "DONE" system which has contactless technology built in. Banco Sabadell had 928 donation collection devices installed and operational as at 2022 year-end, including donation lecterns, digital collection boxes and votive stands.

The Religious Institutions and Third Sector Division has coordinated the delivery of grants for charitable causes of the Sabadell Inversión Ética y Solidaria, FI fund, managed by Sabadell Asset Management, and it also managed the payments made together with beneficiary offices and entities. This year, for the 29 charitable projects of the 28

entities selected by the Ethics Committee in 2021, a total of 343 thousand euros has been awarded, bringing the cumulative figure since 2006 to over 2.4 million euros. Furthermore, in 2022, the Ethics Committee selected a total of 27 humanitarian projects primarily focused on addressing risks of social and labour exclusion, improving the living conditions of people with disabilities and meeting their basic needs in terms of food, health and education. Sabadell Asset Management will distribute this aid to these projects in 2023.

Segment specialists

Franchising

Banco Sabadell is a leader in the Franchising segment, where it has more than 26 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 a team of franchise managers specialised by sector.

Banco Sabadell works closely with the Spanish Franchisors' Association and was the first bank to secure a partnership with this association and together they drive this business model. This year, the Bank has participated in various virtual coffee chats with the Spanish Franchisors' Association and it has also continued to be present at the franchise fair Expofranquicias, in fairs organised by FranquiShop and in various virtual fairs. Sabadell was recognised as the first financial institution to collaborate in the franchise sector by the Online Franchise Fair in which the Bank has actively participated, as well as sponsoring topics such as the Madrid Franchise Report, the Franchise Case Law Observatory, participations in specialised radio programmes, articles in the press and magazines, collaboration with various expert franchise consultancies and an endless number of actions that the Bank has published on social media and which reinforce the Institution's renown 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. The Bank has more than 1,100 brands with referral agreements and almost 8,000 franchised customers.

Agriculture Segment

In 2022, Banco Sabadell's agriculture segment, which includes the agricultural, livestock, fisheries and forestry production sub-sectors and has more than 300 specialised branches, has increased its customer base, as well as the portfolio of specific financial products and services with features tailored to the demands of customers in the sector.

Banco Sabadell's firm commitment to this sector, in particular through its personalised customer support, led to a 13% increase in business volume compared to 2021.

The Bank continues to earn the trust of its customers, whose number increased by 7% compared to the previous year.

During 2022, Banco Sabadell's agriculture segment has participated in nine fairs of the agri-food sector and has sponsored 37 events throughout the nation.

Banco Sabadell's agriculture segment has the clear objective of being by the side of customers in the sector in their digitalisation and sustainability activities, taking advantage of the efficient lever that will be the contribution of the Next Generation EU funds.

Hotel and Tourism Business

Banco Sabadell is the first financial institution to receive the "Q seal of Tourism Quality", granted by the Institute for Spanish Tourism Quality, cementing its position as a leader and trendsetter in this sector, offering expert advice coupled with the very highest quality standards.

The value proposition for 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 to each customer, and taking into account the situation of complete inactivity that the sector has gone through due to the Covid-19 health crisis, which forced the closure of all establishments by decree, a large part of the activity has focused on the Support Plan, reviewing the entire hotels 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 moratoria, debt injection, ICO and ICO investment lines, to others greater in scale 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*, or Conestur), the Tourism Commission of the Spanish Confederation of Business Organisations (CEOE, by its acronym in Spanish) 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 112,000 visitors and 8,937 companies.

Professional Associations and Associate Banking

Banco Sabadell is a leader in the management of agreements with professional and business associations and bodies throughout the country. Its differentiation lies in the close relationship it has with these groups, which starts with the support provided by specialised managers in order to meet the needs of its members through a range of

tailored and differentiated financial products and services. During 2022, the Bank has participated in many events and sessions organised by these professional associations and bodies.

Furthermore, given the special relationship with the professional associations of property managers in Spain and to leverage the opportunity offered by the Next Generation EU Funds for the refurbishment of dwellings, professional forums have been organised for property managers throughout the country, within the framework of the strategic objective concerning sustainability.

Associate Banking continues to strengthen the link with corporate and business customers, based on a differential range of products and services for their executives and employees, as a significant channel for acquiring individual customers at Banco Sabadell.

Corporate Pensions

By means of its Corporate Pensions unit, Banco Sabadell Group offers solutions and responses to customers to help them better implement, manage and develop their welfare schemes through pension plans and group insurance policies.

During 2022, the Bank has made progress in the development and launch of Sabadell Flex Empresa, a fully digital flexible remuneration platform that enables companies to optimise their remuneration model at a very low cost. Worthy of note is the inclusion, in the last quarter of 2022, of the health insurance product in the mix of options available on the online platform and which, together with the Flexible Remuneration Retirement Plan, comprise a savings solution that makes it possible for executives or employees to maximise their savings and increase their net disposable income through fiscal optimisation. Furthermore, the Bank has seen great demand for joint life-cycle plans – with an investment profile adapted to age – among small and medium-sized companies.

Looking ahead at 2023, the Bank expects that demand for welfare schemes will continue to increase after the changes introduced by the publication of Law 12/2022, of 30 June, on regulating the promotion of employee pension plans. Thanks to the Bank's experience in innovative and life-cycle solutions, the Institution is poised to contribute to the development of new types of plans and funds that this new regulation defines such as, among others, employee pension plans streamlined for self-employed workers.

Real Estate Business

The Real Estate Division focuses on integrated services to the residential real estate development business by means of a mature specialised management 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.

2022 was marked by rising costs of commodities (steel, cement, aluminium); however, the Real Estate Business

Division has granted 1,913 million euros (a 6.7% increase compared to the previous year) with a margin of 49.25 million euros which is similar to the previous year.

The Investment Property Division focuses on boosting new transactions and home deliveries so as to minimise the potential negative impact, as well as monitoring sales in progress.

The main strategy is to maintain the Bank's leadership in the sector and to consolidate its 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.

