Auditor's Report on Banco de Sabadell, S.A. and Subsidiaries

(Together with the condensed interim consolidated financial statements and the interim consolidated directors' report of Banco de Sabadell, S.A. and Subsidiaries for the period ended 30 June 2022)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Condensed Interim Consolidated Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Banco de Sabadell, S.A.

REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the condensed interim consolidated financial statements of Banco de Sabadell, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form the Banco de Sabadell Group (hereinafter the "Group"), which comprise the balance sheet at 30 June 2022, and the income statement, statement of recognised income and expenses, statement of total changes in equity and cash flow statement for the six-month period then ended, and explanatory notes (all condensed and consolidated).

In our opinion, the accompanying condensed interim consolidated financial statements of the Group for the six-month period ended 30 June 2022 have been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Condensed Interim Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the condensed interim consolidated financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the condensed interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the condensed interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

See notes 1, 4.1, 4.2 and 10 to the condensed interim consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to customers reflects a net balance of Euros 160,835 million at 30 June 2022, while allowances and provisions recognised at that date for impairment total Euros 2,978 million. For the purposes of estimating impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3), or whether neither of the foregoing circumstances apply (Stage 1). For the Group, establishing this classification is a relevant process inasmuch as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Individual allowances and provisions consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of collective allowances and provisions, estimates of expected losses are calculated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past, present and future information to be considered. The Group regularly conducts recalibrations and tests of its internal models in order to improve their predictive capabilities based on actual historical experience.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default, probability of default and loss given default; and determining the future macroeconomic scenarios. We also assessed the mathematical accuracy of the expected loss calculations and the reliability of the data used. To this end, we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: – Identifying the credit risk management framework and assessing the compliance of the Group's accounting policies with the applicable regulations. – Evaluating the appropriateness of the classification of the loans and advances to customers portfolio based on their credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. – Assessing the relevant controls relating to the monitoring of transactions. – Evaluating whether the internal models for estimating both individual and collective allowances and provisions for expected losses, and for the management and valuation of collateral, are functioning correctly. – Assessing the consideration of the aspects observed by the Internal Valuation Unit in the recalibration and tests of the models used to estimate collective provisions.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Impairment of loans and advances to customers See notes 1, 4.1, 4.2 and 10 to the condensed interim consolidated financial statements	
Key audit matter	*How the matter was addressed in our audit*
The effects of the conflict between Russia and Ukraine and the current levels of inflation are considerably changing the present geopolitical and macroeconomic backdrop, thus heightening uncertainty as to future developments and impacting on the economy and business activities of the countries where the Group operates. Calculating expected credit risk losses therefore entails greater uncertainty and requires a higher degree of judgement, primarily as regards estimating macroeconomic scenarios, and the Group has supplemented the expected loss with certain additional temporary adjustments. The consideration of this matter as a key audit matter is based both on the significance for the Group of the loans and advances to customers portfolio, and thus of the related allowance and provision, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses.	– Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place. Our tests of detail on the estimated expected losses included the following: – With regard to the impairment of individually significant transactions, we analysed the appropriateness of the cash flow discount models used by the Group. We also selected a sample from the population of significant credit-impaired risks and assessed the adequacy of the provision recognised. – With respect to the allowances and provisions for impairment estimated collectively, we evaluated the methodology used by the Group, assessing the integrity and accuracy of the input balances for the process and whether the calculation engine is functioning correctly by repeating the calculation process for all contracts, taking into account the segmentation and assumptions used by the Group. – We evaluated the methods and assumptions used to estimate exposure at default, probability of default and loss given default, having assessed the macroeconomic scenario variables used by the Group in its internal models to estimate the expected loss. Moreover, we evaluated the additional adjustments to the internal models used to estimate the expected losses recognised by the Group at 30 June 2022. We also analysed whether the disclosures in the explanatory notes to the condensed interim consolidated financial statements were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Recoverability of goodwill

See note 12 to the condensed interim consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2022 the Group has recognised goodwill totalling Euros 1,027 million, from the acquisition of certain entities and businesses in Spain. This goodwill is allocated to the group of cash-generating units (CGUs) that comprise the operating segment of the banking business in Spain. The Group tests recognised goodwill for impairment on a half-yearly basis, or when impairment indicators are identified. At 30 June 2022 the Group's assessment determined that there was no impairment of recognised goodwill. Testing of goodwill for impairment requires the cash-generating units (or groups of cash-generating units) to which goodwill is allocated to be determined, and also requires identification of indications of impairment in each of the CGUs comprising a group of CGUs, calculation of their carrying amount and estimation of the recoverable amount of the CGUs (or groups of CGUs). Among other aspects, this estimate entails financial projections that take into account, inter alia, expected trends in macroeconomic variables and their impact on the future business of the CGUs (or groups of CGUs), the internal circumstances of the Group and its competitors and trends in discount rates. Due to the high level of judgement and subjectivity of the assumptions and valuation techniques used for its estimate, the recoverability of goodwill has been considered a key audit matter.	Our audit procedures included analysing the key processes and controls established by management relating to the process followed by the Group to identify the group of CGUs to which goodwill is allocated, and evaluating the potential impairment of goodwill made by management, which has been subject to review by an independent expert engaged by the Group. We also carried out procedures of detail, including the following: – Assessing the existence of indications of impairment of each of the CGUs that comprise the group of CGUs to which goodwill is allocated. – Evaluating the reasonableness of the methodology used by management to analyse goodwill impairment, performing procedures on the reliability of the information used to calculate the recoverable amount of the group of CGUs comprising the operating segment of the banking business in Spain. We also carried out procedures to evaluate the reasonableness of the main assumptions considered, including the financial projections used by the Group. – Analysing the sensitivity of certain assumptions to changes that are considered reasonable. We also analysed whether the disclosures in the explanatory notes to the condensed interim consolidated financial statements were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

Risks associated with information technology

Key audit matter	*How the matter was addressed in our audit*
The Group operates in a complex technological environment that is constantly evolving and which must efficiently and reliably meet business requirements. The high level of dependence on these systems with regard to the processing of the Group's financial and accounting information make it necessary to ensure that these systems function correctly. In this context, it is critical to ensure that management of the technological risks that could affect information systems is adequately coordinated	With the assistance of our specialists in information systems, we carried out tests, at each of the Group entities that are considered relevant for the purpose of the audit, relating to the internal control of the processes and systems involved in generating financial information in the following areas: – Understanding of the information flows and identification of the key controls that ensure the appropriate processing of the financial information.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
and harmonised, in relevant areas such as data and program security, systems operation, or development and maintenance of IT applications and systems used to prepare financial information. We have therefore considered the risks associated with information technology to be a key audit matter.	– Testing of the key automated processes that are involved in generating the financial information. – Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of those applications and systems. – Testing of the controls over the operation, maintenance and development of applications and systems.

Emphasis of Matter

We draw your attention to explanatory note 1 to the accompanying condensed interim consolidated financial statements, which states that such condensed interim consolidated financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed interim consolidated financial statements should therefore be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2021. Our opinion is not modified in respect of this matter.

Other Information: Interim Consolidated Directors' Report

Other information solely comprises the interim consolidated directors' report for the six-month period ended 30 June 2022, the preparation of which is the responsibility Bank's Directors and which does not form an integral part of the condensed interim consolidated financial statements.

Our audit opinion on the condensed interim consolidated financial statements does not encompass the interim consolidated directors' report. Our responsibility for the interim consolidated directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the interim consolidated directors' report with the condensed interim consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned condensed interim consolidated financial statements and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the interim consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Based on the work carried out, as described in the preceding paragraph, we have observed that the information contained in the interim consolidated directors' report is consistent with that disclosed in the condensed interim consolidated financial statements for the six-month period ended 30 June 2022 and the content and presentation of the report are in accordance with applicable legislation.

Responsibilities of the Bank's Directors' and the Audit and Control Committee for the Condensed Interim Consolidated Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying condensed interim consolidated financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information, and for such internal control as they determine is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, the Bank's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank's Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Bank's Audit and Control Committee is responsible for overseeing the preparation and presentation of the condensed interim consolidated financial statements.

Auditor's Responsibilities for the Audit of the Condensed Interim Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the condensed interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed interim consolidated financial statements.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.
- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether the condensed interim consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Bank's Audit and Control Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Bank's Audit and Control Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Bank's Audit and Control Committee, we determine those that were of most significance in the audit of the condensed interim consolidated financial statements for the six-month period ended 30 June 2022 and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 28 March 2019 for a period of three years, from the year commenced 1 January 2020.

Services Provided

Non-audit services provided by KPMG Auditores, S.L. to the Group in the six-month period ended 30 June 2022 consisted of the issuance of comfort letters in debt issue processes, reports on agreed-upon procedures and work in connection with different regulatory requirements prescribed by supervisors.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Francisco Gibert Pibernat

On the Spanish Official Register of Auditors ("ROAC") with No. 15,586

3 August 2022

"Translation of the Condensed interim consolidated financial statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy the Spanish-language version prevails."

Contents of the condensed interim consolidated financial statements and interim consolidated Directors' Report of Banco Sabadell Group for the six-month period ended 30 June 2022

Condensed interim consolidated financial statements

Explanatory notes to the condensed interim consolidated financial statements

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2022 and 31 December 2021

Thousand euro

Assets	Note	30/06/2022	31/12/2021 (*)
Cash, cash balances at central banks and other demand deposits (**)	**7**	**45,284,241**	**49,213,196**
Financial assets held for trading		**4,260,432**	**1,971,629**
Derivatives		2,628,361	1,378,998
Equity instruments	9	—	2,258
Debt securities	8	1,632,071	590,373
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*155,578*	*106,791*
Non-trading financial assets mandatorily at fair value through profit or loss		**63,780**	**79,559**
Equity instruments	9	3,192	14,582
Debt securities	8	60,588	64,977
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		—	—
Financial assets designated at fair value through profit or loss		**—**	**—**
Debt securities		—	—
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		—	—
Financial assets at fair value through other comprehensive income		**6,066,851**	**6,869,637**
Equity instruments	9	193,049	184,546
Debt securities	8	5,873,802	6,685,091
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*1,094,599*	*1,530,351*
Financial assets at amortised cost		**186,578,871**	**178,869,317**
Debt securities	8	19,627,943	15,190,212
Loans and advances	10	166,950,928	163,679,105
Central banks		171,015	170,881
Credit institutions		5,944,682	6,141,939
Customers		160,835,231	157,366,285
Memorandum item: loaned or pledged as security with sale or pledging rights		*4,113,482*	*3,554,788*
Derivatives – Hedge accounting		**1,778,151**	**525,382**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(870,850)**	**(3,963)**
Investments in joint ventures and associates		**556,446**	**638,782**
Joint ventures		—	—
Associates		556,446	638,782
Assets under insurance or reinsurance contracts		**—**	**—**
Tangible assets	**11**	**2,669,244**	**2,776,758**
Property, plant and equipment		2,335,100	2,397,490
For own use		2,332,289	2,394,698
Leased out under operating leases		2,811	2,792
Investment properties		334,144	379,268
Of which: leased out under operating leases		*334,144*	*379,268*
Memorandum item: acquired through finance leases		*955,570*	*1,017,016*
Intangible assets	**12**	**2,511,348**	**2,581,421**
Goodwill		1,026,810	1,026,457
Other intangible assets		1,484,538	1,554,964
Tax assets		**6,957,805**	**7,027,123**
Current tax assets		274,435	319,596
Deferred tax assets	32	6,683,370	6,707,527
Other assets	**13**	**615,439**	**619,715**
Insurance contracts linked to pensions		86,965	116,453
Inventories		116,909	142,713
Rest of other assets		411,565	360,549
Non-current assets and disposal groups classified as held for sale	**14**	**757,132**	**778,035**
TOTAL ASSETS		**257,228,890**	**251,946,591**

(*) Shown for comparative purposes only (see Note 1.5).

(**) See details in the Group's condensed consolidated cash flow statement.

Notes 1 to 35 and accompanying schedules I to V form an integral part of the balance sheet as at 30 June 2022.

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2022 and 31 December 2021

Thousand euro

Liabilities	**Note**	**30/06/2022**	**31/12/2021 (*)**
Financial liabilities held for trading		**2,811,125**	**1,379,898**
Derivatives		2,614,795	1,323,236
Short positions		196,330	56,662
Deposits		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Debt securities in issue		—	—
Other financial liabilities		—	—
Financial liabilities designated at fair value through profit or loss		**—**	**—**
Deposits		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Debt securities in issue		—	—
Other financial liabilities		—	—
Memorandum item: subordinated liabilities		—	—
Financial liabilities at amortised cost		**239,179,950**	**235,179,222**
Deposits		211,137,011	209,306,598
Central banks	15	38,296,412	38,250,031
Credit institutions	15	8,221,540	8,817,114
Customers	16	164,619,059	162,239,453
Debt securities in issue	17	20,695,901	21,050,955
Other financial liabilities		7,347,038	4,821,669
Memorandum item: subordinated liabilities		*3,464,689*	*4,243,712*
Derivatives – Hedge accounting		**708,381**	**512,442**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(542,255)**	**19,472**
Liabilities under insurance or reinsurance contracts		**—**	**—**
Provisions	**18**	**624,319**	**886,138**
Pensions and other post employment defined benefit obligations		67,814	86,020
Other long term employee benefits		187	650
Pending legal issues and tax litigation		74,583	76,848
Commitments and guarantees given		177,988	190,591
Other provisions		303,747	532,029
Tax liabilities		**242,319**	**204,924**
Current tax liabilities		124,920	81,159
Deferred tax liabilities	32	117,399	123,765
Share capital repayable on demand		**—**	**—**
Other liabilities	**13**	**1,153,826**	**768,214**
Liabilities included in disposal groups classified as held for sale		**—**	**—**
TOTAL LIABILITIES		**244,177,665**	**238,950,310**

(*) Shown for comparative purposes only (see Note 1.5).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the balance sheet as at 30 June 2022.

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2022 and 31 December 2021

Thousand euro

Equity	Note	30/06/2022	31/12/2021 (*)
Shareholders' equity		**13,524,321**	**13,356,905**
Capital	19	703,371	703,371
Paid up capital		703,371	703,371
Unpaid capital which has been called up		—	—
Memorandum item: capital not called up		—	—
Share premium		7,899,227	7,899,227
Equity instruments issued other than capital		—	—
Equity component of compound financial instruments		—	—
Other equity instruments issued		—	—
Other equity		18,322	19,108
Retained earnings		5,801,518	5,441,185
Revaluation reserves		—	—
Other reserves		(1,260,850)	(1,201,701)
Reserves or accumulated losses of investments in joint ventures and associates		158,782	235,453
Other		(1,419,632)	(1,437,154)
(-) Treasury shares		(29,804)	(34,523)
Profit or loss attributable to owners of the parent		392,537	530,238
(-) Interim dividends		—	—
Accumulated other comprehensive income		**(511,293)**	**(385,604)**
Items that will not be reclassified to profit or loss		(37,489)	(41,758)
Actuarial gains or (-) losses on defined benefit pension plans		(5,460)	917
Non-current assets and disposal groups classified as held for sale		—	—
Share of other recognised income and expense of investments in joint ventures and associates		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income		(32,029)	(42,675)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		—	—
Items that may be reclassified to profit or loss		(473,804)	(343,846)
Hedge of net investments in foreign operations [effective portion]		94,388	157,741
Foreign currency translation		(374,273)	(481,266)
Hedging derivatives. Cash flow hedges reserve [effective portion]		(59,374)	(30,163)
Fair value changes of debt instruments measured at fair value through other comprehensive income		(123,331)	(11,724)
Hedging instruments [not designated elements]		—	—
Non-current assets and disposal groups classified as held for sale		—	—
Share of other recognised income and expense of investments in joint ventures and associates		(11,214)	21,566
Non-controlling interests		**38,197**	**24,980**
Accumulated other comprehensive income		—	—
Other items		38,197	24,980
TOTAL EQUITY		**13,051,225**	**12,996,281**
TOTAL EQUITY AND TOTAL LIABILITIES		**257,228,890**	**251,946,591**
Memorandum item: off-balance sheet exposures			
Loan commitments given	20	**28,252,340**	**28,403,146**
Financial guarantees given	20	**2,046,165**	**2,034,143**
Other commitments given	20	**7,693,167**	**7,384,863**

(*) Shown for comparative purposes only (see Note 1.5).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the balance sheet as at 30 June 2022.

Condensed consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	Note	30/06/2022	30/06/2021 (*)
Interest income	21	2,190,251	2,049,117
Financial assets at fair value through other comprehensive income		30,585	23,990
Financial assets at amortised cost		1,926,018	1,851,533
Other interest income		233,648	173,594
(Interest expenses)	21	(433,618)	(363,815)
(Expenses on share capital repayable on demand)		—	—
Net interest income		**1,756,633**	**1,685,302**
Dividend income		2,476	1,063
Profit or loss of entities accounted for using the equity method		81,964	54,742
Fee and commission income	22	838,830	789,065
(Fee and commission expenses)	22	(109,467)	(79,619)
Gains or (-) losses on financial assets and liabilities, net	23	(30,855)	(59,887)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		28,269	14,356
Financial assets at amortised cost		7,532	414
Other financial assets and liabilities		20,737	13,942
Gains or (-) losses on financial assets and liabilities held for trading, net		(68,208)	(79,543)
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		(68,208)	(79,543)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net		(7,513)	6,208
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		(7,513)	6,208
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		—	—
Gains or (-) losses from hedge accounting, net		16,597	(908)
Exchange differences [gain or (-) loss], net	23	113,805	87,999
Other operating income	24	31,225	83,117
(Other operating expenses)	25	(177,842)	(205,087)
Income from assets under insurance or reinsurance contracts		—	—
(Expenses on liabilities under insurance or reinsurance contracts)		—	—
Gross income		**2,506,769**	**2,356,695**

(*) Shown for comparative purposes only (see Note 1.5).

The attached explanatory Notes 1 to 35 and Schedules I to V form an integral part of the condensed interim consolidated income statement for the six-month period ended 30 June 2022.

Condensed consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	Note	30/06/2022	30/06/2021 (*)
(Administrative expenses)		(1,167,279)	(1,250,706)
(Staff expenses)	26	(694,485)	(753,834)
(Other administrative expenses)	26	(472,794)	(496,872)
(Depreciation and amortisation)		(272,402)	(261,365)
(Provisions or (-) reversal of provisions)	18	(25,692)	(49,073)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	27	(393,780)	(503,956)
(Financial assets at fair value through other comprehensive income)		(60)	561
(Financial assets at amortised cost)		(393,720)	(504,517)
Profit/(loss) on operating activities		**647,616**	**291,595**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)		(12,700)	(69)
(Impairment or (-) reversal of impairment on non-financial assets)	28	(31,486)	(38,881)
(Tangible assets)		(17,565)	(15,360)
(Intangible assets)		—	—
(Other)		(13,921)	(23,521)
Gains or (-) losses on derecognition of non-financial assets, net	29	(16,246)	80,206
Negative goodwill recognised in profit or loss		—	—
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	30	(14,812)	(35,262)
Profit or (-) loss before tax from continuing operations		**572,372**	**297,589**
(Tax expense or (-) income related to profit or loss from continuing operations)		(165,871)	(70,294)
Profit or (-) loss after tax from continuing operations		**406,501**	**227,295**
Profit or (-) loss after tax from discontinued operations		—	—
Profit or loss for the period		**406,501**	**227,295**
Attributable to minority interest [non-controlling interests]		13,964	6,952
Attributable to owners of the parent		392,537	220,343
Earnings per share (euro)	**3**	**0.06**	**0.03**
Basic (in euro)		0.06	0.03
Diluted (in euro)		0.06	0.03

(*) Shown for comparative purposes only (see Note 1.5).

The attached explanatory Notes 1 to 35 and Schedules I to V form an integral part of the condensed interim consolidated income statement for the six-month period ended 30 June 2022.

Condensed consolidated statements of recognised income and expenses of Banco Sabadell Group

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	30/06/2022	30/06/2021 (*)
Profit or loss for the period	**406,501**	**227,295**
Other comprehensive income	**(125,689)**	**414**
Items that will not be reclassified to profit or loss	4,270	14,989
Actuarial gains or (-) losses on defined benefit pension plans	(9,109)	47
Non-current assets and disposal groups held for sale	—	—
Share of other recognised income and expense of investments in joint ventures and associates	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	11,151	12,303
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Income tax relating to items that will not be reclassified	2,228	2,639
Items that may be reclassified to profit or loss	(129,959)	(14,575)
Hedge of net investments in foreign operations [effective portion]	(63,353)	(30,240)
Valuation gains or (-) losses taken to equity	(63,353)	(30,240)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	106,993	151,196
Translation gains or (-) losses taken to equity	106,993	151,196
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges (effective portion)	(42,895)	(138,797)
Valuation gains or (-) losses taken to equity	(16,292)	(141,641)
Transferred to profit or loss	(26,603)	2,844
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Hedging instruments [not designated elements]	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Debt instruments at fair value through other comprehensive income	(152,587)	(24,052)
Valuation gains or (-) losses taken to equity	(131,518)	(102,499)
Transferred to profit or loss	(21,069)	78,447
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications		—
Share of other recognised income and expense of investments in joint ventures and associates	(32,781)	(3,659)
Income tax relating to items that may be reclassified to profit or (-) loss	54,664	30,977
Total comprehensive income for the period	**280,812**	**227,709**
Attributable to minority interest [non-controlling interests]	13,964	6,826
Attributable to owners of the parent	266,848	220,883

(*) Shown for comparative purposes only (see Note 1.5).

The attached explanatory Notes 1 to 35 and Schedules I to V form an integral part of the condensed interim consolidated statement of recognised income and expenses for the six-month period ended 30 June 2022.

Condensed consolidated statements of total changes in equity of Banco Sabadell Group

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

Sources of changes in equity	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	**Total**
Closing balance 31/12/2021	**703,371**	**7,899,227**	**—**	**19,108**	**5,441,185**	**—**	**(1,201,701)**	**(34,523)**	**530,238**	**—**	**(385,604)**	**—**	**24,980**	**12,996,281**
Effects of corrections of errors														**—**
Effects of changes in accounting policies														**—**
Opening balance 01/01/2022	**703,371**	**7,899,227**	**—**	**19,108**	**5,441,185**	**—**	**(1,201,701)**	**(34,523)**	**530,238**	**—**	**(385,604)**	**—**	**24,980**	**12,996,281**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**392,537**	**—**	**(125,689)**	**—**	**13,964**	**280,812**
Other changes in equity	**—**	**—**	**—**	**(786)**	**360,333**	**—**	**(59,149)**	**4,719**	**(530,238)**	**—**	**—**	**—**	**(747)**	**(225,868)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration) (see Note 3)	—	—	—	—	(168,809)	—	—	—	—	—	—	—	—	**(168,809)**
Purchase of treasury shares	—	—	—	—	—	—	—	(50,878)	—	—	—	—	—	**(50,878)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	2,737	55,597	—	—	—	—	—	**58,334**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	530,238	—	—	—	(530,238)	—	—	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	(786)	—	—	—	—	—	—	—	—	—	**(786)**
Other increase or (-) decrease in equity	—	—	—	—	(1,096)	—	(61,886)	—	—	—	—	—	(747)	**(63,729)**
Closing balance 30/06/2022	**703,371**	**7,899,227**	**—**	**18,322**	**5,801,518**	**—**	**(1,260,850)**	**(29,804)**	**392,537**	**—**	**(511,293)**	**—**	**38,197**	**13,051,225**

The attached explanatory Notes 1 to 35 and Schedules I to V form an integral part of the condensed interim consolidated statement of total changes in equity for the six-month period ended 30 June 2022.

Condensed consolidated statements of total changes in equity of Banco Sabadell Group

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

												Minority interests		
Sources of changes in equity	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	**Total**
Closing balance 31/12/2020	**703,371**	**7,899,227**	**—**	**20,273**	**5,444,622**	**—**	**(1,088,384)**	**(37,517)**	**2,002**	**—**	**(523,590)**	**541**	**71,093**	**12,491,638**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Opening balance 01/01/2021	**703,371**	**7,899,227**	**—**	**20,273**	**5,444,622**	**—**	**(1,088,384)**	**(37,517)**	**2,002**	**—**	**(523,590)**	**541**	**71,093**	**12,491,638**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**220,343**	**—**	**540**	**(126)**	**6,952**	**227,709**
Other changes in equity	**—**	**—**	**—**	**(3,037)**	**17,179**	**—**	**(59,557)**	**3,284**	**(2,002)**	**—**	**—**	**—**	**(2,584)**	**(46,717)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Purchase of treasury shares	—	—	—	—	—	—	—	(35,755)	—	—	—	—	—	**(35,755)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	521	39,039	—	—	—	—	—	**39,560**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	2,002	—	—	—	(2,002)	-	—	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	(1,332)	—	—	—	—	—	—	—	—	—	**(1,332)**
Other increase or (-) decrease in equity	—	—	—	(1,705)	15,177	—	(60,078)	—	—	—	—	—	(2,584)	**(49,190)**
Closing balance 30/06/2021	**703,371**	**7,899,227**	**—**	**17,236**	**5,461,801**	**—**	**(1,147,941)**	**(34,233)**	**220,343**	**—**	**(523,050)**	**415**	**75,461**	**12,672,630**

Shown for comparative purposes only (see Note 1.5).

Condensed consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	Note	30/06/2022	30/06/2021 (*)
Cash flows from operating activities		**(2,942,804)**	**10,884,690**
Profit or loss for the period		406,501	227,295
Adjustments to obtain cash flows from operating activities		852,298	905,800
Depreciation and amortisation		272,402	261,365
Other adjustments		579,896	644,435
Net increase/decrease in operating assets		(9,949,805)	(3,614,315)
Financial assets held for trading		(2,288,803)	416,177
Non-trading financial assets mandatorily at fair value through profit or loss		15,779	(8,387)
Financial assets designated at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		701,764	(225,751)
Financial assets at amortised cost		(8,128,541)	(3,454,487)
Other operating assets		(250,004)	(341,867)
Net increase/decrease in operating liabilities		5,703,062	13,136,644
Financial liabilities held for trading		1,431,227	(1,014,632)
Financial liabilities designated at fair value through profit or loss		—	—
Financial liabilities at amortised cost		4,750,728	15,302,353
Other operating liabilities		(478,893)	(1,151,077)
Income tax receipts or payments		45,140	229,266
Cash flows from investing activities		**(334)**	**246,534**
Payments		(184,575)	(250,468)
Tangible assets		(104,545)	(169,652)
Intangible assets		(78,283)	(79,749)
Investments in joint ventures and associates		(1,747)	(1,067)
Subsidiaries and other business units		—	—
Non-current assets and liabilities classified as held for sale		—	—
Other payments related to investing activities		—	—
Collections		184,241	497,002
Tangible assets		39,016	66,396
Intangible assets		—	—
Investments in joint ventures and associates		120,503	60,824
Subsidiaries and other business units		—	—
Non-current assets and liabilities classified as held for sale		24,722	369,782
Other collections related to investing activities		—	—

(*) Shown for comparative purposes only (see Note 1.5).

The attached explanatory Notes 1 to 35 and Schedules I to V form an integral part of the condensed interim consolidated cash flow statement for the six-month period ended 30 June 2022.

Condensed consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	Note	30/06/2022	30/06/2021 (*)
Cash flows from financing activities		**(1,029,971)**	**457,694**
Payments		(1,088,305)	(581,865)
Dividends		(168,809)	—
Subordinated liabilities		(750,000)	(443,497)
Amortisation of own equity instruments		—	—
Acquisition of own equity instruments		(50,878)	(35,755)
Other payments related to financing activities		(118,618)	(102,613)
Collections		58,334	1,039,559
Subordinated liabilities		—	1,000,000
Issuance of own equity instruments		—	—
Disposal of own equity instruments		58,334	39,559
Other collections related to financing activities		—	—
Effect of exchange rate fluctuations		**44,154**	**136,216**
Net increase (decrease) in cash and cash equivalents		**(3,928,955)**	**11,725,134**
Cash and cash equivalents at the beginning of the period	**7**	**49,213,196**	**35,184,902**
Cash and equivalents at the end of the period	**7**	**45,284,241**	**46,910,036**

Memorandum item			
CASH FLOWS CORRESPONDING TO:			
Interest received		2,156,490	2,035,607
Interest paid		646,977	421,882
Dividends received		2,476	1,063
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
Cash	7	677,758	630,019
Cash equivalents in central banks	7	43,741,283	45,117,322
Other demand deposits	7	865,200	1,162,695
Other financial assets		—	—
Less: bank overdrafts repayable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**45,284,241**	**46,910,036**
Of which: held by Group entities but which cannot be drawn by the Group		—	—

(*) Shown for comparative purposes only (see Note 1.5).

The attached explanatory Notes 1 to 35 and Schedules I to V form an integral part of the condensed interim consolidated cash flow statement for the six-month period ended 30 June 2022.

Explanatory notes to the condensed interim consolidated financial statements of Banco Sabadell Group for the six-month period ended 30 June 2022

Note 1 – Activity, accounting policies and practices

1.1 Activity

Banco de Sabadell, S.A. (hereinafter, also referred to as “Banco Sabadell”, “the Institution” or “the Bank”), with registered office in Alicante, Avenida Óscar Esplá 37, engages in banking business and is subject to the standards and regulations governing banking institutions operating in Spain. The supervision of Banco Sabadell on a consolidated basis is performed by the European Central Bank (ECB).

The Articles of Association and other public information can be viewed at both the Bank’s registered offices and on its website (https://https://www.grupbancsabadell.com/corp/en/home.html).

The Bank is the parent company of a group of entities (see Schedule I to the 2021 consolidated annual financial statements and Note 2) whose activity it controls directly or indirectly and which comprise, together with the Bank, Banco Sabadell Group (hereinafter, “the Group”).

1.2 Basis of presentation

The Group’s consolidated annual financial statements for 2021 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU IFRS) applicable at the end of 2021, taking into account Bank of Spain Circular 4/2017 of 27 November as well as other provisions of the financial reporting regulations applicable to the Group, in order to fairly present the Group’s equity and consolidated financial situation as at 31 December 2021 and the results of its operations, changes in equity and cash flows (all consolidated) in 2021.

Note 1 to the consolidated annual financial statements for 2021 includes a summary of the principles, accounting policies and measurement criteria applied by the Group. The aforesaid consolidated annual financial statements were authorised by the directors of Banco Sabadell at the Board meeting of 17 February 2022 and approved at the Annual General Meeting of 24 March 2022.

These condensed interim consolidated financial statements for the six-month period ended 30 June 2022 have been prepared and are presented in accordance with IAS 34 “Interim Financial Reporting”, as set out in the EU IFRS, and they were authorised by the Bank’s directors on 27 July 2022, taking into account Bank of Spain Circular 4/2017, of 27 November, and its subsequent amendments.

The condensed interim consolidated financial statements have been prepared applying the same consolidation principles, accounting policies and measurement criteria as those applied by the Group in the consolidated annual financial statements for the financial year 2021, taking into consideration the standards and interpretations that have come into force since 1 January 2022 (see Note 1.3), so that they fairly present the Group’s consolidated equity and consolidated financial situation as at 30 June 2022 and the consolidated results of its operations and consolidated cash flows materialising in the Group over the six-month period from 1 January to 30 June 2022.

In accordance with that set forth in IAS 34, the interim financial information is prepared with the sole purpose of explaining the significant events and changes that occurred in the six-month period, without duplicating information already published in the most recent consolidated annual financial statements. Therefore, for a proper comprehension of the information included in these condensed interim consolidated financial statements, they should be read together with the Group’s consolidated annual financial statements for 2021.

These condensed interim consolidated financial statements have been prepared based on the accounting records kept by the Bank and each of the other entities in the Group, and include adjustments and reclassifications necessary to ensure the harmonisation of the accounting policies and measurement criteria applied by the Group.

There are no cases in which accounting principles or measurement criteria whose application is mandatory have not been applied because of a significant effect on the condensed interim consolidated financial statements.

Except as otherwise indicated, these condensed interim consolidated financial statements are expressed in thousands of euros. In order to show the amounts in thousands of euros, the accounting balances have been subject to rounding; for this reason, some of the amounts appearing in certain tables may not be the exact arithmetic sum of the preceding figures.

In accordance with IAS 34, when determining the information to be disclosed concerning the various items in the consolidated financial statements and other matters, the Group has taken into account their materiality in relation to the condensed interim consolidated financial statements.

1.3 Regulatory amendments in the first half of 2022

Standards and Interpretations issued by the International Accounting Standards Board (IASB) entering into force in 2022

In the first half of 2022, the standards and interpretations adopted by the European Union, together with their amendments, which have been applied by the Group due to their entry into force or their early application, are the following:

Standards and Interpretations	Title
Amendments to IAS 16, IAS 37 and IFRS 3 and annual improvements to IFRS 2018-20 (*)	Narrow-scope amendments

(*) The consolidated annual financial statements for the year 2021 contain a brief description of these amendments.

The implementation of the aforesaid standards has not given rise to any significant effects in terms of these condensed interim consolidated financial statements.

Standards and Interpretations issued by the IASB not yet in force

As at the date of authorisation of these condensed interim consolidated financial statements, the most significant standards and interpretations published by the IASB but which have not yet entered into force, either because their effective implementation date is later than the date of these condensed interim consolidated financial statements, or because they have not yet been adopted by the European Union, are the following:

Standards and Interpretations	Title	Mandatory for years beginning:
Approved for application in the EU		
IFRS 17 (*)	Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 (*)	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8 (*)	Definition of accounting estimates	1 January 2023
Not approved for application in the EU		
Amendments to IAS 1 (*)	Presentation of financial statements: classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 12 (*)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 17 (*)	Initial application of IFRS 17 and IFRS 9: Comparative Information	1 January 2023

(*) The consolidated annual financial statements for the year 2021 include a brief description of these standards and amendments.

It is estimated that the adoption of the standards, amendments and interpretations issued by the IASB not yet in effect will not have a significant impact on the Group's activity. Nevertheless, the insurance undertakings associated with the Group are working on the implementation of the new regulatory framework for insurance contracts arising from IFRS 17, which will come into force on 1 January 2023.

1.4 Use of judgements and estimates in preparing the condensed interim consolidated financial statements

The preparation of the condensed interim consolidated financial statements requires certain accounting estimates to be made. It also requires the use of professional judgement in the process of applying the Group's accounting policies. Such judgements and estimates may affect the value of assets and liabilities and the disclosure of contingent assets and contingent liabilities as at the date of the condensed interim consolidated financial statements, as well as the income and expenses during the period to which they relate.

The main judgements and estimates made in these condensed interim consolidated financial statements relate to the following items:

- Corporation tax expense, which, in accordance with IAS 34, is recognised in interim periods based on the best estimate of the weighted average tax rate that the Group expects for the full financial year.
- The determination of the business models under which financial assets are managed (see Notes 8 and 10).
- The accounting classification of financial assets according to their credit risk (see Notes 8 and 10).
- Impairment losses on certain financial assets (see Notes 8 and 10).
- The assumptions used in actuarial calculations of liabilities and post-employment obligations (see Note 18).
- The useful life and impairment losses of tangible assets and other intangible assets (see Notes 11 and 12).
- The measurement of consolidated goodwill (see Note 12).
- The duration of lease contracts and the discount rate used in the measurement of the financial lease liability.
- The provisions and consideration of contingent liabilities (see Note 18).
- The fair value of certain unquoted financial assets (see Note 6).
- The fair value of real estate assets held on the balance sheet (see Note 6).
- The recoverability of non-monetisable deferred tax assets and tax credits (see Note 32).

The conflict between Russia and Ukraine has shaped the economic environment and the performance of financial markets in the first half of 2022, injecting uncertainty into companies' activity, which has reinforced the need to use professional judgement when assessing the impact of the existing macroeconomic situation on the aforesaid estimates, fundamentally in relation to the calculation of impairment losses on financial assets.

Although the estimates are based on the information available regarding current and foreseeable circumstances, final results could differ from these estimates.

The main changes in judgements and estimates occurring during the first half of 2022 are described below:

Macroeconomic scenarios used to determine loan book impairment

The macroeconomic and financial scenarios used to calculate losses on the loan book have been determined by the conflict in Ukraine, higher and persistent inflation, as well as tighter financial conditions.