BStartup

BStartup by Banco Sabadell is the pioneering and benchmark financial service in Spanish banking for startups and scaleups. It is a unique project of Banco Sabadell that provides these companies with a 360° service of specialised banking and equity investment and that is part of the innovative entrepreneurial ecosystem of our country.

Specialised banking is based on a team of dedicated relationship managers for startups and scaleups in those territorial divisions with the highest concentration of this type of companies, as well as on a specific risk management process, specific products and a team of specialists that drive the business throughout Spain.

As at 2022 year-end, BStartup had 4,412 startup customers. They are very engaged, very internationalised customers, often with very complex transactions. The accelerated growth of many of these companies reaffirms the belief upon which the service was launched in 2013, i.e. that the great companies of the future would emerge from among these companies. Turnover reached 1,019 million euros (333 million euros of assets and 687 million euros of liabilities), with a 3.56% increase, and the trading margin increased by 34.34% compared to last year.

In 2022, BStartup's specialisation has been given a definite boost. The Catalonia Territorial Division manages all Business Banking and Network startup customers from the main branch in Barcelona, with six managers and one representative, all of them exclusively engaged in startups, scaleups and their investors. Moreover, all large startups have also been assigned to a single specialised relationship manager in terms of Large Enterprises Banking. This Territorial Division also has a risk analyst dedicated exclusively to this segment. Within the Central Territorial Division, in the Madrid autonomous community, a BStartup representative and a new specialised relationship manager have joined this year, meaning that there are now four exclusively dedicated BStartup enterprise managers located in the main Madrid branch, where most startups in this autonomous community are based. The main branch of the Eastern Territorial Division is located in Valencia and has a fully dedicated startup manager, and the Bank expects to bring on board a new branch manager at the beginning of 2023. The other regions still have 23 BStartup branches with relationship managers

that without working exclusively in this segment regularly receive specialised training and have a specific risk management process in place.

Equity investment mainly targets early-stage digital and technology companies with strong growth potential and innovative, scalable business models. During the whole year, the Bank has invested 950 thousand euros in nine startups. BStartup invests in all types of sectors, but maintains its two investment verticals. Thus, in 2022, BStartup opened the second application process for BStartup Green to invest in startups that, using technology or digitalisation, are able to facilitate the transition to a more sustainable world (from the perspective of the energy transition, industry 4.0, smart cities and the circular economy). 122 companies have applied for this second edition. The fifth edition of BStartup Health also took place during 2022, which strengthens the Bank's position as a leader in investments in early-stage science-to-market health startups in Spain. This year, applications for 127 projects were received. With the nine new companies associated with the projects, BStartup10's portfolio of investees today numbers 64, already yielding significant returns and very positive valuations. During the year, there was one exit with significant capital gains.

During the year, the Bank was very active at the main events of the entrepreneurial ecosystem. BStartup's team has organised or actively participated in 100 entrepreneurship events throughout Spain. This, coupled with all the previous activity, continues to reinforce Banco Sabadell's reputation and positioning as a leading bank for scaleups and startups. As a reference indicator, BStartup has had 1,264 mentions in various media (offline and online press), has amassed 13,788 followers on Twitter, and BStartup has been one of the main topics of conversation about the Bank on social media every month, always with a positive sentiment.

Companies Hub

The Companies Hub is Banco Sabadell's business hub, an instrument of communication of the Institution with SMEs, businesses and the self-employed, under a single brand based on valuable business content that is of great use to its customers and that at the same time highlights the specialisation in enterprises of Banco Sabadell, as well as its proximity to its customers. The Companies Hub is a hybrid environment 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 engaging sessions in which business experiences and relevant and current content are shared.
- A physical, landmark space for companies in the centre of Valencia, where they can meet and connect with other companies, receive training and business advice from experts in areas such as digital transformation or the sectoral economy, as well as other specialities like financing, internationalisation or startups.

All the activities organised at the Companies Hub, mainly in the form of workshops and webinars, are disseminated in other media such as articles, news or videos that can be accessed through the press and social media. The content generated around the Companies Hub is an instrument for the dissemination of the Bank's knowledge and expertise.

2022 has seen the consolidation of the blended model launched in 2020, which combines on-site presence in Valencia with a virtual presence across Spain. A new website and brand image were also launched this year.

The major thematic areas are established and agreed upon based on the Strategic Plan during the Editorial Committee held every six months. This year, the sessions have revolved around the following topics:

- The series of conferences “Inspiring Stories” with success stories from large customers interviewed by Banco Sabadell's employees who know them well. This year, seven sessions were organised: four in the Eastern Territorial Division (Ale Hop, Pikolinos, Grupo Saona and Chocolates Valor), one in the Central Territorial Division (Grupo García Carrión), one in the Northern Territorial Division (Bodegas Faustino) and another one in the Southern Territorial Division (Scalpers).
- Business financing: sessions on different financing needs, explaining the various instruments available and providing case studies, which have received excellent feedback from customers.
- The regular series of conferences on various very practical and topical aspects related to the Next Generation EU Funds and the opportunity they represent for the transformation of our economy.
- The series of conferences on enterprise digitalisation.
- The series of conferences on sustainability in order to generate awareness among SMEs of the need to have a sustainability strategy in place and provide information and tools to get started.
- The series of conferences on internationalisation solutions and information: holding a couple of sessions every month with new and interesting topics for the Bank's customers led by the Internationalisation Division.
- The monthly series of conferences “The World to Come” (*El Mundo que Viene*), discussing the trends of various sectors such as tourism, hospitality, agriculture, trade, etc.
- And many other sessions on a variety of topics such as business contingencies and insurance, trends in human resources, tax news, macroeconomic environment, leadership, public speaking, current topics such as companies and the metaverse, etc.

In 2022, the project kept intact the number of webinars as well as the impact generated by the Companies Hub in the entire territory, allowing the Bank to continue to reach a large number of companies and self-employed workers.

In total, 111 webinars have been held, in which 24,612 companies and self-employed workers have taken part.

In addition, on 2 June, face-to-face sessions in the physical space of the Companies Hub Valencia were restarted as

normal, and 20 face-to-face events were held (in collaboration with other entities and the Bank's own sessions).

The space was also rented out to business entities on 50 occasions and meeting rooms were booked for corporate customers on 360 occasions. A total of 5,068 people took part in various activities at the Bank's physical space (our own sessions, collaborations, space rentals, meeting room bookings, advisory sessions and potential customers and additional traffic).

Thus, the total number of activities held at the Companies Hub this year amounted to 181, with 29,680 participants.

The assessments of the sessions continue to reflect the great reception and acceptance of the contents by the participating companies, with an overall rating of 8.93 out of 10, with 46% of the participants rating them with a 10.

In addition, 86 videos summarising the sessions were made for dissemination on the Bank's social media, and more than 35 articles and news items were published in different branded content spaces in print and online media about the Companies Hub and its support for companies, as well as the topics covered by the webinars. All this has generated 702 mentions in social media and offline and online media, reaching a total audience of 1.4 million users.

Sabadell Associates

Sabadell Associates is a lever for acquiring customers and business for the branch network via cooperation agreements with referrers.

This channel's contribution to the Business Banking and Network business is highly significant, most notably in terms of:

- Profit margin (in millions of euros): 263 (9% of the total).
- Mortgages (new agreements): 12,251 (34% of the total).
- Customer acquisition: 43,026 (10% of the total).
- AutoRenting vehicle leases (new agreements): 474 (9% of the total).
- Mutual funds (average balance in millions of euros): 1,469 (6% of the total).

Commercial products

Business services

Payment methods

During the past year, payment methods' turnover has significantly increased due to greater national consumption and international tourism. At Banco Sabadell, PoS turnover has reached record levels with a year-on-year increase of +33% in transactions and +45% in profit margin. The Bank also stood out from among its peers, increasing its market share by +8.23% year-on-year to 17.23% at the end of 3Q22.

The Bank has maintained its policy of offering an advanced and personalised service to retailers and, to

that end, has strengthened its network of PoS and e-commerce specialists. In addition, the PAYCOMET subsidiary, specialised in digital payments, has continued to roll out innovative products and services.

In May, Banco Sabadell launched to the market Smart PoS, a terminal featuring Android technology that, in addition to payments, enables the use of third-party applications (loyalty, order management, tax free, etc.). Unlike the product offer of other competitors, the solution has an app store that offers customers a user experience similar to that of their smartphones. As a result, product uptake has been very high. As at year-end, 29,153 Smart PoS devices had been installed at shops and stores.

The use of corporate cards has also intensified, processing +27.6% more in purchases and +11.4% more in profit margin than in the previous year.

In addition, on 22 September 2022, the Bank announced that it was in the process of analysing a possible strategic agreement with an industrial partner specialising in its merchant acquiring business. This process of analysis currently underway aims to reinforce the competitive advantage and expand its value proposition in this area.

Company insurance

During 2022, the Bank has made progress in the development of the value proposition for businesses and the self-employed. The aim is to make Banco Sabadell a leader in company insurance. The Institution has worked together with the company insurance specialists who are in daily contact with customers to focus on the most demanded product enhancements with the aim of achieving a comprehensive and competitive product offering and of providing quality service. Special emphasis was placed on health insurance products for companies, in the form of social benefits and flexible remuneration, and this focus will continue in the coming year. The emphasis was also placed on the core products of company insurance, civil liability, multi-risk and the whole range of specialised products.

During the year, company insurance specialists received more training to provide a high quality experience to insurance customers in the enterprise, business and self-employed segments. This effort will continue through 2023, with a strong focus on product and regulation training and support for servicing existing insurance policies.

Business loans

Working capital loans have recovered to pre-pandemic levels thanks to the increase in business activity. This increase has resulted in companies facing a growing need for working capital loans in order to cover their usual payments and collections. In annual terms, the volume of working capital loans has grown by 24% compared to 2021.

Specialised lending solutions such as factoring and primarily reverse factoring have greater importance among the various credit lines used by companies. As a result, reverse factoring activity saw a year-on-year rise of 32%.

It is important to note a new working capital product that was launched in 2022: the Online Payment Line. This digital product will help self-employed workers and businesses to fund their regular payments such as payrolls, taxes and supplier payments.

The volume of new loans to corporates, SMEs and the self-employed was lower than in the previous year as a result of the current uncertainty.

Loans for sustainable projects are one of Management's priorities and this year the Bank has continued to arrange transactions with ECO products and, in addition, it has incorporated a better offer for these transactions, which will enable the Institution to achieve its objectives of strengthening its commitment and undertaking to support customers in the transition towards a more sustainable economy.

In 2022, more than 1.3 billion euros of green loans have been mobilised, mainly used in energy-efficient construction projects, renewable energies and self-consumption, sustainable mobility and efficient water and waste management.

Leasing and rental of capital goods

The rental of capital goods in 2022 has seen year-on-year growth of 1% in agreements and of 40% in volume, which bring us very close to pre-pandemic levels. This growth is mainly focused on the road transport and equipment sectors.

In terms of leases, the change in volume compared to the previous year was of 11%. The branch network this year has produced a higher volume of new leases compared to 2021 which, together with some one-off transactions, has led to total investment of 724 million euros as at the end of 2022.

Vehicle leases

The year saw the impact of the sale of the vehicle leasing subsidiary to ALD Automotive at the end of 2021, which entailed a complex migration and integration process.

At the same time, there were several negative impacts that have affected the vehicle leasing product such as the lack of stock due to the ongoing semiconductor crisis, prices of commodities affected by the war in Ukraine and the end of the moratorium on the registration tax rebate.

Nevertheless, the objective of establishing the new IT platform and keeping a competitive offer in terms of both volume and terms and conditions was achieved, so that the end of the year was similar to 2021.

It is worth noting that the focus was on maintaining the mobility of all users, and this has been achieved thanks to the meticulous work carried out between the two institutions, which can be considered very satisfactory.

In the last quarter of 2022, the managers' activity resumed and the foundations were laid for the Relaunch Plan scheduled for 2023.