In the three main scenarios considered, the probabilities of occurrence are as follows: 60% in the baseline scenario, 30% in the downside scenario and 10% in the upside scenario. In the case of the subsidiary TSB, the probability of the baseline scenario has been reduced to 50% and that of the downside scenario to 25%, so as to incorporate two additional stress scenarios that consider high interest rates (high inflation, with a probability of occurrence of 10%) and low interest rates (uncontrolled pandemic, with a probability of 5%) for the UK economy. A 5-year time horizon has been used to carry out the projections of these scenarios. The main variables considered are changes in GDP, the unemployment rate and house prices. In 2021, the Group also considered three macroeconomic scenarios, weighted at 60% for the baseline scenario, 25% for the downside scenario and at 15% for the upside scenario.

The energy crisis and the conflict in Ukraine have caused the growth-inflation mix to deteriorate. The main driver setting the scenarios apart relates to the trend followed by inflation and the extent of its persistence. This, in turn, is contingent upon the development of the conflict in Ukraine, the resolution of value chain disruptions, the evolution of the labour market and the fiscal policy response.

The baseline scenario centres around the cycle of interest rate hikes and their economic consequences. Central banks quickly raise official interest rates to levels near or above monetary neutrality, in order to ensure that inflation returns to the targeted levels. In the short term, inflation remains high due to the factors that drove it upwards in 2022, but in the medium term it gradually converges towards monetary policy targets. Inflation expectations remain firmly anchored thanks to the response of central banks. Against this backdrop, economic activity weakens due to, among other factors, the loss of purchasing power and higher interest rates. Financial conditions tighten, although the movement is less abrupt than in 2022. Peripheral countries’ risk premiums are kept at relatively contained levels, thanks to the ECB’s resolve to avoid financial fragmentation.

In the downside scenario, inflation remains high for a protracted period of time in developed countries, due to factors such as persistently high energy costs and supply issues in the value chains, pressures that drive wages upwards, along with an active fiscal policy that seeks to protect consumers from high inflation. In this scenario, central banks respond by increasing interest rates at a faster pace and to a greater extent than in the baseline scenario. Economies fall into recession due to the surge in costs for firms and consumers, as well as the rapidly tightening global financial conditions.

In the upside scenario, inflation levels fall at a faster pace than in the baseline scenario and remain close to monetary policy targets, thanks to a benign resolution of the conflict in Ukraine, the end of the energy and commodities crisis and the normalisation of global production chains. Global economic growth is strong and synchronised, and central banks forge ahead with their interest rate hikes, gradually increasing them to the point of monetary neutrality. Global financing conditions remain lax, with no significant episodes of risk aversion.

The Group makes a series of post-model adjustments to the results of its credit risk models, in order to address situations in which the results of the models are not sufficiently sensitive to the uncertainty in the macroeconomic environment. These adjustments are temporary and remain in place until the reasons for which they were originally applied cease to exist. The application of these adjustments is subject to the governance principles established by the Group. Specifically, in the first six months of 2022, a series of adjustments have been made to expected losses, which include sector-specific aspects of the current macroeconomic climate and the new inflationary environment.

1.5 Comparability

The information contained in the condensed interim consolidated financial statements and explanatory notes corresponding to 31 December 2021 and 30 June 2021 is shown solely and exclusively for purposes of comparison against the information relating to the six-month period ended on 30 June 2022.

1.6 Seasonality of the Group's transactions

Given the activities engaged in by the Group's companies, their transactions are neither cyclical nor seasonal. Consequently, these explanatory notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2022 do not contain specific disclosures in that regard.

Note 2 – Banco Sabadell Group

Schedule I to the consolidated annual financial statements for the year ended 31 December 2021 contains material disclosures about the Group companies that were consolidated as at that date and those accounted for using the equity method.

Schedule I to these condensed interim consolidated financial statements gives details of the business combinations, acquisitions and sales of equity holdings in other institutions (subsidiaries and/or associates) carried out by the Group during the six-month period ended 30 June 2022.

Changes in the consolidation perimeter during the first half of 2022

No material changes in the consolidation perimeter have taken place during the first half of 2022.

Note 3 – Shareholder remuneration and earnings per share

Details are provided hereafter about the dividends paid out by the Bank during the six-month period ended 30 June 2022:

	30/06/2022		
	% of par	**Euro per share**	**Amount (thousand euro)**
Ordinary shares	24 %	0.03	168,809
Other shares (non-voting, redeemable, etc.)	—	—	—
Total dividends paid			
a) Dividends charged to results	24 %	0.03	168,809
b) Dividends charged to reserves or share premium	—	—	—
c) Dividends in kind	—	—	—

At its meeting held on 26 January 2022, the Board of Directors of Banco Sabadell agreed to distribute a dividend of 0.03 euros (gross) per share to shareholders, to be paid in cash. The dividend proposal was approved at the Annual General Meeting, and the dividend amount corresponding to the 2021 financial year was paid out on 1 April 2022.

Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (adjusted by earnings on other equity instruments) by the weighted average number of ordinary shares outstanding in the period, excluding any treasury shares acquired by the Group. Diluted earnings per share are calculated by applying adjustments for the estimated effect of potential conversions of ordinary shares to the net profit attributable to the Group and the weighted average number of ordinary shares outstanding.

The Group’s earnings per share calculations are shown in the following table:

	30/06/2022	**30/06/2021**
Profit or loss attributable to owners of the parent (thousand euro)	392,537	220,343
Adjustment: Remuneration of other equity instruments (thousand euro)	(63,795)	(45,096)
Profit or (-) loss after tax from discontinued operations (thousand euro)	—	—
Adjusted net profit attributable to the owners of the parent company (thousand euro)	328,743	175,247
Weighted average number of ordinary shares outstanding (*)	5,594,862,967	5,583,915,390
Conversion undertaken of convertible debt and other equity instruments	—	—
Adjusted weighted average number of ordinary shares outstanding	5,594,862,967	5,583,915,390
Earnings per share (euro)	0.06	0.03
Basic earnings per share adjusted for mandatory convertible bonds (euro)	0.06	0.03
Diluted earnings per share (euro)	0.06	0.03

(*) Average number of shares outstanding, excluding the average number of own shares held in treasury stock during the period.

As at 30 June 2022 and 2021, there were no other share-based financial instruments or commitments with employees with a significant impact on the calculation of diluted earnings per share for the periods presented. For this reason, basic earnings per share coincide with diluted earnings per share.

Note 4 – Risk management

Note 4 "Risk management" in the consolidated annual financial statements for 2021 gives information about the corporate risk culture, the Global Risk Framework and the overall organisation of the risk function, as well as the management and monitoring of the main financial and non-financial risks.

Material disclosures updated as at 30 June 2022 in relation to risk management are provided here below.

4.1. Macroeconomic, political and regulatory environment

- Media attention has focused mainly on the conflict in Ukraine, which has led to a deterioration of the growth-inflation mix on a global scale.
- Western countries have imposed sanctions on Russia, which have centred on the prohibition of imports of commodities (e.g. oil and coal) and on activity of Russian banks.
- Russia is cutting its gas supply to Europe and has completely shut off supply to Poland, Bulgaria, Denmark, Finland and the Netherlands.
- European authorities have taken measures to gradually cut the existing energy dependence on Russia.
- Tensions have been mounting once more between the United Kingdom and the European Union in relation to the Northern Ireland Protocol.
- In most countries, Covid-19 has been transitioning to an endemic phase, the main exception being China.
- Economic outlooks have deteriorated due to the conflict in Ukraine, the zero-Covid policy in China, inflation, and tightening financial conditions.
- Activity in Spain has been underpinned by the recovery of tourism. The government has taken measures to cushion the effects of the conflict.
- Inflation has continued to surprise to the upside, with generalised rebounds across components.
- Global supply chains have been affected, not only by the zero-Covid policy in China, but also by the consequences of the military conflict in Ukraine.
- Central banks have taken a hawkish stance and have made tackling inflation their top priority. The ECB initiated the interest rate hike cycle in July, raising benchmark rates by 50 bps in its first rate increase since 2011.
- Sovereign debt yields have soared in the face of central banks' hawkish tone and high inflation.
- Financial markets have been volatile and risk assets have performed negatively amid tightening financial conditions and increased uncertainty surrounding the global economic environment.

Impacts stemming from the war in Ukraine

The public health emergency caused by Covid in March 2020, successfully brought under control thanks to the large-scale vaccination process in the second half of 2021, was left firmly behind in the first half of 2022 in the main markets in which the Group operates.

Against this backdrop, although the measures introduced to minimise the effects of the pandemic have remained in place in the first few months of 2022, it is thought that they will soon be lifted, while governments have been preparing for economic recovery. However, the war between Russia and Ukraine, which broke out at the end of February 2022 and which is still ongoing today, is weighing on this process of economic revival and its consequences have prompted governments to adopt plans and measures similar to those proposed in the face of the health emergency to mitigate the impact of the conflict (ICO guarantee lines and direct aid for affected sectors).

Banco Sabadell's credit risk with both individuals and companies from these countries is limited, and so is its counterparty credit risk with financial institutions from both countries. Specifically, the largest exposures relate to mortgage loans granted to customers of Russian, Ukrainian or Belarusian nationality residing outside Spain, although these amount to less than 400 million euros, representing 0.22% of the Group's outstanding loans as at 30 June 2022. The real estate assets securing the aforesaid exposures are located in Spain, with an average Loan-to-Value of 43%. Furthermore, these are all transactions originated more than 6 years ago.

<u>ICO guarantee lines</u>

ICO COVID-19 guarantee line

Following Royal Decree-Law 8/2020, of 17 March, which approved a government guarantee line for companies and self-employed persons of up to 100 billion euros (of which more than 92,870 million euros have already been mobilised, according to the most recent data available, which is as at 31 May 2021), Royal Decree-Law 25/2020, of 3 July, approved a new ICO government guarantee line for companies and self-employed persons of up to 40 billion euros, whose final tranche was approved by the Council of Ministers' Resolution of 28 May 2021. With the approval of Royal Decree-Law 5/2021, in March 2021, the deadline for applying for all Covid guarantees was extended to 31 December 2021. Later, on 24 November 2021, Royal Decree-Law 27/2021 was published, which further extended the deadline for applying for these guarantees by another six months, i.e. to 30 June 2022, in line with the extension of the European Union State Aid Temporary Framework.

Lastly, on 21 June 2022, the government, through a Council of Ministers' Resolution, approved the possibility of extending the ICO Covid guarantee lines to beyond 30 June 2022. Extending the duration of the guarantees will enable companies and self-employed professionals to extend the repayment term of their loans, subject to approval by the relevant financial institution, to up to 8 or 10 years. The application of this measure is contingent upon obtaining the European Commission's authorisation.

ICO guarantee line in the context of war in Ukraine

On 29 March 2022, the government approved the plan outlining its response to Russia's invasion of Ukraine through Royal Decree-Law 6/2022. The response plan contains, among other measures, an ICO guarantee line of 10 billion euros, which aims to ensure that companies affected by the rise in costs of energy and commodities caused by the conflict can have access to liquidity.

The features of the guarantee line include, among others: all companies and self-employed professionals will be able to benefit from it, with the exception of the financial and insurance sectors; the deadline for applying for these guarantees is 1 December 2022; and banks will need to keep their customers' working capital lines open until 31 December 2022.

Subsequently, on 10 May 2022, a Council of Ministers' Resolution approved the first tranche of this guarantee line, amounting to 5 billion euros, stating that the granting of these guarantees was subject to the European Commission's authorisation of the guarantee line, which was eventually received on 2 June 2022.

<u>Code of Good Practice</u>

On 11 May 2021, the Council of Ministers adopted a Resolution approving the Code of Good Practice on the renegotiation framework for customers with guaranteed financing set forth in the aforesaid Royal Decree-Law 5/2021, of 12 March, on extraordinary business solvency support measures in response to the Covid pandemic.

This Code of Good Practice provided three main options: term extensions, conversion of debt into participating loans, and debt reductions. In line with the new thresholds established in the EU Temporary Framework following its amendment, the deadlines for applying for these options were extended in December 2021 (to 1 June 2022 for term extensions and conversions into participating loans, and to 1 June 2023 for debt reductions).

Similarly, Royal Decree-Law 6/2022 of 29 March 2022, on urgent measures under the National Response Plan to the war in Ukraine, introduced certain amendments to the aforesaid Code of Good Practice.

4.2. Credit risk

Credit risk exposure

The table below shows the distribution, by headings of the condensed consolidated balance sheet and off-balance sheet exposures, of the Group's maximum gross credit risk exposure as at 30 June 2022 and 31 December 2021, without deducting collateral or credit enhancements obtained in order to ensure the fulfilment of payment obligations, broken down by portfolios and in accordance with the nature of the financial instruments:

Thousand euro

Maximum credit risk exposure	Note	30/06/2022	31/12/2021
Financial assets held for trading		**1,632,071**	**592,631**
Equity instruments	9	—	2,258
Debt securities	8	1,632,071	590,373
Non-trading financial assets mandatorily at fair value through profit or loss		**63,780**	**79,559**
Equity instruments	9	3,192	14,582
Debt securities	8	60,588	64,977
Financial assets at fair value through other comprehensive income		**6,196,193**	**6,999,326**
Equity instruments	9	322,391	314,235
Debt securities	8	5,873,802	6,685,091
Financial assets at amortised cost		**189,559,818**	**182,173,414**
Debt securities	8	19,627,943	15,190,212
Loans and advances	10	169,931,875	166,983,202
Derivatives		**4,406,512**	**1,904,380**
Total risk, broken down by financial assets		**201,858,374**	**191,749,310**
Loan commitments given	20	28,252,340	28,403,146
Financial guarantees given	20	2,046,165	2,034,143
Other commitments given	20	7,693,167	7,384,863
Total off-balance sheet exposures		**37,991,672**	**37,822,152**
Total maximum credit risk exposure		**239,850,046**	**229,571,462**

Schedule V to these condensed interim consolidated financial statements shows quantitative data relating to credit risk exposures, broken down by geographical area.

The values of the guarantees received to ensure collection, as at 30 June 2022 and 31 December 2021, are as follows:

Thousand euro

	30/06/2022	31/12/2021
Value of collateral	97,682,009	97,877,766
Of which: securing Stage 2 loans	*7,312,524*	*6,740,264*
Of which: securing Stage 3 loans	*2,184,039*	*2,291,061*
Value of other guarantees	17,829,050	17,315,699
Of which: securing Stage 2 loans	*3,034,949*	*2,886,141*
Of which: securing Stage 3 loans	*662,317*	*604,726*
Total value of guarantees received	**115,511,059**	**115,193,465**

Credit quality of financial assets

The breakdown of total exposures rated based on the various internal rating levels, as at 30 June 2022 and 31 December 2021, is set out here below:

Million euro

Breakdown of exposure by rating	Loans assigned rating/score 30/06/2022				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	20,473	175	11	—	20,659
A	11,077	21	—	—	11,098
BBB	90,862	228	1	—	91,092
BB	25,174	592	2	*11*	25,768
B	21,419	4,329	20	*67*	25,768
Other	3,097	7,775	5,201	*69*	16,074
No rating/score assigned	7,337	24	—	—	7,361
Total gross amount	**179,439**	**13,145**	**5,237**	**147**	**197,820**
Impairment allowances	**(346)**	**(482)**	**(2,153)**	***(1)***	**(2,981)**
Total net amount	**179,093**	**12,663**	**3,084**	***147***	**194,839**

Million euro

Breakdown of exposure by rating	Loans assigned rating/score 31/12/2021				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	18,848	140	11	—	19,000
A	12,337	38	—	—	12,375
BBB	86,246	220	4	*1*	86,470
BB	23,747	520	2	*2*	24,269
B	21,667	3,827	19	*74*	25,512
Other	3,979	7,496	5,662	*83*	17,137
No rating/score assigned	4,515	86	—	—	4,601
Total gross amount	**171,339**	**12,327**	**5,698**	***160***	**189,364**
Impairment allowances	**(378)**	**(494)**	**(2,432)**	***(1)***	**(3,304)**
Total net amount	**170,962**	**11,833**	**3,266**	***159***	**186,060**

The breakdown of total off-balance sheet exposures rated based on the various internal rating levels, as at 30 June 2022 and 31 December 2021, is set out hereafter:

Million euro

Breakdown of exposure by rating	Loans assigned rating/score 30/06/2022				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	1,591	41	—	—	1,632
A	1,665	2	—	—	1,667
BBB	12,435	117	4	—	12,556
BB	9,056	87	3	—	9,145
B	9,463	683	2	*24*	10,148
Other	336	622	532	—	1,490
No rating/score assigned	1,253	100	—	—	1,353
Total gross amount	**35,798**	**1,652**	**541**	***25***	**37,992**
Impairment allowances	**(47)**	**(20)**	**(111)**	***—***	**(178)**
Total net amount	**35,751**	**1,632**	**430**	***25***	**37,814**

Million euro

Breakdown of exposure by rating	Loans assigned rating/score				
	31/12/2021				
	Stage 1	**Stage 2**	**Stage 3**	***Of which: purchased credit-impaired***	**Total**
AAA/AA	1,598	38	—	—	1,636
A	2,546	4	—	—	2,550
BBB	10,642	106	4	—	10,752
BB	9,095	158	3	—	9,255
B	10,323	684	2	*24*	11,009
Other	406	587	550	*1*	1,543
No rating/score assigned	725	352	—	—	1,077
Total gross amount	**35,335**	**1,928**	**559**	**25**	**37,822**
Impairment allowances	**(52)**	**(18)**	**(121)**	**—**	**(191)**
Total net amount	**35,283**	**1,910**	**438**	**25**	**37,631**

Further details on the credit rating and credit scoring models are included in section 4.4.2.2 of the consolidated annual financial statements for 2021.

Assets classified as stage 3 have decreased by 489 million euros in the first half of 2022. Consequently, the Group's NPL ratio has fallen during this period, as shown in the table below:

%

	30/06/2022	**31/12/2021**
NPL ratio (*)	3.31	3.65
NPL coverage ratio (*)	39.61	41.16
NPL (stage 3) coverage ratio, with total provisions (*)	55.28	56.34

(*) The NPL (stage 3) ratio ex-TSB stands at 4.00%, the NPL (stage 3) coverage ratio stands at 42.68%, and the NPL (stage 3) coverage ratio with total provisions stands at 56.98% as of 30 June 2022 (4.44%, 44.66%, and 58.45%, respectively, as of 31 December 2021).