Official Agreements and Guarantees

The Official Agreements and Guarantees Division continues to manage agreements with various public bodies with

which the Bank maintains a relationship. The Bank has signed new cooperation agreements that enable it to meet the financing needs of its customers.

These agreements include both national bodies (ICO, mutual guarantee societies and/or autonomous community entities) and supranational entities such as the EIB (European Investment Bank) and the EIF (European Investment Fund).

In the case of ICO, the Bank has once again adhered to the ICO Mediation lines, with a notable increase in new agreements compared to previous years, and it is the leading institution in the preparation of the Sustainability Questionnaire proposed by this body. 89% of the questionnaires have been completed and 71% of these are sustainable.

Through its adherence to the Agreement of the Spanish Council of Ministers, the Bank will allow its customers to extend the term of their ICO Covid-19 lines, thus providing a more favourable repayment schedule.

Banco Sabadell has also adhered to the ICO Ukraine line, which will enable the Institution to offer financing to all customers affected by the increase in energy prices as a result of the conflict in Ukraine.

The agreements signed with all the mutual guarantee societies (MGS) operating in Spain have also been reviewed, adapting them to the current needs of the market and including new products, such as the Industrialisation Support Programme whereby, through the support of the Next Generation funds, customers obtain financing, in which part of the interest rate and fees are subsidised, enabling the cost of this funding to be much lower than the standard conditions offered by mutual guarantee societies and institutions.

During 2022, there was a very large number of applications for the various EIB lines made available to customers, which has made it necessary to work quickly on new lines with this body, which will be available at the start of 2023.

In addition and through its BSCapital division, the Institution has signed an agreement with the European Investment Bank to provide growth-stage startups with venture debt.

As regards the EIF, Banco Sabadell Group has adhered to the Invest EU guarantee programme, which will allow banks to offer financing to companies with a guarantee from this body.

The aim for 2023 continues to be the launch of new lines and agreements with public bodies, which will enable the Bank to offer customers products with the best terms and conditions to fund their projects.

International

This year, the Bank had to support companies more closely to manage the geopolitical challenges encountered in various markets, as it was a very changing environment globally and Banco Sabadell focused on supporting and

proactively managing the needs of customers:

- How to manage ongoing transactions with Russia and Belarus to be able to receive export payments and manage imports so that international sanctions are duly complied with.
- The management of operations with Algeria from Spanish companies that had ongoing transactions in this market for their correct payment as a result of the closure of the Algerian market to Spanish exports during the second half of 2022.
- Change of operations in Egypt, promoting the purchase or import of products, preferably with documentary credits, supporting customers to start this type of transactions in the country.

In terms of digital International Business solutions, the following aspects stand out in the 2022 financial year:

- Roll out of Direct L/C, issuance of import documentary credits in digital format through BSONline.
- Introduction of the new version of Sabadell Forex, which mainly seeks to streamline and facilitate access to customers through BSONline.
- New International Business website, which seeks to improve positioning and deliver a better customer experience for internationalised or foreign trade companies.

An agreement has also been reached with ICEX Spain, a Spanish public entity that seeks to jointly promote the internationalisation of Spanish companies.

At the business level, the Bank has supported Spanish companies in this financial year, with notable increases in foreign trade, maintaining its position in Spain as leader in export documentary credits (34.4% market share) and export remittances (36.1% market share), and keeping customers' confidence in the teams of International Business managers as a support lever to increase their business abroad.

Furthermore, the new foreign exchange and interest rate benchmarks have been included as substitutes for the Libor in force to date. All foreign currency financing products now incorporate the new benchmarks.

Corporate Banking coordinates specialised teams to offer an innovative, global service that is tailored to the needs of customers.

Business overview

Corporate & Investment Banking (CIB) offers financial solutions and advisory services to large corporations and financial institutions, both Spanish and foreign, through branches throughout Spain and in 15 other countries.

CIB is one of the three core units of the Bank, together with Retail Banking and Business Banking, a division structured by differentiating the needs of customers and the capabilities of each of the three banking business lines to provide the best service to them.

CIB structures its activity around two pillars: the customer pillar, whose aim is to serve its natural customers across the entire spectrum of their financial needs, defined 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 BSCapital and, secondly, the Specialised Businesses unit, which groups together the activities of Structured Finance, Treasury, Investment Banking and Trading, Custody and Research, whose aim is to advise, design and execute tailor-made transactions 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 requirements. In 2022, CIB added a new specialised business unit, the CIB Sustainability unit, focused on offering sustainable product solutions and ESG advice to CIB customers.

Management milestones in 2022 and priorities for 2023

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, fundamentally in the areas of Investment Banking and Structured Finance, which are now able to meet 100% of its customers' financial requirements. The Bank's teams are also constantly expanding their international reach, always focusing on those markets in which its customers invest or have commercial interests.

The key areas in which Corporate & Investment Banking works to add value to its customers are as follows:

- Know-how through specialisation. The Corporate Banking teams, located in the different countries in which the Bank operates, have not only the specialisation of the large corporations 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 their sector's singularities.
- Coordination. Large corporations require special solutions that are the result of involving several of the Bank's areas (specialist teams or even teams from different regions). Coordination of all these teams is pivotal for providing and adding value to its 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 are cross-cutting across the entire Banco Sabadell Group, also extending their capabilities to the Business 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 corporations. The Bank creates the necessary spaces and mechanisms for its teams to dedicate part of their time to innovation, understood in its broadest sense: innovation in products, in operations and also in the way it collaborates and interacts.

As regards the measurement of the main figures regarding the performance of Corporate & Investment Banking, the focus is placed on monitoring the income statement (monitoring net profit overall and the main revenue items in particular), return on capital (RAROC), strict risk tracking and monitoring, as well as early action when faced with early signs of potential impairment.

It was an exceptional year for BSCapital, with significant transactions in the renewable energies sector.

Corporate Banking Europe

Corporate Banking is the customer unit within CIB in charge of managing the segment of large corporations which, because of their size, complexity and unique features, require a tailor-made service in which the more traditional financial product range and 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 end-to-end solutions that are tailored to their needs, to that end taking into account the specific features of their economic activity sector and the markets in which they operate.

This unit also includes a series of branches and offices abroad, notably in London, Paris, Casablanca and Lisbon, from where the international activity of the Bank's domestic customers is supported and served, and the international business of Corporate Banking is carried out.

In addition, this customer unit integrates the activity carried out by BSCapital, which carries out the Group's venture capital and private equity activities, managing the industrial (non-real estate) investees. Its activity is articulated through the acquisition of temporary shareholdings in companies, with the aim of maximising the return on its investments. In addition, it also offers support to companies through alternative financing (senior debt fund, venture debt or mezzanine loans).

In 2022, the Bank has actively supported its customers in the return to normal activity after the pandemic and focused 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 changes in the economy, mainly during the second half of 2022, in an environment of rising inflation and the ensuing increase in interest rates in the various markets in which its customers operate.

Corporate Banking lending levels in Spain increased by 6.2% to 7.403 million euros. In the international arena, the evolution of the business was also characterised by the focus on optimising the Group's capital consumption, combined with improved profitability, lowering investment positions in the rest of EMEA by -2.0%.

As for profitability, Corporate Banking Spain had a ROTE of 12.0% (+257 basis points compared to December 2021) as at December 2022.

Meanwhile, BSCapital has actively managed the portfolio during 2022, carrying out its traditional activities of equity and debt, realising investment, divestment and

portfolio revaluation transactions. One of the actions carried out by Aurica Capital Desarrollo was the first closing of the new Aurica IV fund, in which Banco Sabadell is anchor investor, conducting its first investments. A new framework for action for industrial mezzanine debt with a 3-year investment horizon has been approved and the first transactions have already been carried out.

BSCapital has continued to use the guarantee schemes granted by the European Investment Fund (EIF), with a high use rate. Furthermore, the EIF has approved the InvestEU guarantee product for revolving loans, venture debt and mezzanine loans, which is expected to be available starting in 2023.

The Bank has invested heavily in renewable energies, mainly in Spain and always within its scope of action. It has also divested some assets.

BSCapital will continue to prioritise 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 in mind.

As regards renewables, financing opportunities will continue to be sought, aligned 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 transactions (mobilisation of funds raised).

2023 poses a series of challenges, among which are the interest rate hikes that have already taken place in 2022 and the inflationary environment that directly affects consumption and manufacturing. Corporate Banking is supporting its customers in facing these challenges both at the national and international level, with a product offer that covers 100% of their financing requirements, both in the short and long term, to deal with this new macroeconomic situation.

The contribution of value to customers in the large corporations segment and the improved profitability for 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 employed.

Corporate Banking and Private Banking USA

Banco Sabadell has been operating in the United States for almost 30 years through an international full branch managed from Miami and through Sabadell Securities USA, incorporated 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.

The 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 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.

2022 unfolded in a financial environment that compounded a sharp rise of interest rates with widespread falls in fixed-income and equity markets.

In this environment, the branch's positioning with a balance of interest rate-sensitive assets coupled with discipline in controlling the cost of deposits allowed it to increase its net interest margin. In addition, the Bank faced the challenge of defending loan volumes while maintaining an adequate level of capital. With a forward-looking approach, processes were deployed that improved the flow of data required for the calculation of regulatory capital, including the correct reflection of contractual guarantees and the appropriate allocation of existing mitigating factors.

The operational improvement plan continued to be implemented during the year, achieving productivity improvements that were successful in keeping operating costs stable compared to 2021, despite rising inflation. Moreover, the project to update the IT platform (Project Aspire) continued to be implemented in order to enhance the capabilities available both to customers and to business and support units. The Bank expects to complete this project in 2023.

The combination of the increase in net interest margin, the optimisation of capital employed and the exercise of discipline when controlling operating costs allowed the branch to increase its profitability (ROTE) from 10% at 2021 year-end to 24% this year, maintaining its position as one of the most profitable units within the Bank.

Turning to financial figures, during the 2022 financial year, the volume of business managed stood at 14.2 billion US dollars, representing a decrease of 2.3%. The decline largely stemmed from capital market valuations,

which had a negative impact on private banking business volumes. Off-balance sheet customer assets under management declined by 15% to stand at around 4.1 billion US dollars at year-end. Meanwhile, the balance of loans increased by 9%, to around 6.3 billion US dollars, and customer deposits decreased by 3%, standing at 3.8 billion US dollars at year-end.

Net interest income stood at 154 million US dollars, up 27% year-on-year, mainly due to higher market interest rates. Net fees and commissions were almost 44 million US dollars, down 7% compared to 2021 if windfall profits are excluded. Gross income increased by 13%, exceeding 198 million US dollars for the year, while administrative and amortisation costs remained stable, despite including investments in the IT platform. Net profit for the year was 90.7 million US dollars, up 21% from the previous year.

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, leveraged buyouts (LBOs), project & asset finance, global trade finance and commercial real estate, with the capacity to underwrite and syndicate transactions at the national and international level, as well as being active in the primary and secondary syndicated loans markets.

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 Banco Sabadell Group 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 2022, Banco Sabadell, thanks to its policy of supporting customers and adapting to their needs so as 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 – an activity that is being exported to other regions. In this context, Structured Finance ranked fourth in the MLA rankings for syndicated loans and fifth in Project Finance in the Spanish market.

En millones de euros

Ranking	Mandated Lead Arranger	Deal Value	Number of transactions
1	Santander	6,306	109
2	BBVA	5,758	103
3	CaixaBank	5,805	103
4	Banco de Sabadell	2,675	56
5	BNP Paribas	3,643	37
6	Credit Agricole CIB	2,975	31
7	SG Corporate & Investment Banking	2,939	30
8	ING	1,798	23
9	Abanca Corporacion Bancaria	745	20
10	Intesa Sanpaolo SpA	2,074	20

MLA league table for syndicated loans in the Spanish market in 2022.
Source: Dealogics

En millones de euros

Ranking	Mandated Lead Arranger	Deal Value	Number of transactions
1	Santander	777	16
2	Abanca Corporacion Bancaria	311	8
3	ING	311	8
4	SG Corporate & Investment Banking	445	8
5	Banco de Sabadell	321	7
6	BBVA	361	7
7	BNP Paribas	663	7
8	CaixaBank	840	6
9	Credit Agricole CIB	203	6
10	Bankinter	117	4

MLA league table for project finance in the Spanish market in 2022.
Source: Dealogics

The Bank's top priority continues to be supporting customers by designing long-term financing structures for new projects, acquisitions, internationalisation, etc., as well as syndicated transactions that guarantee stable and complete debt for debt management where appropriate, assessing the positive potential of possible solutions combined with investment banking products.