The NPL ratio, broken down by lending segment, is set out below:

%

	Proforma 30/06/2022 (*)	**30/06/2022**	**Proforma 31/12/2021 (*)**	**31/12/2021**
Real estate development and construction	7.82	7.77	9.86	9.79
Non-real estate construction	12.05	12.04	11.97	11.95
Corporates	2.21	2.21	2.35	2.35
SMEs and self-employed	5.87	5.84	6.43	6.40
Individuals with 1st mortgage guarantee	3.42	2.35	3.60	2.50
Group NPL ratio	**4.00**	**3.31**	**4.44**	**3.65**

(*) Corresponds to the NPL ratio excluding TSB.

A more detailed quantitative breakdown of allowances and assets classified as stage 3 can be found in Note 10, and a more detailed breakdown of refinancing and restructuring transactions is included in Schedule V to these condensed interim consolidated financial statements.

4.3. Liquidity risk

Assessment of liquidity needs and funding policy

The Bank's liquidity position has remained at comfortable levels during the first half of 2022. Throughout the six-month period, the funding gap generated at the Group level has been negative, standing at -1,315 million euros, mainly because the volume of loans granted to meet customers' needs outgrew the volume of funds.

In the first half of 2022, Banco Sabadell's medium- and long-term maturities in the wholesale market amounted to 1,575 million euros (excluding securitisations), and it has carried out four wholesale market issues amounting to a value of 1,879 million euros. In particular, on 16 March 2022, it issued 750 million euros of green senior non-preferred debt maturing after 4 years with an option for Banco Sabadell to call early in the third year, specifically on 24 March 2025. On 24 March 2022, it issued 120 million euros of green non-preferred ordinary debentures maturing after 15 years. On 18 May 2022, it issued 1 billion euros of mortgage covered bonds maturing after 7 years, and on 3 June 2022 it issued 8.9 million euros of non-preferred ordinary bonds maturing after 5 years. Furthermore, in the first half of the year, Banco Sabadell has successfully exercised two early call options on wholesale market issues. Specifically, on 18 May 2022, it successfully exercised the option for an early redemption of 750 million euros of an Additional Tier 1 issue, and on 29 June 2022 it exercised the option for an early redemption of 500 million euros of a Senior Preferred debt issue.

In the second half of 2022, Banco Sabadell has scheduled maturities of medium- and long-term wholesale debt amounting to 822 million euros (not including partial and total amortisations derived from securitisations placed in the market).

In terms of its asset securitisation transactions, on 20 June Banco Sabadell carried out an early liquidation of the fund IM Sabadell PYME 11, FT, at the decision of Banco Sabadell as sole bondholder.

On 13 June 2022 TSB, for its part, executed a new Senior HoldCo issue amounting to 450 million pounds and maturing after 5 years, with an option for TSB to call early in the fourth year. Furthermore, on 29 June it exercised the early call option of a Senior HoldCo issue in the amount of 450 million pounds.

As at 30 June 2022, the balance drawn down from the facility held by the Bank with the Bank of Spain for monetary policy operations with the European Central Bank stood at 32 billion euros (32 billion euros as at 31 December 2021), corresponding to the TLTRO III (Targeted Longer Term Refinancing Operations) liquidity auctions.

On 30 June 2022, the total amount borrowed under the Bank of England's TFSME (Term Funding Scheme for Small and Medium-sized Enterprises) amounted to 6,409 million euros (6,545 million euros as at 31 December 2021).

Capital markets

The Group has and regularly renews a number of programmes for funding in capital markets, with a view to diversifying its different available funding sources. Specifically with regard to short-term funding, the Institution has a corporate commercial paper programme registered with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV), and with regard to medium- and long-term funding, it has a Euro Medium Term Notes (EMTN) programme registered with the Irish Stock Exchange.

The level of funding in capital markets has increased due to regulatory requirements, such as MREL (Minimum Requirement for Own Funds and Eligible Liabilities), focusing on products that have a tighter cost-to-term ratio given the Institution's credit rating. During the first half of 2022, as indicated previously, Banco Sabadell has carried out four wholesale market issues amounting to a value of 1,879 million euros.

Details of the Group's funding in capital markets, by type of product, as at 30 June 2022 and 31 December 2021 are shown below:

Million euro

	30/06/2022	31/12/2021
Outstanding nominal balance	**21,227**	**21,086**
Covered Bonds	10,360	9,754
Of which: TSB	*2,*039	*2,083*
Commercial paper and ECP	—	—
Senior debt	3,810	4,335
Senior non-preferred debt	2,921	2,042
Subordinated debt and preference shares	3,465	4,215
Of which: TSB	—	—
Securitisation bonds	668	738
Of which: TSB	—	—
Other	2	2

Maturities of the Group's issues (excluding securitisations, ECP and commercial paper), by type of product and considering their legal maturity, aimed at institutional investors as at 30 June 2022 and 31 December 2021 are analysed below:

Million euro

	3Q22	4Q22	2023	2024	2025	2026	2027	>2027	Balance outstanding
Covered bonds (*)	450	954	1,388	2,724	836	390	1,100	2,518	10,360
Senior debt	—	—	975	735	1,600	—	500	—	3,810
Senior non-preferred debt	—	—	—	975	500	817	9	620	2,921
Subordinated Debt and Preferred	—	—	—	—	—	500	—	2,965	3,465
Other medium/long term financial instruments	—	—	—	2	—	—	—	—	2
TOTAL	**450**	**954**	**2,363**	**4,436**	**2,936**	**1,707**	**1,609**	**6,103**	**20,558**

(*) Collateralised issues.

Million euro

	2022	2023	2024	2025	2026	2027	> 2027	Balance outstanding
Covered bonds (*)	1,717	1,388	2,743	836	390	1,100	1,580	9,754
Senior Debt (**)	25	1,475	735	1,600	—	500	—	4,335
Senior non-preferred debt (**)	—	—	975	500	67	—	500	2,042
Subordinated debt and preference shares (**)	—	—	—	—	500	—	3,715	4,215
Other medium/long term financial instruments (**)	—	—	2	—	—	—	—	2
TOTAL	**1,742**	**2,863**	**4,455**	**2,936**	**957**	**1,600**	**5,795**	**20,348**

(*) Secured issues.

(**) Unsecured issues.

Liquid assets

In addition to these sources of funding, Banco Sabadell maintains a liquidity buffer in the form of liquid assets to meet potential liquidity needs:

Million euro

	30/06/2022	31/12/2021
Cash (*) + Net Interbank Position	37,950	43,189
Funds available in Bank of Spain facility	1,576	1,527
ECB eligible assets not pledged in facility	7,122	4,429
Other non-ECB eligible marketable assets (**)	4,064	4,738
Memorandum item:		
Balance drawn from Bank of Spain facility (***)	*32,000*	*32,000*
Balance drawn from Bank of England Term Funding Scheme (****)	*6,409*	*6,545*
Total Liquid Assets Available	**50,712**	**53,883**

(*) Excess reserves at Central Banks.

(**) Market value, and after applying the Liquidity Coverage Ratio (LCR) haircut. Includes Fixed Income qualifying as a high quality liquid asset according to LCR (HQLA) and other marketable assets from different Group entities.

(***) Corresponds to TLTRO-III.

(****) Includes 5,500 million pounds sterling under the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME).

The Group's first line of liquidity has declined in the first half of 2022, falling by 3,171 million euros relative to the end of 2021, due mainly to a negative funding gap and to the reduction in the valuation of liquid assets.

Regarding the balance of reserves in central banks and the net interbank position, these declined by 5,239 million euros in the first half of 2022. There is also a volume of ECB-eligible liquid assets, whose balance has increased by 2,742 million euros during the six-month period ended 30 June 2022, due to the increased fixed-income portfolio purchases, while available non-ECB-eligible assets have decreased by 674 million euros during the first half of 2022.

It should be noted that the Group follows a decentralised liquidity management model. This model tends to limit the transfer of liquidity between the different subsidiaries involved in liquidity management, thereby limiting intra-group exposures, beyond any restrictions imposed by the local regulators of each subsidiary. Thus, the subsidiaries involved in liquidity management determine their liquidity position by considering only those assets in their possession that meet the eligibility, availability and liquidity criteria set forth both internally and in regulations in order to comply with regulatory minima.

In addition to the first line of liquidity, each UGL (*Unidad Generadora de Liquidez*, or liquidity-generating unit) monitors its liquidity buffer with an internal conservative criterion called the counterbalancing capacity. In the case of the BSab UGL (includes Banco Sabadell S.A., which incorporates activity in foreign branches as well as the businesses in Mexico), this liquidity buffer comprises the first and second lines of liquidity. As at 30 June 2022, the second line of liquidity added a volume of 11,278 million euros to the liquidity buffer (11,536 million euros as at 31 December 2021), including the mortgage covered bond issuing capacity considering the average valuation applied by the central bank to own-use covered bonds to obtain funding, as well as assets available for up to 7 days of the business in Mexico not included in the first line of liquidity.

For the TSB UGL, this metric is calculated as the sum of the first line of liquidity and any loans pre-positioned with the Bank of England to obtain funding. As at 30 June 2022, the second line of liquidity, considering the amount of loans pre-positioned with the Bank of England, amounted to 4,607 million euros (5,786 million euros as at 31 December 2021).

There are no significant amounts of cash or cash equivalents that are unavailable for use by the Group.

Compliance with regulatory ratios

As part of its liquidity management, the Group monitors the short-term Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) and reports the necessary information to the Regulator on a monthly and quarterly basis, respectively. The measurement of liquidity based on these metrics forms part of liquidity risk control arrangements in all UGLs (*Unidades de Gestión de Liquidez*, or liquidity management units).

In terms of the LCR, since 1 January 2018, the regulatory minimum requirement has been 100%, a level amply surpassed by all of the Institution's UGLs, particularly by the Banco Sabadell and TSB UGLs, both of which had very high LCRs of 264% and 155%, respectively, as at 30 June 2022. At the Group level, the LCR has remained well above 100% on a stable basis at all times, ending the second quarter of 2022 at 225%.

In terms of the NSFR, the regulatory minimum requirement, effective from June 2022, is 100%, a level amply surpassed by all UGLs of the Institution given its funding structure, in which customer deposits are predominant and where the majority of market funding is in the medium/long term. It is particularly worth mentioning the Banco Sabadell and TSB UGLs, whose levels are far above 100%, standing at 139% and 147%, respectively, as at 30 June 2022. The Group-level ratio ended the second quarter of 2022 at 142%.

4.4. Market risk

Trading activity

Market risk incurred in trading activity is measured using the Value at Risk (VaR) and stressed VaR methodologies. These allow risks to be standardised across different types of financial market transactions.

The market risk incurred in trading activity in terms of 1-day VaR with a 99% confidence interval for the first half of 2022 and the full year 2021 was as follows:

Million euro

	30/06/2022			31/12/2021		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest rate risk	0.82	1.11	0.61	0.88	1.86	0.55
Foreign exchange risk (trading)	1.54	2.42	1.09	1.61	3.13	0.03
Equities	0.24	1.24	0.02	0.16	1.89	0.04
Credit spread	0.27	0.57	0.19	0.25	0.62	0.07
Aggregate VaR	**2.88**	**4.81**	**2.14**	**2.89**	**5.39**	**1.15**

In spite of the increased volatility in the markets during the first half of the year, on average the VaR figures for trading activity dipped slightly during this period, mainly those relating to interest rate risk and foreign exchange risk. This is because the open positions have had limited exposure to the more volatile risk factors, and also because the Covid scenarios, which had a considerable impact on the metric, have fallen outside of the time window considered.

Structural interest rate risk

The first half of 2022 has been characterised by a generalised increase in interest rates in a context of high inflation. The Fed raised its funds rate in the US on three occasions, until it stood at 1.5%, after having remained at 0% for two years. The BoE, for its part, raised the base rate for the fourth consecutive time until it stood at 1.25% as at 30 June 2022 (0.25% as at 31 December 2021). The ECB kept its Main Refinancing Operations (MRO) rate at 0% (since March 2016) and its marginal deposit rate at -0.5% (since September 2019) until 21 July 2022, when it raised the interest rate by 0.5%, foreseeably marking the beginning of a slow but steady trend of additional rate hikes. Market rates have followed or priced in this rising trend, with the 12-month Euribor climbing to 1.04% from -0.50% as at year-end 2021, the 12-month USD Libor reaching 1.58% from 0.06% as at year-end 2021, and the 6-month GBP Libor rising to 2.25% from 0.79% at the start of the year.

In terms of the Group's balance sheet, the structure of the balance of trade has been maintained. On the other hand, in the ALCO portfolio, it is worth highlighting the reconstruction of the fixed-income portfolio, which has been increased by 5 billion euros in the first half-year. The amount of central bank funding has been maintained, with 32 billion euros borrowed from the European Central Bank under TLTRO III as at 30 June 2022 and 5.5 billion pounds borrowed from the Bank of England under the TFSME as at 30 June 2022, as indicated previously.

Moreover, the Group is closely monitoring customer behaviour in order to deal with any possible changes that may occur as a result of interest rate hikes and high inflation. It focuses particularly on customer behaviour related to items with no contractual maturity (mainly demand accounts) and, to a lesser extent, items with an expected maturity that may be different to that established in the contracts (due to early repayment of loans, early termination of term deposits or recovery time and balance of non-performing exposures).

Structural foreign exchange risk

The most prominent permanent investments in non-local currencies are carried out in US dollars, pounds sterling and Mexican pesos.

The Group has been following a hedging policy for its equity that seeks to minimise the sensitivity of capital ratios to adverse movements in these currencies against the euro. To that end, the evolution of foreign business is monitored, as are the political and macroeconomic variables that could have a significant impact on exchange rates.

As regards permanent investments in US dollars, the overall position in this currency has gone from 1,170 million as at 31 December 2021 to 1,217 million as at 30 June 2022. In relation to this position, as at 30 June 2022, a buffer of 31% of total investment is maintained. In terms of permanent investments in Mexican pesos, the capital buffer has gone from 10,003 million Mexican pesos as at 31 December 2021 (of a total exposure of 14,572 million Mexican pesos) to 9,003 million Mexican pesos as at 30 June 2022 (of a total exposure of 14,944 million Mexican pesos), representing 60% of the total investment made.

As regards permanent investments in pounds sterling, the capital buffer has remained stable at 213 million pounds sterling during the first half of 2022 (total exposure has gone from 1,890 million pounds sterling as at 31 December 2021 to 1,943 million pounds sterling as at 30 June 2022), representing 11% of the total investment made (excluding intangibles).

Currency hedges are continuously reviewed in light of market movements.

The net position of foreign currency assets and liabilities includes the structural position of the Institution, valued as at 30 June 2022, which amounted to 3,153 million euros, including 2,016 million euros corresponding to permanent equity holdings in pounds sterling, 806 million euros corresponding to permanent equity holdings in US dollars and 283 million euros to permanent equity holdings in Mexican pesos. Net assets and liabilities valued at historical exchange rates are hedged with forwards and options denominated in foreign currencies in line with the Group's risk management policy.

As at 30 June 2022, the sensitivity of the equity exposure to a 1.30%[1] exchange rate depreciation against the euro of the main currencies to which there is exposure would amount to 41 million euros, of which 64% corresponds to the pound sterling, 26% to the US dollar and 9% to the Mexican peso.

4.5. Strategic risk

The digitisation of financial services and the adaptation of the regulatory framework present a series of risks and opportunities for Banco Sabadell that are continuously monitored in order to nurture the Institution's strategy.

In relation to risks, the entrance of tech firms subject a more favourable regulatory regime, alongside banks' investment in new technological capabilities, are impacting the revenues generated by the services most likely to be digitised (e.g. payments). Another consequence of digitisation is the fragmentation of the value chain of financial services, which could lead to banking disintermediation and exert pressure on the sector's margins. The aforesaid fragmented financial ecosystem also poses challenges in relation to consumer protection, data integrity and operational resilience, which could generate reputational risks for credit institutions.

At the same time, digitisation is an opportunity for banks to leverage their regulated nature and the trusted relationship with their customers in order to offer innovative services and generate operational efficiencies. The experience of banks in Anti-Money Laundering and Countering the Financing of Terroristm (AML & CFT) and in operational resilience gives them the edge when it comes to rolling out digital wallets and digital identification services, programmable payments and the eventual distribution of the digital euro. The integration of Distributed Ledger Technology, particularly in financial market transactions, trade finance and payments, could generate more efficient, innovative and secure services.

Banco Sabadell participates in processes for the transformation of the digital ecosystem through its digital innovation hub, InnoCells, and also through the investment activities undertaken by BStartup, among others. After an internal multi-disciplinary analysis, Banco Sabadell also takes part in digital legislative initiatives in the various sectoral, governmental and academic forums. The aforesaid regulatory and business analysis is also embedded into governance processes and assessments of the Institution's technology and operational risks.

4.6. Operational risk

Digital transformation

The volume of active digital customers continues to grow, and efforts continue to be made to increase the use of digital/unassisted channels as a cornerstone of the strategy pursued by the Group, which has made digital transformation one of its key priorities. In this regard, it is worth noting the rollout, in the first quarter of 2022, of a new solution that allows customers to be onboarded remotely (digital onboarding). This solution is expected to be a significant driver of the aforesaid growth, with no greater impacts expected in terms of losses associated with the use of these channels and services, given the good performance of the established control mechanisms that are in place.

[1] Depreciation potential of the equity exposure, at a moderately conservative level, calculated based on quarterly exchange rate volatility over the past three years.

Information and communication technology (ICT) risk

The ever-increasing cyber-threats facing financial institutions (e.g. cyberattacks, ransomware, fraud, etc.) and the speed at which they evolve (given their increasing sophistication) require a swift and effective adaptation of the processes to manage, control and monitor the associated risks, in order to safeguard institutions' operational resilience, the security of payment systems and the confidentiality of corporate, customer and employee data and information. In this context, as a result of the Ukraine-Russia conflict that broke out in the first quarter, the Bank has been on high alert against cybersecurity threats and it has reinforced its security measures.

Generally speaking, cybersecurity is one of the Group's top priorities, having rolled out controls and capabilities for the detection and prevention of cyberthreats, especially for the prevention of digital fraud, the containment of ransomware and the active monitoring of threats. It is also worth noting that, to date, the Group has not recorded any material security breaches. These detection and prevention capabilities are trained and evaluated on an annual basis by an independent third party, in accordance with standard ISAE 3402.