Treasury and Markets

Treasury and Markets is responsible, on one hand, for selling 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 hand, for managing the Bank's current liquidity, as well as managing and complying with its regulatory ratios. It also manages the risk of trading activity in interest rate, foreign exchange and fixed-income products, mainly due to flows of transactions with customers, both internal and external, originated through the activity of the distribution units themselves and the activity arising from short-term liquidity management.

In 2022, the Treasury and Markets Division further developed the digitalisation and optimisation of its transactions with customers by enhancing the Sabadell Forex currency application, expanding its range of services and improving customer experience. Furthermore, the range of products and solutions offered by the division continued to increase, adapting it to new customer needs arising

from a changing market. In terms of trading, the capacity to take on and control various risk factors such as currency, fixed income and interest rates was enhanced.

Looking ahead to the new financial year 2023, 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 launched to provide differential value-added services to customers. As regards the institutional customer segment, efforts will continue to be made to expand the international investor base for capital market products. In trading, the aim is to continue to build up the capacity to manage risk on the Bank's own books, reducing hedges with other entities and continuing to develop collateral management in order to take the fullest advantage of it.

Investment Banking

Investment Banking (IB) is the CIB Division that coordinates the channelling of institutional investors' liquidity to Banco Sabadell customers, through both debt products and capital instruments. Furthermore, via its M&A (Mergers & Acquisitions) area, it gives advice on company acquisitions and sales, mergers and the incorporation of new shareholders.

During 2022, the Investment Banking team was very active in the origination of public issues, notably participating in corporate, public sector and financial issuer transactions, both in long-term and short-term financing.

One of the markets in which the Bank was most active was that of commercial paper programmes, participating in programmes from 50 different issuers.

One of the core pillars of this activity is the closing of niche transactions, such as project bonds, securitisations or direct lending, with a view to becoming a leader in the ESG segment.

IB continues to focus on offering tailor-made financing solutions, in bond or loan format, in various sectors, from real estate and infrastructure to renewable energy project finance and corporate finance in the domestic middle market segment.

During a complex year for the activity in equity capital markets, Banco Sabadell has continued to support its customers, participating as co-bookrunner in Atrys Health's capital increases through an accelerated private placement of 72.4 million euros.

The Bank was very active in Mergers and Acquisitions (M&A), successfully completing several transactions, including advising on the sale of the photovoltaic tracker manufacturer STI Norland to the US NASDAQ-listed group Array Technologies, to create the world leader in its segment; advising the US fund KPS Capital through its investee Siderforgerossi on the acquisition of the Euskalforging Group, one of Europe's leading manufacturers of flanges and large diameter rings for the offshore wind sector; advising on the sale of Colegio Meres to the British group Cognita; the sale of two 100 MW wind farms to the Italian group PLT Energía; and the sale of several portfolios of photovoltaic and wind projects to the Altano Energy and CIMD groups.

IB's strategy for 2023 is to consolidate, maintain and improve the quality standards in this activity, mainly in the process of channelling institutional financing to SME customers, as well as to conclude the commercialisation of two large projects: the Senior Debt Fund and the institutional factoring initiative.

Trading, Custody and Research

Trading, Custody and Research (TCR) is the unit responsible, as product manager, for the Group's equities, performing equity execution tasks through the trading desk, both in domestic markets, where it acts as a member, and in international markets, as a mere intermediary.

It has a Research Department, whose aim is to provide guidance and recommendations regarding investments in equity and credit markets for customers. To this end, they produce podcasts, webinars, videos, daily reports, sector reports, company reports, etc.

Enhancements were made to the online platforms throughout 2022, in line with the new strategic objectives of Banco Sabadell Group, based on the pillars of sustainability, digitalisation and customer focus. These enhancements, which will continue over the next few years, will considerably increase the level of service offered to customers, with more information during and after transactions and greater support in decision-making.

The Bank has been able to verify a very high

percentage of equity execution transactions carried out through self-service channels, with 93% of orders channelled directly by customers using the tools that Banco Sabadell makes available to them, the mobile app being the preferred channel for these transactions.

During 2022, a new campaign to drive the dedicated access and intermediation service through the Bank's equity trading desk was launched, to meet the liquidity needs of Spanish companies listed not only on Spanish stock exchanges but also on other international markets. In addition, training events/seminars for companies were resumed, providing greater visibility to the custody and agent bank, liquidity provider, research and investment banking services that Banco Sabadell offers.

The main objective for 2023 is to increase the volumes of intermediation in equity markets, both Spanish and international, through the following levers of action: optimise the online customer experience by redesigning the Sabadell Broker platform, integrating more information from Research with improved and more sophisticated intermediation capabilities and services; launch campaigns to activate inactive customers; review the pricing of some of the services offered and step up relations with issuers through collaboration with Business and Corporate Banking.

Banking business United Kingdom

Business overview

TSB (TSB Banking Group plc) offers a wide range of retail banking services and products to individuals and small and medium-sized enterprises in the UK. TSB has a multi-channel distribution model, which includes fully digital capabilities (internet and mobile), telephony channels and a network of branches located throughout Great Britain.

This 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. To this end, TSB will combine the best that digital banking has to offer with a revitalised high-street presence, alongside telephone and video banking. This will allow TSB to serve its customers with that all-important human touch when it matters most to customers ensuring it 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 2022

TSB’s relentless focus on its customers and delivering its Money Confidence purpose has been instrumental in its response to the cost-of-living crisis. The successful early execution of the 2019 growth strategy means TSB is in good shape not only to weather this latest economic storm, but also to continue its momentum to be a stronger and better bank.