4.7. Brexit

The Group continues to monitor developments and consequences of Brexit. Since the Brexit deals came into effect on 1 January 2021, attention has focused mainly on the difficulties identified by certain sectors in relation to the continuation of trade relations between the UK and the EU and the way in which companies have been adapting to the new trade arrangements. It is difficult to separate the impacts caused by Brexit from the disruptions observed in global supply chains initially associated with pandemic-related restrictions and subsequently with the reopening of the economy and the recovery of demand as well as, most recently, the conflict in Ukraine. Another aspect that has attracted attention in recent months has been the implementation of the Northern Ireland Protocol, due to the tensions sparked between the UK and the EU in spite of the flexibility introduced in border controls for goods crossing between Great Britain and Northern Ireland. The first half of 2022 has seen these tensions rise once more, with the continued absence of a more stable and long-lasting solution.

With regard to financial services, the UK has continued with the publication of proposals, for consultation purposes, regarding their regulation, using the new regulatory freedoms proffered by Brexit. The Treasury Select Committee has created a sub-committee to hasten the scrutiny of these regulatory proposals, in order to use the new freedoms to make legislative processes less bureaucratic and more nimble. On the other hand, news of financial service activity moving from the UK to the EU and the US continues to trickle through.

In relation to the specific activity of Banco Sabadell Group in the United Kingdom, there have been no significant changes in the Group's exposure to Brexit relative to its exposure as at 31 December 2021.

Note 5 – Minimum own funds and capital management

Capital ratios

The Group calculates minimum capital requirements based on Directive 2013/36/EU, amended by Directive 2019/878/EU (hereinafter CRD-V) and Regulation (EU) 575/2013, amended by Regulation (EU) 2019/876 (hereinafter, CRR-II).

Regulation CRR-II and Directive CRD-V entered into force on 27 June 2019 and have been implemented in successive stages since that date, although most of the provisions are applicable as from 28 June 2021.

The Spanish government transposed Directive CRD-V into national law through Royal Decree-Law 7/2021, of 27 April, Royal Decree 970/2021, of 8 November, and Circular 5/2021, of 22 December.

The health crisis caused by Covid led to competent institutions in Europe temporarily lowering liquidity, capital and operational requirements applicable to banks, to ensure that they could continue carrying out their role of providing funding to the real economy.

In particular, the European Commission, the European Central Bank and the EBA provided clarity regarding the application of the flexibility already embedded in Regulation (EU) 575/2013 by issuing interpretations and guidance on the application of the prudential framework in the context of Covid.

This guidance included the European Central Bank (ECB) announcement, released on 18 June 2021, that euro area credit institutions that it directly supervises could continue to exclude certain central bank exposures from the leverage ratio, given the continuing presence of exceptional macroeconomic circumstances due to the Covid pandemic. As a result, the leverage ratio relief originally authorised in September 2020, which was due to end on 27 June 2021, was extended until 31 March 2022. On 10 February 2022, the European Central Bank (ECB) announced that it would not extend this measure beyond 31 March 2022.

In accordance with the aforesaid regulatory framework, credit institutions must comply with a total capital ratio of 8% at all times. However, regulators may exercise their authority and require institutions to maintain additional capital.

On 2 February 2022, Banco Sabadell received a letter setting out the decision of the European Central Bank concerning the minimum prudential requirements applicable in 2022 as a result of the Supervisory Review and Evaluation Process (SREP), in which it was informed that the Total Capital requirement would be reduced by 10 basis points relative to that of 2021. At a consolidated level, Banco Sabadell is required to keep a phase-in Common Equity Tier 1 (CET1) ratio of at least 8.46% and a phase-in Total Capital ratio of at least 12.9%. These ratios include the minimum required by Pillar 1 (8% of which 4.5% corresponds to CET1), the Pillar 2R (2.15% of which 1.21% must be covered with CET1), the capital conservation buffer (2.50%) and the requirement applicable due to the Bank's status as an 'other systemically important institution' (0.25%).

Additionally (and this is also included in SREP requirements), the requirement resulting from the calculation of the specific counter-cyclical capital buffer, as at 31 December 2021, stands at 0% as a consequence of the measures taken to deal with the Covid crisis, which have led different countries to lower their capital requirements, including this buffer's requirement. More specifically, on 11 March 2020, the Bank of England's Financial Policy Committee (FPC) announced that the counter-cyclical buffer rate (which had been 1% and had been due to reach 2% by December 2020) was being reduced to 0% with immediate effect. The FPC maintained this 0% rate until 13 December 2021, whereupon the counter-cyclical buffer rate was increased to 1%. This increase will be implemented within 12 months of its announcement, that is, by December 2022. With regard to Spain, on 29 June 2022, having analysed the macro-financial environment and credit evolution, the Bank of Spain decided to keep the regulatory percentage of the counter-cyclical capital buffer at 0% throughout the third quarter of 2022.

As at 30 June 2022, the Group's phase-in CET1 ratio stands at 12.61%, comfortably exceeding the aforementioned requirements.

The following table shows the phase-in capital ratios and eligible own funds of the Group as at 30 June 2022 and 31 December 2021:

Thousand euro

	30/06/2022	31/12/2021	Year-on-year change (%)
Capital	703,371	703,371	—
Reserves	12,720,761	12,519,248	1.61
Convertible bonds	—	—	—
Deductions	(3,273,400)	(3,143,086)	4.15
CET1 capital	**10,150,732**	**10,079,533**	**0.71**
CET1 (%)	12.61	12.50	0.88
Preferred securities, convertible bonds and deductions	1,650,000	2,400,000	(31.25)
Additional Tier 1 capital	**1,650,000**	**2,400,000**	**—**
AT1 (%)	2.05	2.98	(31.21)
Tier 1 capital	**11,800,732**	**12,479,533**	**(5.44)**
Tier 1 (%)	14.65	15.47	(5.30)
Tier 2 capital	**1,973,182**	**2,021,270**	**(2.38)**
Tier 2 (%)	2.45	2.51	(2.39)
Capital base	**13,773,914**	**14,500,802**	**(5.01)**
Minimum capital requirement	6,441,932	6,451,647	(0.15)
Capital surplus	**7,331,982**	**8,049,155**	**(8.91)**
Total capital ratio (%)	**17.11**	**17.98**	**(4.84)**
Risk weighted assets (RWAs)	**80,524,155**	**80,645,593**	**(0.15)**

Common Equity Tier 1 (CET1) capital accounts for 73.70% of eligible capital. Deductions are mainly comprised of intangible assets, goodwill and deferred tax assets. They also include valuation adjustments.

Tier 1 comprises, in addition to CET1 funds, items that largely make up Additional Tier 1 capital (11.98% of own funds), which are capital items comprised of securities and convertible instruments. In the first half of 2022 the early redemption option on the Tier 1 issue of 2017 preferred securities ("Participaciones Preferentes 2017") was exercised, in the amount of 750 million euros, thus ceasing to be eligible as capital.

Tier 2 capital provides 14.32% of the BIS or solvency ratio and is essentially made up of subordinated debt.

In terms of risk-weighted assets (RWAs), these remained stable in the period, following various impacts that offset each other. RWAs increased due to the appreciation of the US dollar versus the euro (affecting the Miami and Mexico businesses) and due to the implementation of new calibration methods in the business segments. Conversely, RWAs decreased due to the positive evolution of businesses' credit ratings as a result of their improved balance sheets following the post-pandemic recovery and, at TSB, due to the depreciation of the pound versus the euro and the positive evolution of house prices in the United Kingdom.

In fully-loaded terms, all of these developments and events, in terms of both available capital and risk-weighted assets, have allowed Banco Sabadell to reach a Common Equity Tier 1 (CET1) ratio as at 30 June 2022 of 12.48% and a Total Capital ratio of 16.98%.

Leverage ratio

The leverage ratio aims to reinforce capital requirements by providing a supplementary measure that is not linked to the level of risk. Article 92 of the CRR-II regulation establishes that a minimum leverage ratio of 3% is required as from June 2021; this percentage is comfortably exceeded by the Group as at 30 June 2022.

The leverage ratio as at 30 June 2022 and 31 December 2021 is shown below:

Thousand euro

	30/06/2022	31/12/2021
Tier 1 capital	11,800,732	12,479,533
Exposure	259,864,813	211,616,215
Leverage ratio	**4.54%**	**5.90%**

In the first half of 2022 the leverage ratio decreased by 136 bps relative to the corresponding ratio as at 31 December 2021, mainly due to the end of the transitional arrangements that had allowed cash exposures and central bank deposits to be excluded from the calculation of the leverage ratio. The decision to exercise the early redemption option on the Tier 1 issue of 2017 preferred securities ("Participaciones Preferentes 2017"), in the amount of 750 million euros, also had an impact on the ratio.

For more information on capital ratios and the leverage ratio, their composition, details of parameters and their management, see the Pillar III Disclosures report, which is published quarterly and is available on the Bank's website (www.grupobancsabadell.com), in the section "Shareholders and Investors / Economic and financial information".

MREL

On 22 February 2022, Banco Sabadell received a communication from the Bank of Spain regarding the decision reached by the Single Resolution Board (SRB) concerning the minimum requirement for own funds and eligible liabilities (MREL) and the subordination requirement applicable on a consolidated basis. Subsequently, on 15 March 2022, the SRB informed Banco Sabadell of new pro-forma requirements that will be mandatory as from 1 January 2024, updating the existing requirements based on leverage ratio exposure (LRE). This pro-forma recalibration addresses the ECB's decision to discontinue the measure that would allow temporary exclusion of certain central bank exposures from the total exposure.

The requirements that must be met from 1 January 2024 are as follows[2]:

– The minimum requirement for own funds and eligible liabilities (MREL) is 22.09% of the TREA and 6.34% of the LRE.

– The subordination requirement is 18.98% of the TREA and 6.34% of the LRE[3].

The decision sets out the following interim requirements that must be met from 1 January 2022:

– The MREL requirement is 21.05% of the TREA and 6.22% of the LRE.

– The subordination requirement is 14.45% of the TREA and 6.06% of the LRE[4].

[2] The percentage of the total risk exposure amount (TREA) does not include the capital intended to cover the combined buffer requirement (CBR) (2.75% of TREA).
[3] Pro-forma requirements recalibrated by the SRB due to the discontinuance of the ECB measure allowing temporary exclusion of certain central bank exposures from the total exposure.
[4] Pro-forma requirements recalibrated by the SRB due to the discontinuance of the ECB measure allowing temporary exclusion of certain central bank exposures from the total exposure.

The own funds used by the Institution to meet the combined buffer requirement (CBR), comprising the capital conservation buffer, the systemic risk buffer and the counter-cyclical buffer, will not be eligible to meet its MREL and subordination requirements expressed in terms of the TREA.

As at 30 June 2022, Banco Sabadell complied with the MREL requirements in force as from 1 January 2022, as established by the SRB.

The table shown below sets out details of the Group's MREL as a percentage of TREA, as at 30 June 2022 and 31 December 2021:

	30/06/2022	31/12/2021
CET1 phased-in	12.6%	12.5%
AT1 phased-in	2.0%	3.0%
Tier 2 phased-in	2.5%	2.5%
Subordinated liabilities	3.8%	2.6%
Not subordinated liabilities	3.8%	5.7%
Total MREL	**24.7%**	**26.3%**

Note 6 – Fair value of assets and liabilities

Financial assets and financial liabilities

The methodology and classification of fair value by level is explained in Note 6 to the Group's 2021 consolidated annual financial statements.

Determination of the fair value of financial instruments

A comparison between the value at which the Group's financial assets and liabilities are recognised on the condensed consolidated balance sheets, as at 30 June 2022 and 31 December 2021, and their corresponding fair values is shown below:

Thousand euro

		30/06/2022		31/12/2021	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets:					
Cash, cash balances at central banks and other demand deposits	7	45,284,241	45,284,241	49,213,196	49,213,196
Financial assets held for trading		4,260,432	4,260,432	1,971,629	1,971,629
Non-trading financial assets mandatorily at fair value through profit or loss	8, 9	63,780	63,780	79,559	79,559
Financial assets at fair value through other comprehensive income	8, 9	6,066,851	6,066,851	6,869,637	6,869,637
Financial assets at amortised cost	8, 10	186,578,871	182,240,971	178,869,317	184,223,595
Derivatives – Hedge accounting		1,778,151	1,778,151	525,382	525,382
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(870,850)	(870,850)	(3,963)	(3,963)
Total assets		**243,161,476**	**238,823,576**	**237,524,757**	**242,879,035**

Thousand euro

	Note	30/06/2022 Carrying amount	30/06/2022 Fair value	31/12/2021 Carrying amount	31/12/2021 Fair value
Liabilities:					
Financial liabilities held for trading		2,811,125	2,811,125	1,379,898	1,379,898
Financial liabilities at amortised cost	15, 16, 17	239,179,950	230,810,465	235,179,222	234,493,250
Derivatives – Hedge accounting		708,381	708,381	512,442	512,442
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(542,255)	(542,255)	19,472	19,472
Total liabilities		**242,157,201**	**233,787,716**	**237,091,034**	**236,405,062**

In relation to financial instruments whose carrying amount differs from their fair value, the latter has been calculated as follows:

- The fair value of the heading “Cash, cash balances at central banks and other demand deposits” has been likened to its carrying amount, as these are mainly short-term balances.
- The fair value of the headings “Financial assets at amortised cost” and “Financial liabilities at amortised cost” has been estimated using the discounted cash flow method, applying market interest rates at the end of each year, with the exception of debt securities, for which it has been estimated using year-end market prices. The majority of the valuations of “Financial assets at amortised cost” are considered as Level 3. On the other hand, the majority of the valuations of “Financial liabilities at amortised cost” are considered as Level 2.
- Under the heading “Fair value changes of the hedged items in portfolio hedge of interest rate risk” of the accompanying condensed consolidated balance sheets, adjustments (positive or negative) are recorded at the fair value of the financial assets or financial liabilities included in the amortised cost portfolio, which correspond exclusively to hedged interest rate risk. The fair value is calculated using internal models and observable market data variables.

The following tables show the main financial instruments recognised at fair value in the accompanying condensed consolidated balance sheets, broken down according to the valuation method used to estimate their fair value:

Thousand euro

	Note	30/06/2022 Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		1,627,069	2,631,748	1,615	4,260,432
Derivatives		—	2,626,746	1,615	2,628,361
Equity instruments		—	—	—	—
Debt securities	8	1,627,069	5,002	—	1,632,071
Loans and advances – Customers		—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		4,130	1,394	58,256	63,780
Equity instruments	9	3,157	35	—	3,192
Debt securities	8	973	1,359	58,256	60,588
Loans and advances		—	—	—	—
Financial assets at fair value through other comprehensive income		5,768,547	164,651	133,653	6,066,851
Equity instruments	9	1,146	116,742	75,161	193,049
Debt securities	8	5,767,401	47,909	58,492	5,873,802
Loans and advances		—	—	—	—
Derivatives – Hedge accounting		—	1,771,691	6,460	1,778,151
Total assets		**7,399,746**	**4,569,484**	**199,984**	**12,169,214**

Thousand euro

	Note	30/06/2022 Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		196,330	2,614,795	—	2,811,125
Derivatives		—	2,614,795	—	2,614,795
Short positions		196,330	—	—	196,330
Deposits with credit institutions		—	—	—	—
Financial liabilities designated at fair value through profit or loss		—	—	—	—
Derivatives – Hedge accounting		—	708,381	—	708,381
Total liabilities		**196,330**	**3,323,176**	**—**	**3,519,506**

Thousand euro

	Note	31/12/2021 Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		592,631	1,378,998	—	1,971,629
Derivatives		—	1,378,998	—	1,378,998
Equity instruments	9	2,258	—	—	2,258
Debt securities	8	590,373	—	—	590,373
Loans and advances – Customers		—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		18,361	1,541	59,657	79,559
Equity instruments		14,544	38	—	14,582
Debt securities	8	3,817	1,503	59,657	64,977
Loans and advances		—	—	—	—
Financial assets at fair value through other comprehensive income		6,594,926	133,287	141,424	6,869,637
Equity instruments	9	2,402	106,378	75,766	184,546
Debt securities	8	6,592,524	26,909	65,658	6,685,091
Loans and advances		—	—	—	—
Derivatives – Hedge accounting		—	525,382	—	525,382
Total assets		**7,205,918**	**2,039,208**	**201,081**	**9,446,207**

Thousand euro

	Note	31/12/2021 Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		56,662	1,323,236	—	1,379,898
Derivatives		—	1,323,236	—	1,323,236
Short positions		56,662	—	—	56,662
Deposits with credit institutions		—	—	—	—
Financial liabilities designated at fair value through profit or loss		—	—	—	—
Derivatives – Hedge accounting		—	512,442	—	512,442
Total liabilities		**56,662**	**1,835,678**	**—**	**1,892,340**

The movements in the balances of the financial assets and liabilities classified as Level 3 that are disclosed in the accompanying condensed consolidated balance sheets are as follows:

Thousand euro

	Assets	Liabilities
Balance as at 31 December 2021	**201,081**	**-**
Valuation adjustments recognised in profit and loss (*)	(3,194)	—
Valuation adjustments not recognised in profit and loss	6,551	—
Purchases, sales and write-offs	(9,031)	—
Net additions/removals in Level 3	—	—
Exchange differences and other	4,577	—
Balance as at 30 June 2022	**199,984**	**—**

(*) Relates to securities retained on the balance sheet.

Income from sales of financial instruments classified as Level 3, recognised in the condensed consolidated income statement for the six-month period ended 30 June 2022, was not material.

In the first half of 2022 no transfers were made between valuation levels. Details of financial instruments that were transferred between different valuation levels in 2021 are as follows:

Thousand euro

	31/12/2021					
From:	**Level 1**		**Level 2**		**Level 3**	
To:	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Assets:						
Financial assets held for trading	—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	—	—	—	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	—	58,890	—	37	—	—
Derivatives	—	—	—	—	—	—
Liabilities:						
Financial liabilities held for trading	—	—	—	—	—	—
Financial liabilities designated at fair value through profit or loss	—	—	—	—	—	—
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**—**	**58,890**	**—**	**37**	**—**	**—**

As at 30 June 2022 and 31 December 2021, there were no derivatives using equity instruments as underlying assets or material interests in discretionary gains in any companies.

Loans and financial liabilities designated at fair value through profit or loss

As at 30 June 2022 and at 31 December 2021, there were no financial liabilities designated at fair value through profit or loss.

Non-financial assets

Real estate assets

The methodology used by the Group to determine the fair value of real estate assets is explained in Note 6 of the 2021 consolidated annual financial statements.

In the first half of 2022 there were no significant changes in the methods used to value the Group's real estate assets.

Note 7 – Cash, cash balances at central banks and other demand deposits

The composition of this heading in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
By nature:		
Cash	677,758	704,105
Cash balances at central banks	43,741,283	47,741,021
Other demand deposits	865,200	768,070
Total	**45,284,241**	**49,213,196**

Note 8 – Debt securities

Debt securities reported in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 are analysed below:

Thousand euro

	30/06/2022	31/12/2021
By heading:		
Financial assets held for trading	1,632,071	590,373
Non-trading financial assets mandatorily at fair value through profit or loss	60,588	64,977
Financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	5,873,802	6,685,091
Financial assets at amortised cost	19,627,943	15,190,212
Total	**27,194,404**	**22,530,653**
By nature:		
Central banks	—	—
General governments	26,760,314	21,361,299
Credit institutions	765,339	689,449
Other sectors	443,132	393,424
Stage 3 assets	4,102	73
Impairment allowances	—	—
Other valuation adjustments (interest, fees and commissions, other)	(778,483)	86,408
Total	**27,194,404**	**22,530,653**

In 2021, the Bank decided to refrain from classifying any debt securities it may purchase under the heading "Financial assets at amortised cost" on the consolidated balance sheet, until it once again meets the conditions to do so. In March 2022, the Bank carried out an assessment to ascertain whether those conditions had been met. In particular, the assessment reviewed past sales from the debt securities portfolio recorded at amortised cost, and the reasons for those sales, as well as the prospects for future sales from that portfolio. Following that assessment, it was concluded that the right circumstances were in place to reactivate the "Hold financial assets in order to collect contractual cash flows" business model in respect of those financial instruments, so that the allocation of purchased debt securities to that model was resumed as from the second quarter of 2022.

The breakdown of the debt securities classified based on their credit risk and the movement of impairment allowances associated with these instruments are included, together with those of other financial assets, in Note 10.

Note 9 – Equity instruments

Equity instruments reported in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 are analysed below:

Thousand euro

	30/06/2022	31/12/2021
By heading:		
Financial assets held for trading	—	2,258
Non-trading financial assets mandatorily at fair value through profit or loss	3,192	14,582
Financial assets at fair value through other comprehensive income	193,049	184,546
Total	**196,241**	**201,386**
By nature:		
Resident sector	175,280	165,405
Credit institutions	7,725	6,659
Other	167,555	158,746
Non-resident sector	17,318	18,548
Credit institutions	—	—
Other	17,318	18,548
Participations in investment vehicles	3,643	17,433
Total	**196,241**	**201,386**

Note 10 – Loans and advances

Central banks and Credit institutions

The breakdown of the headings “Loans and advances – Central banks” and “Loans and advances – Credit institutions” of the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
By heading:		
Financial assets held for trading	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	—	—
Financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	—	—
Financial assets at amortised cost	6,115,697	6,312,820
Total	**6,115,697**	**6,312,820**
By nature:		
Deposits with agreed maturity	1,090,877	1,165,623
Repos	4,727,785	4,938,372
Hybrid financial assets	—	—
Other	298,862	206,013
Stage 3 assets	1	1
Impairment allowances	(2,487)	(2,063)
Other valuation adjustments (interest, fees and commissions, other)	659	4,874
Total	**6,115,697**	**6,312,820**

Customers

The breakdown of the heading “Loans and advances – Customers” (General governments and Other sectors) of the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
By heading:		
Financial assets held for trading	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	—	—
Financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	—	—
Financial assets at amortised cost	160,835,231	157,366,285
Total	**160,835,231**	**157,366,285**
By nature:		
Overdrafts, etc.	3,505,693	2,875,764
Commercial loans	6,744,657	6,049,554
Finance leases	2,151,463	2,106,263
Secured loans	93,989,196	94,313,424
Repos	353,222	—
Other term loans	51,753,019	49,567,028
Stage 3 assets	5,232,726	5,698,077
Impairment allowances	(2,978,459)	(3,302,033)
Other valuation adjustments (interest, fees and commissions, other) (*)	83,714	58,208
Total	**160,835,231**	**157,366,285**
By sector:		
General governments	10,668,732	9,401,011
Other sectors	147,828,518	145,511,022
Stage 3 assets	5,232,726	5,698,077
Impairment allowances	(2,978,458)	(3,302,033)
Other valuation adjustments (interest, fees and commissions, other) (*)	83,713	58,208
Total	**160,835,231**	**157,366,285**

(*) Valuation adjustments classed as stage 3 amount to 30,096 thousand euros as of 30 June 2022 and 30,443 thousand euros as of 31 December 2021.

Financial assets classified on the basis of their credit risk

The breakdown of financial assets, excluding valuation adjustments, classified on the basis of their credit risk as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

Stage 1	**30/06/2022**	**31/12/2021**
Debt securities	27,968,785	22,444,172
Loans and advances	151,469,875	148,895,098
Customers	145,364,167	142,607,101
Central banks and Credit institutions	6,105,708	6,287,997
Total stage 1	**179,438,660**	**171,339,270**
By sector:		
General governments	37,425,383	30,758,253
Central banks and Credit institutions	6,871,048	6,977,447
Other private sectors	135,142,229	133,603,570
Total stage 1	**179,438,660**	**171,339,270**

Stage 2	**30/06/2022**	**31/12/2021**
Debt securities	—	—
Loans and advances	13,144,903	12,326,943
Customers	13,133,086	12,304,932
Central banks and Credit institutions	11,817	22,011
Total stage 2	**13,144,903**	**12,326,943**
By sector:		
General governments	3,662	4,057
Central banks and Credit institutions	11,817	22,010
Other private sectors	13,129,424	12,300,876
Total stage 2	**13,144,903**	**12,326,943**

Stage 3	**30/06/2022**	**31/12/2021**
Debt securities	4,102	73
Loans and advances	5,232,727	5,698,078
Customers	5,232,726	5,698,077
Central banks and Credit institutions	1	1
Total stage 3	**5,236,829**	**5,698,151**
By sector:		
General governments	8,524	9,632
Central banks and Credit institutions	1	1
Other private sectors	5,228,304	5,688,518
Total stage 3	**5,236,829**	**5,698,151**
Total stages	**197,820,392**	**189,364,364**

Movements of gross values, excluding valuation adjustments, of assets subject to impairment by the Group during the six-month period ended 30 June 2022 were as follows:

Thousand euro

	Stage 1	**Stage 2**	**Stage 3**	***Of which: purchased credit-impaired***	**Total**
Balance as at 31 December 2021	**171,339,270**	**12,326,943**	**5,698,151**	***159,766***	**189,364,364**
Transfers between impairment stages	(2,205,463)	1,638,177	567,286	*2*	—
Stage 1	*4,057,377*	*(3,990,673)*	*(66,704)*	—	—
Stage 2	*(6,042,760)*	*6,361,974*	*(319,214)*	—	—
Stage 3	*(220,080)*	*(733,124)*	*953,204*	*2*	—
Increases	33,660,871	597,220	233,988	*3,580*	34,492,079
Decreases	(23,453,486)	(1,432,509)	(1,030,646)	*(13,140)*	(25,916,641)
Transfers to write-offs	—	—	(232,377)	—	(232,377)
Adjustments for exchange differences	97,468	15,072	427	*(2,882)*	112,967
Balance as at 30 June 2022	**179,438,660**	**13,144,903**	**5,236,829**	***147,326***	**197,820,392**

Movements of impaired financial assets derecognised due to the remote likelihood of their recovery during the six-month period ended 30 June 2022 were as follows:

Thousand euro

Balance as at 31 December 2021	**5,929,842**
Additions	**327,149**
Use of accumulated impairment balance	221,280
Directly recognised on income statement	12,793
Contractually payable interests	93,076
Other items	—
Disposals	**(527,500)**
Collections of principal in cash from counterparties	(16,763)
Collections of interest in cash from counterparties	(16,882)
Debt forgiveness	(7,148)
Referrals	—
Forbearance	—
Sales	(397,742)
Foreclosure of tangible assets	(87)
Other items	(88,878)
Exchange differences	**(227)**
Balance as at 30 June 2022	**5,729,264**

Allowances

The following table shows the impairment allowances of financial assets broken down by condensed consolidated balance sheet heading as at 30 June 2022 and 31 December 2021:

Thousand euro

Stage 1	30/06/2022	31/12/2021
Debt securities	—	—
Loans and advances	346,087	377,703
Central banks and Credit institutions	2,476	2,041
Customers	343,611	375,662
Total stage 1	**346,087**	**377,703**
Stage 2		
Debt securities	—	—
Loans and advances	481,960	494,047
Central banks and Credit institutions	11	22
Customers	481,949	494,025
Total stage 2	**481,960**	**494,047**
Stage 3		
Debt securities	—	—
Loans and advances	2,152,899	2,432,345
Central banks and Credit institutions	—	—
Customers	2,152,899	2,432,345
Total stage 3	**2,152,899**	**2,432,345**
Total stages	**2,980,946**	**3,304,096**

The movement of impairment allowances allocated by the Group to cover credit risk during the six-month period ended 30 June 2022 was as follows:

Thousand euro

	Individually measured		Collectively measured			Total
	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Balance as at 31 December 2021	**2,595**	**548,461**	**377,703**	**491,438**	**1,883,898**	**3,304,096**
Movements reflected in impairment gains/(losses) (*)	**1,600**	**48,155**	**8,875**	**34,234**	**296,187**	**389,051**
Increases due to origination	—	—	113,813	—	—	113,813
Changes due to credit risk variance	1,381	41,626	(44,021)	39,452	291,142	329,580
Changes in calculation approach	—	—	—	—	—	—
Other movements	219	6,529	(60,917)	(5,218)	5,045	(54,342)
Movements not reflected in impairment gains/(losses)	**5,953**	**(30,012)**	**(39,863)**	**(52,420)**	**(593,002)**	**(709,344)**
Transfers between impairment stages	5,953	45,130	(39,816)	(51,928)	40,661	—
Stage 1	*(55)*	*(235)*	*51,813*	*(42,449)*	*(9,074)*	—
Stage 2	*7,466*	*(520)*	*(74,214)*	*105,569*	*(38,301)*	—
Stage 3	*(1,458)*	*45,885*	*(17,414)*	*(115,048)*	*88,035*	—
Utilisation of allocated provisions	—	(75,142)	(47)	(432)	(623,448)	(699,069)
Other movements (**)	—	—	—	(60)	(10,215)	(10,275)
Adjustments for exchange differences	**—**	**911**	**(629)**	**(1,441)**	**(1,698)**	**(2,857)**
Balance as at 30 June 2022	**10,148**	**567,515**	**346,086**	**471,811**	**1,585,385**	**2,980,945**

(*) This figure, corresponding to the amortisation charged to results on impaired financial assets derecognised from the asset side of the balance sheet and the recovery of write-offs, has been recognised with a balancing entry under the heading "Impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or (-) losses on changes" (see Note 27)

(**) Corresponds to credit loss allowances transferred to non-current assets held for sale and investment property.

Sensitivity analysis of the key variables of macroeconomic scenarios

An analysis of the sensitivity of the expected loss of the Group and of the main geographies, and the impact of such loss by stage in the event of a change, *ceteris paribus*, from the actual macroeconomic environment, relative to the most probable baseline macroeconomic scenario included in the Group's business plan, is set out below. The results of this analysis are shown below:

Group					
Key explanatory macroeconomic variables	**Change in the variable (*)**	**Impact on Stage 1**	**Impact on Stage 2**	**Impact on Stage 3**	**Total impact**
Deviation of GDP growth	- 100 pb	4.2%	3.4%	5.9%	5.4%
	+ 100 pb	(4.4)%	(5.1)%	(5.5)%	(5.4)%
Deviation in unemployment rate	+ 100 pb	3.0%	6.9%	3.4%	3.8%
	- 100 pb	(2.5)%	(5.0)%	(3.0)%	(3.2)%
Changes in housing prices	- 100 pb	2.1%	2.9%	2.1%	2.2%
	+ 100 pb	(1.9)%	(3.0)%	(2.0)%	(2.1)%

Spain					
Key explanatory macroeconomic variables	**Change in the variable (*)**	**Impact on Stage 1**	**Impact on Stage 2**	**Impact on Stage 3**	**Total impact**
Deviation of GDP growth	- 100 pb	5.3%	4.1%	6.3%	5.9%
	+ 100 pb	(5.5)%	(6.1)%	(5.8)%	(5.8)%
Deviation in unemployment rate	+ 100 pb	2.3%	2.3%	2.5%	2.5%
	- 100 pb	(2.0)%	(1.8)%	(2.3)%	(2.2)%
Changes in housing prices	- 100 pb	2.6%	3.3%	2.2%	2.4%
	+ 100 pb	(2.3)%	(3.4)%	(2.0)%	(2.2)%

United Kingdom					
Key explanatory macroeconomic variables	**Change in the variable (*)**	**Impact on Stage 1**	**Impact on Stage 2**	**Impact on Stage 3**	**Total impact**
Deviation in unemployment rate (**)	+ 100 pb	5.4%	30.2%	19.4%	18.1%
	- 100 pb	(4.4)%	(21.4)%	(15.6)%	(13.8)%
Changes in housing prices	- 100 pb	0.3%	0.7%	0.8%	0.6%
	+ 100 pb	(0.3)%	(0.6)%	(0.7)%	(0.6)%

(*) Changes to macroeconomic variables are applied in absolute terms.

(**) In the scenario of a change to the UK employment rate, a standard deviation of +/- 100 bps represents the relative standard deviation of the macroeconomic variable 3 times higher than in Spain.

Note 11 – Tangible assets

The composition of this heading in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022				31/12/2021			
	Cost	**Depreciation**	**Impairment**	**Net value**	**Cost**	**Depreciation**	**Impairment**	**Net value**
Property, plant and equipment	**4,039,382**	**(1,656,456)**	**(47,826)**	**2,335,100**	**4,173,480**	**(1,706,114)**	**(69,876)**	**2,397,490**
For own use:	4,034,216	(1,654,101)	(47,826)	2,332,289	4,168,101	(1,703,527)	(69,876)	2,394,698
Computer equipment and related facilities	665,918	(448,199)	—	217,719	710,316	(471,866)	—	238,450
Furniture, vehicles and other facilities	925,968	(550,731)	—	375,237	1,005,308	(598,167)	—	407,141
Buildings	2,303,594	(639,074)	(44,278)	1,620,242	2,309,743	(619,881)	(66,328)	1,623,534
Work in progress	52,461	(6,013)	(3,548)	42,900	63,495	(6,013)	(3,548)	53,934
Other	86,275	(10,084)	—	76,191	79,239	(7,600)	—	71,639
Leased out under operating leases	5,166	(2,355)	—	2,811	5,379	(2,587)	—	2,792
Investment properties	**471,525**	**(54,095)**	**(83,286)**	**334,144**	**504,952**	**(54,308)**	**(71,376)**	**379,268**
Buildings	471,131	(54,095)	(82,977)	334,059	504,558	(54,308)	(71,067)	379,183
Rural property, plots and sites	394	—	(309)	85	394	—	(309)	85
Total	**4,510,907**	**(1,710,551)**	**(131,112)**	**2,669,244**	**4,678,432**	**(1,760,422)**	**(141,252)**	**2,776,758**

As at 30 June 2022, the cost of property, plant and equipment for own use includes right-of-use assets corresponding to leased tangible assets in which the Group acts as lessee, in the amount of 1,310,344 thousand euros, depreciated by 354,774 thousand euros and impaired in the amount of 36,666 thousand euros at the aforesaid date (1,341,931 thousand euros as at 31 December 2021, depreciated by 324,916 thousand euros and impaired in the amount of 36,666 thousand euros at the aforesaid date).

Note 12 – Intangible assets

The composition of this heading as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
Goodwill:	**1.026.810**	**1.026.457**
Banco Urquijo	473,837	473,837
Grupo Banco Guipuzcoano	285,345	285,345
From acquisition of Banco BMN Penedés assets	245,364	245,364
Other	22,264	21,911
Other intangible assets:	**1.484.538**	**1.554.964**
With a finite useful life:	1,484,538	1,554,964
Private Banking Business, Miami	7,118	8,444
Contractual relations with TSB customers and brand	61,969	84,589
Computer software	1,414,277	1,460,744
Other	1,174	1,187
Total	**2,511,348**	**2,581,421**

In the first half of 2022, Banco Sabadell carried out an analysis to evaluate the existence of any potential impairment of its goodwill.

The main transactions that generated goodwill were the acquisition of Banco Urquijo in 2006, of Banco Guipuzcoano in 2010 and of certain assets of BMN-Penedès in 2013.

The Group has been monitoring the total goodwill across the ensemble of Cash-Generating Units (UGEs, for their acronym in Spanish) that make up the Banking Business Spain operating segment.

The value in use of the Banking Business Spain operating segment is used to determine its recoverable amount. The valuation method used in this analysis was that of discounting future net distributable profit associated with the activity carried out by the Banking Business Spain operating segment until 2026, plus an estimated terminal value.

The projections used to determine the recoverable amount are those set out in the Financial Projections approved by the Board of Directors. Those projections are based on sound and well-founded assumptions, which represent Management's best estimates of overall upcoming economic conditions. To determine the key variables (basically net interest income, fees and commissions, expenses, cost of risk and solvency levels) that underpin the Financial Projections, Management has used microeconomic variables, such as the existing balance sheet structure, market positioning and strategic decisions adopted, and macroeconomic variables, such as the expected evolution of GDP and the forecast evolution of interest rates and unemployment. The macroeconomic variables used for the baseline macroeconomic scenario, described in Note 1, were estimated by the Group's Research Service.

The approach used to determine the values of assumptions is based on the projections and on past experience. These values are compared against external information sources, if available.