Despite the uncertain economic environment, TSB has continued to perform strongly. In 2022, TSB continued to improve the service offered to customers across all channels which, in turn, has supported growth. In December 2022, TSB reached an agreement with UK regulators regarding the conclusions of the investigation into the causes and circumstances of the incidents that arose following the migration of TSB’s IT platform, which required TSB to pay 48.65 million pounds sterling to UK regulators. The actions TSB has taken in the years since to be truly customer-focused has created strong future foundations. Growth in both customer lending and deposit balances was solid, but more muted than in previous years, and is evidence of management action to navigate the volatile and competitive retail banking markets during the year. TSB has continued to grow income and reduce costs, and its capital and liquidity remain strong and stable.

Executing the 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 2022, TSB:

- remained the only bank in the UK with a Fraud Refund Guarantee, refunding over 98% of customers who are innocent victims of fraud, compared to an industry average of 56%. Over 80% of fraud victims were refunded within 5 days or less;
- rewarded active customers with 1.3 million pounds in cashback payments, while 630,000 customers opened a new savings account, more than double the previous year. TSB customers have enjoyed the benefits of the Spend & Save account features, with over 36.5 million pounds rounded up into Savings Pots using the ‘Save the Pennies’ feature on its award-winning current account;
- helped 13,000 first-time buyers get onto the property ladder and supported over 30,000 customers switching to a new mortgage. TSB continues to deliver a leading mortgage service, with a broker trust rating of 87% – TSB’s highest score to date (and increased from 72% at the start of 2021);
- further strengthened its digital banking offer, improving the look and feel of the Internet banking proposition and added features to its TSB Mobile Banking App. New customers can now open a Spend & Save current account in less than ten minutes through the App and apply for a credit card or a loan, and manage their cards. Customers can also access fintech partners such as ApTap, Wealthify and Farewill from their TSB Mobile App;
- upgraded a further 84 branches this year to create more inviting spaces for customers, whilst reducing the branch footprint to 220. Self-serve deposit capability and video banking options have been expanded, allowing customers greater flexibility in how and when they bank. The branch network is complemented by over 40 ‘pop-ups’ serving communities across Great Britain, and TSB is an active participant in the Cash Access Group Banking Hubs sectoral initiative, a programme that aims to create banking hubs in the country’s most remote communities;
- established early warning indicators to assist customers before they get into financial difficulty which, combined with almost 2,000 hours of cost-of-living training for TSB employees, helped over 2,100 customers get back on track after struggling with payments. The ‘Money Worries’ pages on TSB’s website, which contains information of interest to those who are concerned about their financial situation, has been visited over 100,000 times.

As regards its next steps, TSB has drawn up an ambitious three-year plan to take forward its Money Confidence purpose. The strategy has four key areas of focus, centred around service excellence, customer focus, simplification and efficiency and doing what matters for people and the planet, reflecting the growing expectations of its customers with regard to the Bank's values.

The strategy has been set against a fluid economic backdrop. The battle to control inflation while returning the UK economy to a sustainable growth trajectory will be challenging, and it is sensible to anticipate that the continued impact that the rising cost of living is having on its customers will also have an effect on the Bank. Its robust capital and liquidity position means that TSB is well placed to navigate these headwinds and continue to support the customers, employees and communities it serves.

The regulatory landscape for financial services is also set to undergo important changes in the years ahead with the introduction of the FCA's new Consumer Duty. TSB's customer focus, high standards of governance and commitment to responsible business practices mean that the Bank is well placed to deliver on this to continue to improve outcomes for customers.

Key figures

Net profit stood at 87 million euros as at 2022 year-end, impacted by -57 million euros (net) stemming from the agreement to pay a fine to UK regulators for the incidents following the IT platform migration, recorded in the last quarter of 2022.

Net interest income totalled 1,151 million euros, 13.8% higher than the previous year, supported by the growth of mortgage volumes and the interest rate hikes.

Net fees and commissions increased by 11.0% year-on-year, mainly due to higher service fees, particularly card fees.

Total expenses stood at -909 million euros, a year-on-year decrease of -3.5%, as in the previous year this item had been impacted by -19 million euros of non-recurrent costs as a result of the efficiency plan. Not including this impact, expenses decreased by -1.5%, due to both improved staff expenses and lower general expenses.

Provisions and impairment amounted to -104 million euros, increasing in year-on-year terms mainly due to the release of provisions in the previous year.

Corporation tax included an impact of -15 million euros as at 2022 year-end, as a result of the effects on deferred tax assets following the review of the UK Bank Levy, which was reduced from 8% to 3%. On the other hand, +23 million euros were booked under the same item due to the corporation tax increase as at 2021 year-end.

Million euro

	2022	2021	Year-on-year change (%)
Net interest income	1,151	1,011	13.8
Fees and commissions (net)	134	121	11.0
Core revenues	1,284	1,132	13.5
Gains or (-) losses on financial assets and liabilities and exchange differences	6	2	127.7
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(95)	(33)	186.4
Gross income	1,195	1,101	8.5
Operating expenses and depreciation and amortisation	(909)	(942)	(3.5)
Pre-provisions income	285	159	79.6
Provisions and impairments	(104)	—	102,632.7
Gains on sale of assets and other revenue	1	(9)	(108.7)
Profit/(loss) before tax	182	150	21.5
Corporation tax	(95)	(32)	197.6
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	87	118	(26.2)
ROTE (net profit / average shareholders' equity excluding intangible assets)	4.2 %	4.5 %	
Cost-to-income (general administrative expenses / gross income)	63.0 %	71.3 %	
NPL ratio	1.3 %	1.4 %	
NPL coverage ratio of stage 3 with total provisions	42.3 %	38.1 %	

Key figures of the banking business UK

Lending dropped by -2.1% year-on-year, negatively affected by the depreciation of the pound. At a constant exchange rate, this item increased by 3.3% due to the growth of the mortgage portfolio.