In June 2022, to calculate the terminal value, 2026 has been taken as the reference year, using a growth rate in perpetuity of 2.0% (same percentage as 2021), which does not exceed the long-term average growth rate of the market in which the operating segment is active. The discount rate used was 9.7% (9.3% in 2021), which was determined using the Capital Asset Pricing Model (CAPM); it therefore comprises a risk-free rate plus a risk premium which reflects the inherent risk of the operating segment being valued.

The recoverable amount obtained is higher than the carrying amount; therefore, there has been no impairment.

In addition, the Group has carried out a sensitivity analysis, making reasonable adjustments to the main assumptions used to calculate the recoverable amount.

This analysis has consisted of adjusting the following:

- Discount rate +/- 0.5%.
- Growth rate in perpetuity +/- 0.5%.
- Minimum capital requirement +/-0.5%.
- Net interest margin (NIM) / Average Total Assets (ATAs) in perpetuity +/- 5pbs.
- Cost of risk in perpetuity +/- 10pbs.

The sensitivity analysis does not alter the conclusions drawn from the impairment test. In all scenarios defined in that analysis, the recoverable amount obtained is greater than the carrying amount.

The impairment of the Group's IT applications, which provide services mainly to the Bank and to TSB, is evaluated by reviewing the recoverable amounts of Banking Business Spain and the Banking Business United Kingdom UGEs.

In the case of Banking Business United Kingdom, the valuation method used in the analysis was that of discounting future net distributable profit associated with the activity carried out up to 2026. To calculate the terminal value, 2026 has been taken as the reference year, using a growth rate in perpetuity of 1.7% (same percentage as 2021), which does not exceed the long-term average growth rate of the market in which the operating segment is active. The discount rate used was 9.7% (9.0% in 2021), which was determined using the CAPM method; it therefore comprises a risk-free rate plus a risk premium which reflects the inherent risk of the operating segment being valued. The evaluation did not reveal the need to recognise any impairment in the value of these assets.

Note 13 – Other assets and liabilities

The composition of the "Other assets" heading as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
Insurance contracts linked to pensions	86,965	116,453
Inventories	116,909	142,713
Rest of other assets	411,565	360,549
Total	**615,439**	**619,715**

The "Rest of other assets" item includes mainly prepaid expenses, the accrual of customer fees and commissions and transactions in progress pending settlement.

The composition of the "Other liabilities" heading as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
Other accrual/deferral	508,142	626,157
Rest of other liabilities	645,684	142,057
Total	**1,153,826**	**768,214**

The "Rest of other liabilities" item mainly includes transactions in progress pending settlement.

Note 14 – Non-current assets and disposal groups classified as held for sale

The composition of these headings in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
Assets	**984,409**	**998,210**
Loans and advances	26	67
Customers	26	67
Equity instruments	159,748	159,853
Real estate exposure	824,635	838,290
Tangible assets for own use	50,543	44,945
Foreclosed assets	774,092	793,345
Impairment allowances	**(227,277)**	**(220,175)**
Non-current assets and disposal groups classified as held for sale	**757,132**	**778,035**

Note 15 – Deposits in central banks and credit institutions

The breakdown of the deposits in central banks and credit institutions heading in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
By heading:		
Financial liabilities at amortised cost	46,517,952	47,067,145
Total	**46,517,952**	**47,067,145**
By nature:		
Demand deposits	297,224	534,995
Deposits with agreed maturity	41,714,298	41,468,444
Repurchase agreements	4,904,156	5,398,905
Other accounts	199,920	114,975
Valuation adjustments	(597,646)	(450,174)
Total	**46,517,952**	**47,067,145**

Note 16 – Customer deposits

The balance of customer deposits on the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 breaks down as follows:

Thousand euro

	30/06/2022	31/12/2021
By heading:		
Financial liabilities at amortised cost	164,619,059	162,239,453
Total	**164,619,059**	**162,239,453**
By nature:		
Demand deposits	147,892,203	147,268,436
Deposits with agreed maturity	14,139,512	13,131,887
Hybrid financial liabilities	1,840,498	1,680,942
Repurchase agreements	737,402	60,312
Other valuation adjustments (interest, fees and commissions, other)	9,444	97,876
Total	**164,619,059**	**162,239,453**
By sector:		
General governments	9,025,776	7,905,699
Other sectors	155,583,839	154,235,878
Other valuation adjustments (interest, fees and commissions, other)	9,444	97,876
Total	**164,619,059**	**162,239,453**

Note 17 – Debt securities in issue

The breakdown of the balance of debt securities in issue by the Group by type of issuance and recognised on the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022	31/12/2021
Straight bonds/debentures	6,829,400	7,079,915
Straight bonds	6,791,300	7,022,715
Structured bonds	38,100	57,200
Commercial paper	275,478	426,094
Covered bonds	7,490,400	6,540,400
Covered Bonds (TSB)	2,039,152	2,082,640
Asset-backed bonds	606,498	671,317
Subordinated marketable debt securities	3,450,000	4,200,000
Subordinated liabilities	1,800,000	1,800,000
Preferred securities	1,650,000	2,400,000
Valuation and other adjustments	4,973	50,589
Total	**20,695,901**	**21,050,955**

Schedule IV shows the breakdown of issues carried out by the Group in the first half of 2022.

Note 18 – Provisions

Movements in the six-month period ended 30 June 2022 in the "Provisions" heading of the condensed consolidated balance sheet are shown below:

Thousand euro

	Pensions and other post employment defined benefit obligations	Other long term employee benefits	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balance as at 31 December 2021	**86,020**	**650**	**76,848**	**190,591**	**532,029**	**886,138**
Scope additions / exclusions	**—**	**—**	**—**	**—**	**—**	**—**
Interest and similar charges - pension commitments	**378**	**1**	**—**	**—**	**—**	**379**
Allowances charged to income statement - staff expenses (*)	**2,940**	**3**	**—**	**—**	**(2,790)**	**153**
Allowances not charged to income statement	**—**	**—**	**—**	**—**	**—**	**—**
Allowances charged to income statement – provisions	**64**	**(10)**	**15,118**	**(13,989)**	**24,509**	**25,692**
Allocation of provisions	64	—	15,134	92,808	24,509	132,515
Reversal of provisions	—	—	(16)	(106,797)	—	(106,813)
Actuarial losses / (gains)	—	(10)	—	—	—	(10)
Exchange differences	**1,622**	**—**	**—**	**(1,647)**	**(2,348)**	**(2,373)**
Utilisations:	**(3,295)**	**(457)**	**(17,383)**	**—**	**(138,385)**	**(159,520)**
Net contributions by the sponsor	691	—	—	—	—	691
Pension payments	(3,986)	(457)	—	—	—	(4,443)
Other	—	—	(17,383)	—	(138,385)	(155,768)
Other movements	**(19,915)**	**—**	**—**	**3,033**	**(109,268)**	**(126,150)**
Balance as at 30 June 2022	**67,814**	**187**	**74,583**	**177,988**	**303,747**	**624,319**

(*) See Note 26.

The reduction of the balance of "Other provisions" in the first half of 2022 mainly corresponds to disbursements related to contractual obligations undertaken by the Group in the previous financial year in connection with the restructuring plans in Spain.

The Group's main provisions and contingent liabilities are descried in Note 22 of the 2021 consolidated annual financial statements.

Note 19 – Capital

Share capital as at the end of the first half of 2022

The Bank's share capital amounted to 703,370,587.63 euros, represented by 5,626,964,701 registered shares with a par value of 0.125 euros each, all of which are fully subscribed and paid.

Changes in share capital in the first half of 2022

No changes in share capital have taken place in the first half of 2022.

Note 20 – Off-balance sheet exposures

The composition of off-balance sheet exposures as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

Commitments and guarantees given	**Note**	**30/06/2022**	**31/12/2021**
Loan commitments given		**28,252,340**	**28,403,146**
Of which, amount classified as Stage 2		*1,180,888*	*1,310,996*
Of which, amount classified as Stage 3		*89,848*	*84,768*
Can be drawn by third parties		28,252,340	28,403,146
By credit institutions		231	295
By general governments		1,141,379	1,062,490
By other resident sectors		15,461,035	15,553,771
By non-residents		11,649,695	11,786,590
Provisions recognised on liabilities side of the balance sheet	18	66,163	68,136
Financial guarantees given (*)		**2,046,165**	**2,034,143**
Of which, amount classified as Stage 2		133,664	*143,686*
Of which, amount classified as Stage 3		105,264	*116,373*
Provisions recognised on liabilities side of the balance sheet (**)	18	32,764	42,417
Other commitments given		**7,693,167**	**7,384,863**
Of which, amount classified as Stage 2		337,675	*473,436*
Of which, amount classified as Stage 3		346,124	*358,184*
Other guarantees given		7,256,142	7,234,081
Assets earmarked for third-party obligations		—	—
Irrevocable letter of credit		970,828	967,766
Additional settlement guarantee		25,000	25,000
Other guarantees and sureties given		6,260,314	6,241,315
Other contingent risks		—	—
Other commitments given		437,025	150,782
Financial asset forward purchase commitments		131,499	—
Conventional financial asset purchase contracts		144,938	50,116
Capital subscribed but not paid up		19	19
Underwriting and subscription commitments		—	—
Other loan commitments given		160,569	100,647
Provisions recognised on liabilities side of the balance sheet	18	79,061	80,038
Total		**37,991,672**	**37,822,152**

(*) Includes 94,224 thousand euros and 68,837 thousand euros as at 30 June 2022 and 31 December 2021, respectively, relating to financial guarantees given in relation to construction and real estate development.

(**) Includes 6,075 thousand euros and 6,512 thousand euros as at 30 June 20212and 31 December 2021, respectively, in relation to construction and real estate development.

Guarantees given classed as stage 3

The balance of guarantees given classed as stage 3 as at 30 June 2022 amounted to 451,387 thousand euros (474,557 thousand euros as at 31 December 2021).

Credit risk allowances corresponding to financial guarantees and other commitments given as at 30 June 2022 and 31 December 2021, broken down by the method used to determine such allowances and the credit risk of off-balance sheet exposures, are as follows:

Thousand euro

	30/06/2022	31/12/2021
Specific individually measured allowances:	**80,225**	**86,050**
Stage 2	397	424
Stage 3	79,828	85,626
Specific collectively measured allowances:	**31,600**	**36,405**
Stage 1	5,393	6,317
Stage 2	4,504	5,229
Stage 3	21,337	24,141
Allowances for country risk	366	718
Total	**111,825**	**122,455**

These allowances are recognised under the “Provisions” heading on the liabilities side of the balance sheet (see Note 18).

Note 21 – Interest income and expenses

The breakdown of quarterly net interest income for the six-month periods ended 30 June 2022 and 2021, as well as returns and average costs of the various components which comprise the total investment and funds, is as follows:

Thousand euro

	30/06/2022						
	1st quarter			2nd quarter			TOTAL
	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)	
Return on the investment	**252,254,778**	**1.44**	**895,502**	**256,295,187**	**1.54**	**986,642**	**1,882,144**
Cash and cash equivalents (*)	55,535,867	(0.22)	(29,473)	54,056,484	(0.13)	(17,665)	**(47,138)**
Loans and advances	155,878,030	2.29	878,537	157,837,361	2.34	919,347	**1,797,884**
Fixed-income portfolio (**)	23,116,809	0.59	33,434	25,315,096	0.85	53,918	**87,352**
Equity portfolio	843,780	—	—	920,503	—	—	**—**
Tangible and intangible assets	4,906,363	—	—	4,842,471	—	—	**—**
Rest of other assets	11,973,929	0.44	13,004	13,323,272	0.93	31,042	**44,046**
Cost of resources	**252,254,778**	**(0.06)**	**(37,728)**	**256,295,187**	**(0.14)**	**(87,783)**	**(125,511)**
Central banks and Credit institutions	41,084,647	0.64	64,898	41,118,780	0.51	52,260	**117,158**
Customer deposits (***)	167,157,645	(0.05)	(18,632)	170,097,829	(0.08)	(33,619)	**(52,251)**
Capital markets	22,170,651	(1.07)	(58,512)	22,107,863	(1.13)	(62,198)	**(120,710)**
Other liabilities	8,799,546	(1.17)	(25,482)	9,953,775	(1.78)	(44,226)	**(69,708)**
Own funds	13,042,289	—	—	13,016,940	—	—	**—**
Net interest income			857,774			898,859	**1,756,633**
Average total assets			252,254,778			256,295,187	**254,286,144**
Ratio (margin/ATA)			1.38			1.40	**1.39**

(*) Includes cash, central banks, credit institutions and reverse repos.

(**) Includes 476 thousand euros corresponding to interest on financial assets held for trading.

(**) Includes repos.

Interest income or expenses arising from the application of negative interest rates are allocated to the associated instrument. Therefore, the return on investments comprises interest expenses amounting to 97,346 thousand euros, while the cost of funds comprises interest income amounting to 210,761 thousand euros, as a result of such allocation. In particular, the credit institutions heading on the liabilities side comprises negative interest income mainly relating to TLTRO III.

Thousand euro

	30/06/2021						
	1st quarter			2nd quarter			TOTAL
	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)	
Return on the investment	**236,160,370**	**1.54**	**899,136**	**245,532,351**	**1.45**	**889,206**	**1,788,342**
Cash and cash equivalents (*)	41,910,017	(0.21)	(21,253)	48,148,899	(0.32)	(38,016)	**(59,269)**
Loans and advances	148,164,054	2.37	865,945	151,579,415	2.31	874,637	**1,740,582**
Fixed-income portfolio (**)	25,197,742	0.67	41,722	26,343,512	0.63	41,483	**83,205**
Equity portfolio	1,006,811	—	—	1,120,353	—	—	**–**
Tangible and intangible assets	5,428,850	—	—	5,278,329	—	—	**–**
Rest of other assets	14,452,896	0.36	12,722	13,061,843	0.34	11,102	**23,824**
Cost of resources	**236,160,370**	**(0.11)**	**(66,193)**	**245,532,351**	**(0.06)**	**(36,847)**	**(103,040)**
Central banks and Credit institutions	34,678,942	0.70	59,981	38,111,490	0.78	74,281	**134,262**
Customer deposits (***)	157,697,667	(0.08)	(29,691)	163,315,847	(0.06)	(22,500)	**(52,191)**
Capital markets	22,365,550	(1.31)	(72,059)	22,480,193	(1.15)	(64,265)	**(136,324)**
Other liabilities	8,844,806	(1.12)	(24,424)	9,017,734	(1.08)	(24,363)	**(48,787)**
Own funds	12,573,405	—	—	12,607,087	—	—	**–**
Net interest income			**832,943**			**852,359**	**1,685,302**
Average total assets			**236,160,370**			**245,532,351**	**240,872,250**
Ratio (margin/ATA)			**1.43**			**1.39**	**1.41**

(*) Includes cash, central banks, credit institutions and reverse repos.

(**) Includes 456 thousand euros corresponding to interest on financial assets held for trading.

(**) Includes repos.

Interest income or expenses arising from the application of negative interest rates are allocated to the associated instrument. Therefore, the return on investments comprises interest expenses amounting to 81,532 thousand euros, while the cost of funds comprises interest income amounting to 179,243 thousand euros, as a result of such allocation. In particular, the credit institutions heading on the liabilities side comprises negative interest income mainly relating to TLTRO II.

The net interest margin as a percentage of average total assets declined mainly due to the narrower spread on customer lending and on lending to central banks and credit institutions. As a result, net interest margin as a percentage of average total assets was 1.39% in the first half of 2022 (1.41% in the first half of 2021).

Note 22 – Fee and commission income and expenses

Fee and commission income and expenses on financial assets and liabilities and the provision of services for the six-month periods ended 30 June 2022 and 2021 were as follows:

Thousand euro

	30/06/2022	30/06/2021
Fees from risk transactions	**138,606**	**133,307**
Lending operations	88,159	83,620
Sureties and other guarantees	50,447	49,687
Service fees	**421,279**	**411,000**
Payment cards	124,305	106,553
Payment orders	39,808	35,338
Securities	29,323	33,355
Sight accounts	138,823	145,836
Other	89,020	89,918
Asset management and marketing fees	**169,478**	**165,139**
Mutual funds	62,338	55,650
Sale of pension funds and insurance products	95,949	98,079
Asset management	11,191	11,410
Total	**729,363**	**709,446**
Memorandum item		
Fee and commission income	838,830	789,065
Fee and commission expenses	(109,467)	(79,619)
Fees and commissions (net)	**729,363**	**709,446**

Note 23 – Gains or (-) losses on financial assets and liabilities, net and exchange differences, net

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	30/06/2022	30/06/2021
By heading:		
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	28,269	14,356
Financial assets at fair value through other comprehensive income	21,069	11,893
Financial assets at amortised cost	7,532	414
Financial liabilities at amortised cost	(332)	2,049
Gains or (-) losses on financial assets and liabilities held for trading, net	(68,208)	(79,543)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(7,513)	6,208
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	—	—
Gains or (-) losses from hedge accounting, net	16,597	(908)
Total	**(30,855)**	**(59,887)**
By type of financial instrument:		
Net gain/(loss) on debt securities	12,754	19,001
Net gain/(loss) other equity instruments	(362)	637
Net gain/(loss) on derivatives	(50,447)	(81,988)
Net gain/(loss) on other items (*)	7,200	2,463
Total	**(30,855)**	**(59,887)**

(*) Mainly includes gains on the sale of several loan portfolios disposed of during the first half of the year.

Throughout the first half of 2022, the Group has carried out sales of certain debt securities that it held in the portfolio of financial assets at fair value through other comprehensive income, all issued by public sector entities, generating profit of 21,069 thousand euros.

Meanwhile, the “Net gain/(loss) on derivatives” heading in the table above includes, among other things, the change in the fair value of derivatives used to hedge against the foreign exchange risk of debit and credit balances denominated in foreign currencies. The losses generated by these derivatives amount to 110,897 thousand euros and are recognised under the heading “Gains or (-) losses on financial assets and liabilities held for trading, net” of the condensed consolidated income statement, while the exchange differences generated by debit and credit balances denominated in foreign currencies hedged with these derivatives are recognised under the heading “Exchange differences [gain or (-) loss], net” of the condensed consolidated income statement.