Similarly, on-balance sheet customer funds decreased by -4.3% year-on-year, due to the depreciation of the pound, while at a constant exchange rate, they grew by 1.0% due to a larger volume of term deposits.

Million euro

	2022	2021	Year-on-year change (%)
Assets	55,810	55,657	0.3
Gross performing loans to customers	43,110	44,050	(2.1)
Liabilities	53,316	53,012	0.6
On-balance sheet customer funds	40,931	42,779	(4.3)
Wholesale funding in the capital markets	2,537	2,975	(14.7)
Allocated equity	2,494	2,645	(5.7)
Off-balance sheet customer funds	—	—	—
Other indicators			
Employees	5,482	5,762	(4.9)
Branches	220	290	(24.1)

Key figures of the banking business UK

Banking business Mexico

Business overview

In the internationalisation process envisaged within its previous strategic framework, the Bank decided to focus on Mexico, a region which presents a clear opportunity, as it is an attractive market for the banking business, and a market in which Banco Sabadell has been present since 1991, firstly through the opening of a representative office and then through its stake in Banco del Bajío, which it held for 14 years (from 1998 to 2012).

Its operations in Mexico materialised through an organic project with the launch of two financial vehicles: firstly, a SOFOM (multi-purpose financial institution), which began operating in 2014, and subsequently a bank. The banking licence was obtained in 2015 and the Bank started operations in early 2016.

The rollout of business capabilities considers the two vehicles mentioned above and the following business lines:

- Corporate Banking, focusing on corporations and large enterprises: three main branches (Mexico City, Monterrey and Guadalajara) and sector-specific specialisation.
- Business Banking, which mimics the Group's original business banking model: launched in 2016, it has been expanding ever since.

Management priorities in 2022

The performance of the Mexican subsidiaries (Banco Sabadell and SabCapital) has been positive, since it exceeded the expectations for the year, largely due to the increase in benchmark rates and the superb management of costs and administrative and operating expenses by the entities.

During 2022, the Mexican subsidiaries continued to focus on growth, financial self-sufficiency and profitability. It is worth highlighting the following initiatives implemented during the year:

- In Corporate Banking, Banco Sabadell's Fiduciary Division and the transaction of derivative financial instruments were consolidated, enabling a more comprehensive service to be offered to the structured finance segment, thus strengthening the link with customers.
- In Business Banking, the Bank continued to enhance its transactional capabilities, an initiative that will continue in 2023. Initiatives in the commercial model and an incentive scheme seek to boost banker productivity and efficiency and to continue offering an outstanding service, which has been a distinctive feature since this segment was created.
- The digital Personal Banking segment was completely closed at the start of the year to focus on corporate and business banking segments, in which the greatest competitive advantages are achieved to improve the Bank's profitability.

A financial planning exercise was conducted in 2022 in line with that of the Group to determine the main strategic courses of action for Banco Sabadell in Mexico that will generate greater value for the Group's Mexican franchise. To summarise, these concern the enhancement of ROE by increasing the generation of income without capital consumption (through the generation of higher income from fees and commissions and fostering new business lines, such as derivatives, currency trading, trusts, etc.), as well as improved funding costs.

On 6 July 2022, HR Ratings ratified the long-term and short-term credit ratings in Mexican national scale, keeping the long-term rating of HR AA+ with a stable outlook and also keeping the short-term rating of HRI, which is based on the fact that the Bank has maintained better asset quality indicators compared to those of the Mexican financial system and most niche banks in Mexico.

Key figures

Net profit as at 2022 year-end amounted to 31 million euros, a strong year-on-year growth supported mainly by the improvement of net interest income and the reduction of provisions.

Net interest income amounted to 149 million euros, increasing by 32.4% year-on-year, due to the interest rate hike and the appreciation of the Mexican peso.

Net fees and commissions amounted to 12 million euros as at 2022 year-end, growing by 1 million euros relative to the previous year due to more commercial activity.

Total expenses amounted to -86 million euros, thus falling by -3.5% year-on-year, mainly due to improved general expenses that offset the increase in amortisations and depreciations.

Provisions and impairment were below the previous year's levels due to an improvement in the loan book, as well as payments received from single-name customers.

The item "Capital gains on asset sales and other revenue" includes write-offs of technology assets.

Million euro

	2022	2021	Year-on-year change (%)
Net interest income	149	113	32.4
Fees and commissions (net)	12	11	17.2
Core revenues	162	123	31.1
Gains or (-) losses on financial assets and liabilities and exchange differences	3	—	3,921.7
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(17)	(10)	—
Gross income	148	114	30.2
Operating expenses and depreciation and amortisation	(86)	(89)	(3.5)
Pre-provisions income	62	24	154.3
Provisions and impairments	(9)	(32)	(73.0)
Gains on sale of assets and other revenue	(14)	—	—
Profit/(loss) before tax	39	(8)	(577.2)
Corporation tax	(8)	9	(187.2)
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	31	1	6,141.3
ROTE (net profit / average shareholders' equity excluding intangible assets)	6.6 %	0.1 %	
Cost-to-income (general administrative expenses / gross income)	48.7 %	71.1 %	
NPL ratio	2.3 %	1.0 %	
NPL coverage ratio of stage 3 with total provisions	70.1 %	265.7 %	

Key figures of the banking business Mexico

Performing loans grew by 9.5% year-on-year, supported by the appreciation of the Mexican peso and the US dollar. Considering a constant exchange rate, this increase was 1.4%.

Similarly, on-balance sheet customer funds increased by 26.0% year-on-year, supported by the appreciation of these currencies. At a constant exchange rate, growth was 14.6%.

Million euro

	2022	2021	Year-on-year change (%)
Assets	6,025	5,128	17.5
Gross performing loans to customers	4,131	3,773	9.5
Real estate exposure (net)	—	—	—
Liabilities	5,437	4,550	19.5
On-balance sheet customer funds	3,090	2,453	26.0
Allocated equity	587	578	1.6
Off-balance sheet customer funds	—	—	—
Other indicators			
Employees	422	453	(6.8)
Branches	15	15	—

Key figures of the banking business Mexico