Note 24 – Other operating income

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	30/06/2022	30/06/2021
Income from use of investment properties	12,243	13,373
Sales and other income from the provision of non-financial services	6,112	5,995
Other operating income	12,870	63,749
Total	**31,225**	**83,117**

The reduction of the “Other operating income” heading is mainly due to the fall in income from the vehicle leasing activity following the disposal of the Bansabadell Renting, S.L.U. subsidiary, which took place in the first half of 2021 (see Note 25).

Note 25 – Other operating expenses

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	30/06/2022	30/06/2021
Contribution to deposit guarantee schemes	(7,453)	(6,215)
Banco Sabadell	(37)	(41)
TSB	(645)	(474)
BS IBM México	(6,771)	(5,700)
Contribution to resolution fund	(100,151)	(87,977)
Other items	(70,238)	(110,895)
TOTAL	**(177,842)**	**(205,087)**

The "Other items" heading is reduced due to, among other reasons, the fall in expenses of the vehicle leasing business, following the disposal of Bansabadell Renting, S.L.U. (see Note 24).

Note 26 – Administrative expenses

Staff expenses

Staff expenses recognised in the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 were as follows:

Thousand euro

	Note	30/06/2022	30/06/2021
Payrolls and bonuses for active staff		(524,678)	(553,771)
Social Security payments		(107,142)	(118,240)
Contributions to defined benefit pension plans	18	(2,943)	(1,626)
Contributions to defined contribution pension plans		(31,242)	(34,423)
Other staff expenses		(28,480)	(45,774)
Total		**(694,485)**	**(753,834)**

The average workforce of the Bank and Group in the six-month periods ended 30 June 2022 and 2021 is detailed below:

Number of employees

	Bank		Group	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Average of employees	**12,355**	**14,062**	**19,171**	**21,846**
Men	5,686	6,606	8,487	9,678
Women	6,669	7,456	10,684	12,168

As at 30 June 2022 and 2021, the breakdown of the Group workforce by category and sex is as follows:

Number of employees

	30/06/2022			30/06/2021		
	Men	Women	Total	Men	Women	Total
Management staff	476	204	680	489	186	675
Middle management	1,912	1,382	3,294	2,251	1,377	3,628
Specialist staff	5,269	7,164	12,433	5,942	8,074	14,016
Administrative staff	724	1,844	2,568	733	2,043	2,776
Total	**8,381**	**10,594**	**18,975**	**9,415**	**11,680**	**21,095**

The change in the Group's workforce, both on average and as at 30 June 2022, mainly corresponds to the layoffs undertaken in the first quarter of 2022 under the framework of the redundancy scheme (*Expediente de Regulación de Empleo*) implemented in Spain. In addition, the workforce was reduced as a result of the disposal of the BancSabadell d'Andorra and BanSabadell Renting subsidiaries, and the restructuring at TSB to adapt to the scale of its business needs.

Other administrative expenses

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	30/06/2022	30/06/2021
Property, plant and equipment	(34,809)	(33,631)
Information technology	(201,852)	(207,530)
Communication	(15,139)	(15,603)
Publicity	(32,933)	(42,628)
Subcontracted administrative services	(57,254)	(65,757)
Contributions and taxes	(56,694)	(66,741)
Technical reports	(13,192)	(13,409)
Security services and fund transfers	(7,471)	(7,608)
Entertainment expenses and staff travel expenses	(3,233)	(2,462)
Membership fees	(2,341)	(2,587)
Other expenses	(47,876)	(38,916)
Total	**(472,794)**	**(496,872)**

The cost-to-income ratio stood at 46.91% as at 30 June 2022 (53.73% as at 30 June 2021). The cost-to-income ratio, including depreciation and amortisation, stood at 57.86% as at 30 June 2022 (64.96% as at 30 June 2021).

Information about the Group's branches and offices is given below:

Number of branches

	30/06/2022	30/06/2021
Branches	**1,525**	**1,918**
Spain	1,272	1,588
Outside Spain	253	330

Note 27 – Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	Note	30/06/2022	30/06/2021
Financial assets at fair value through other comprehensive income		(60)	561
Debt securities		(60)	561
Other equity instruments		—	—
Financial assets at amortised cost	10	(393,720)	(504,517)
Debt securities		22	66
Loans and advances		(393,742)	(504,583)
Total		**(393,780)**	**(503,956)**

Note 28 – Impairment or (-) reversal of impairment on non-financial assets

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	30/06/2022	30/06/2021
Property, plant and equipment	101	(25,824)
Investment properties	(17,666)	10,464
Goodwill and other intangible assets	—	—
Inventories	(13,921)	(23,521)
Total	**(31,486)**	**(38,881)**

Note 29 – Gains or (-) losses on derecognition of non-financial assets, net

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	30/06/2022	30/06/2021
Property, plant and equipment	(1,977)	(7,850)
Investment properties	719	1
Intangible assets	(23,231)	(2,241)
Interests (*)	8,253	7,553
Other capital instruments	—	—
Other items	(10)	82,743
Total	**(16,246)**	**80,206**

(*) See Schedule I – Companies no longer consolidated.

Note 30 – Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2022 and 2021 is as follows:

Thousand euro

	30/06/2022	30/06/2021
Property, plant and equipment for own use and foreclosed	(12,331)	(29,452)
Gains/losses on sales	(9,385)	(21,826)
Impairment/Reversal	(2,946)	(7,626)
Investment properties	—	543
Intangible assets	—	—
Interests (*)	(2,209)	9
Other capital instruments	—	—
Other items	(272)	(6,362)
Total	**(14,812)**	**(35,262)**

(*) See Schedule I - Companies no longer consolidated.

The impairment of non-current assets held for sale excludes income from the increase in fair value less selling costs.

Note 31 – Segment reporting

Segmentation criteria

This section gives information regarding earnings and other indicators of the Group's business units.

In 2022, the criteria that Banco Sabadell Group uses to report on results for each segment are those established in 2021, specifically:

- Three geographical areas: Banking Business in Spain, United Kingdom and Mexico. Banking Business Spain includes the foreign branches and representative offices.
- Each business unit is allocated capital equivalent to 12% of its risk-weighted assets and the surplus of own funds is allocated to Banking Business Spain.

In terms of the other criteria applied, segment information is first structured with a breakdown by geographical area and then broken down based on the customers to which each segment is aimed.

The information presented is based on the individual accounting records of each Group company, after all consolidation disposals and adjustments have been made.

Each business unit bears its own direct costs, calculated on the basis of general accounting.

Key information relating to the segmentation of the Group's activities is given hereafter:

Million euro

	30/06/2022 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**1,139**	**551**	**67**	**1,757**
Fees and commissions (net)	660	64	5	729
Core revenue	**1,799**	**615**	**72**	**2,486**
Net trading income and exchange differences	79	3	1	83
Equity-accounted income and dividends	84	—	—	84
Other operating income/expense	(117)	(21)	(8)	(147)
Gross income	**1,845**	**597**	**65**	**2,507**
Operating expenses and depreciation and amortisation	(940)	(461)	(39)	(1,440)
Pre-provisions income	**906**	**136**	**26**	**1,067**
Provisions and impairments	(444)	(32)	—	(475)
Capital gains on asset sales and other revenue	(17)	—	(2)	(19)
Profit/(loss) before tax	**445**	**104**	**23**	**572**
Corporation tax	(112)	(50)	(4)	(166)
Profit or loss attributed to minority interests	14	—	—	14
Profit attributable to the Group	**319**	**54**	**19**	**393**
ROTE (net return on tangible equity attributable to the Group)	7.4%	5.2%	8.2%	7.0%
Cost-to-income (general administrative expenses / gross income)	41.4%	63.4%	50.8%	46.9%
NPL ratio	4.1%	1.3%	2.3%	3.3%
NPL (stage 3) coverage ratio, with total provisions	56.7%	40.3%	73.3%	55.3%
Employees	12,949	5,595	431	18,975
Domestic and foreign branches	1,290	220	15	1,525

(*) Exchange rates used in the income statement: GBP 0.8423 (average), MXN 22.1204 (average), USD 1.0942 (average) and MAD 10.5747 (average).

Million euro

	30/06/2022 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Assets	**196,349**	**55,297**	**5,583**	**257,229**
Gross performing loans to customers	110,177	43,903	4,065	158,144
Non-performing real estate assets (net)	778	—	—	778
Liabilities	**183,298**	**55,297**	**5,583**	**244,178**
On-balance sheet customer funds	119,636	41,105	2,650	163,391
Wholesale funding capital markets	18,213	2,913	—	21,127
Allocated net equity	**9,869**	**2,589**	**592**	**13,051**
Off-balance sheet customer funds	**38,831**	**—**	**—**	**38,831**

(*) Exchange rates used in the balance sheet: GBP 0.8582, MXN 20.9641, USD 1.0387 and MAD 10.557.

Million euro

	30/06/2021 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**1,150**	**482**	**54**	**1,685**
Fees and commissions (net)	651	56	3	710
Core revenue	**1,801**	**538**	**57**	**2,395**
Net trading income and exchange differences	22	7	(1)	28
Equity-accounted income and dividends	56	—	—	56
Other operating income/expense	(110)	(9)	(3)	(122)
Gross income	**1,769**	**536**	**53**	**2,357**
Operating expenses and depreciation and amortisation	(1,002)	(471)	(39)	(1,512)
Pre-provisions income	**767**	**65**	**14**	**845**
Provisions and impairments	(583)	(28)	(10)	(621)
Capital gains on asset sales and other revenue	78	(5)	—	73
Profit/(loss) before tax	**262**	**32**	**4**	**297**
Corporation tax	(80)	8	2	(70)
Profit or loss attributed to minority interests	7	—	—	7
Profit attributable to the Group	**175**	**40**	**6**	**220**
ROTE (return on tangible equity)	4.1%	3.6%	1.7%	3.9%
Cost-to-income (general administrative expenses / gross income)	46.0%	74.0%	66.0%	53.7%
NPL ratio	4.3%	1.6%	0.3%	3.6%
NPL (stage 3) coverage ratio, with total provisions	57.3%	43.6%	416.9%	56.4%
Employees	14,648	5,978	469	21,095
Domestic and foreign branches	1,613	290	15	1,918

(*) Exchange rates used in the income statement: GBP 0.87 (average), MXN 24.31 (average), USD 1.21 (average) and MAD 10.69 (average).

Million euro

	31/12/2021 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Assets	**191,162**	**55,657**	**5,128**	**251,947**
Gross performing loans to customers	107,089	44,050	3,773	154,912
Non-performing real estate assets (net)	842	—	—	842
Liabilities	**181,389**	**53,012**	**4,550**	**238,950**
On-balance sheet customer funds	116,788	42,779	2,453	162,020
Wholesale funding capital markets	18,090	2,975	—	21,065
Allocated net equity	**9,773**	**2,645**	**578**	**12,996**
Off-balance sheet customer funds	**41,678**	**—**	**—**	**41,678**

(*) Exchange rates used in the balance sheet: GBP 0.86, MXN 23.57, USD 1.18 and MAD 10.59.

The revenue generated by each business unit as at 30 June 2022 and 2021 is as follows:

Thousand euro

	Consolidated			
	Income from ordinary activities (*)		**Profit/(loss) before tax**	
SEGMENTS	**30/06/2022**	**30/06/2021**	**30/06/2022**	**30/06/2021**
Banking Business Spain	2,163,100	2,172,175	445,167	262,575
Banking Business UK	705,163	578,873	103,753	31,152
Banking Business Mexico	163,664	111,427	23,452	3,862
Total	**3,031,927**	**2,862,475**	**572,372**	**297,589**

(*) Includes the following headings of the condensed consolidated income statement: "Interest income", "Dividend income", "Fee and commission income", "Gains or (-) losses on financial assets and liabilities, net" and "Other operating income".

The interim consolidated Directors' Report gives a more detailed assessment of each of these business units.

The distribution of interest income by geographical area for the period between 1 January and 30 June 2022, and the comparison with the same period of the preceding year, is as follows:

Thousand euro

	Breakdown of interest income by geography			
	Individual		**Consolidated**	
	30/06/2022	**30/06/2021**	**30/06/2022**	**30/06/2021**
National market	1,283,856	1,306,429	1,289,686	1,319,556
International market	122,179	107,321	900,565	729,561
European Union	18,543	20,894	18,543	20,894
Euro zone	18,543	20,894	18,543	20,894
Non Euro zone	—	—	—	—
Other	103,636	86,427	882,022	708,667
Total	**1,406,035**	**1,413,750**	**2,190,251**	**2,049,117**

Note 32 – Deferred tax assets and liabilities

The sources of the deferred tax assets and liabilities recognised in the condensed consolidated balance sheet as at 30 June 2022 and at 31 December 2021 are as follows:

Thousand euro

Deferred tax assets	30/06/2022	31/12/2021
Monetisable	**5,030,702**	**5,042,392**
Due to credit impairment	3,344,197	3,355,733
Due to real estate asset impairment	1,560,850	1,560,908
Due to pension funds	125,655	125,751
Non-monetisable	**1,182,512**	**1,156,067**
Tax credits for losses carried forward	**445,126**	**478,826**
Deductions not applied	**25,030**	**30,242**
Total	**6,683,370**	**6,707,527**

Deferred tax liabilities	30/06/2022	31/12/2021
Property restatements	55,371	55,838
Adjustments to value of wholesale debt issuances arising in business combinations	10,088	12,916
Other financial asset value adjustments	1,475	1,475
Other	50,465	53,536
Total	**117,399**	**123,765**

According to the information available as at the date of preparation of these interim condensed consolidated financial statements, and the projections taken from the Group's business plan for the coming years, it is estimated that the taxable income generated will be sufficient to offset tax loss carry-forwards and non-monetisable tax assets when these are deductible in accordance with current tax regulations, all within a maximum period of 10 years.

Monetisable tax assets are guaranteed by the State; therefore, their recoverability does not depend on the generation of future tax benefits.

Note 33 – Related party transactions

In accordance with the provisions of Chapter VII bis. Related Party Transactions, of the Capital Companies Act, introduced by Law 5/2021, of 12 April, amending the restated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies, there are no transactions with officers and directors of the company that could be considered material, other than those considered to be "related party transactions" in accordance with Article 529 vicies of the Capital Companies Act, carried out following the corresponding approval procedure and, where applicable, reported in accordance with Articles 529 unvicies *et seq.* of the aforesaid Capital Companies Act. Those that did take place were performed in the normal course of the company's business or were performed on an arm's length basis or under the terms available to any employee. There is no record of any transactions being performed other than on an arm's length basis with persons or entities related to directors or senior managers.

Details of the balances held with related parties as at 30 June 2022 and 31 December 2021, as well as the impact of related party transactions on the income statements for the six-month periods ended 30 June 2022 and 2021, are shown below:

Thousand euro

	30/06/2022				
	Joint control or signif. influence (in B.Sab)	**Associates**	**Key personnel**	**Other related parties (*)**	**Total**
Assets:					
Customer lending and other financial assets	—	174,466	3,358	609,064	**786,888**
Liabilities:					
Customer deposits and other financial liabilities	—	229,512	8,100	127,677	**365,289**
Off-balance sheet exposures:					
Financial guarantees given	—	311	—	16,548	**16,859**
Loan commitments given	—	94	393	171,869	**172,356**
Other commitments given	—	6,749	—	96,865	**103,614**
	30/06/2022				
Income statement:					
Interest and similar income	—	367	14	2,373	**2,754**
Interest and similar charges	—	(7)	—	(16)	**(23)**
Fees and commissions (net)	—	68,451	17	(167)	**68,301**
Other operating income/expense	—	3,263	—	2	**3,265**

(*) Includes, among others, employee pension plans.

Thousand euro

	31/12/2021				
	Joint control or signif. influence (in B.Sab)	**Associates**	**Key personnel**	**Other related parties (*)**	**Total**
Assets:					
Customer lending and other financial assets	—	173,423	4,774	540,008	**718,205**
Liabilities:					
Customer deposits and other financial liabilities	—	199,883	7,450	87,272	**294,605**
Off-balance sheet exposures:					
Financial guarantees given	—	302	—	10,042	**10,344**
Loan commitments given	—	102	449	108,373	**108,924**
Other commitments given	—	6,749	—	112,112	**118,861**
	30/06/2021				
Income statement:					
Interest and similar income	—	1,333	12	703	**2,048**
Interest and similar charges	—	(36)	(1)	—	**(37)**
Fees and commissions (net)	—	71,940	32	168	**72,140**
Other operating income/expense	—	6,814	—	—	**6,814**

(*) Includes, among others, employee pension plans.

Note 34 – Remuneration and balances held with members of the Board of Directors and remuneration of Senior Management

The remuneration received by members of the Board of Directors in the six-month periods ended 30 June 2022 and 2021 is shown below:

Thousand euro

	30/06/2022	30/06/2021
Type of remuneration		
Remuneration for membership of the Board and/or Board Committees	2,028	1,614
Wages	1,262	1,704
Variable remuneration in cash	163	381
Share-based remuneration schemes	184	430
Severance pay	—	1,849
Long-term savings schemes	17	4,443
Other items	36	56
Total	**3,690**	**10,477**

The amounts include the remuneration of members of the Board of Directors during the period they have held this status.

Variable remuneration as at 30 June 2022 corresponds to 50% of theoretical short-term variable remuneration for the financial year 2022, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise.

With regard to the remuneration for 2021, this included extraordinary amounts in respect of severance pay, which amounted to 1,849 thousand euros, as well as extraordinary contributions to long-term savings schemes, which amounted to 4,443 thousand euros and which corresponded to pre-existing legal or contractual obligations.

Total risk transactions granted by the Bank and consolidated companies to directors of the parent company amounted to 1,003 thousand euros as at 30 June 2022, of which 832 thousand euros corresponded to loans and advances and 171 thousand euros related to loan commitments given (1,068 thousand euros as at 31 December 2021, consisting of 909 thousand euros in loans and advances and 159 thousand euros in loan commitments given). Liabilities amounted to 6,510 thousand euros as at 30 June 2022 (5,928 thousand euros as at 31 December 2021).

In accordance with that set forth in Circular 3/2021, of 28 September, of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV), remuneration amounts received by the other members of Senior Management who are not members of the Board of Directors and by the Internal Audit Officer, for the six-month periods ended 30 June 2022 and 2021, are set out below:

Thousand euro

	30/06/2022	**30/06/2021**
Ordinary remuneration	3,302	2,788
Severance pay	579	5,340
Total	**3,881**	**8,128**

The amounts include the remuneration of members of Senior Management during the period they have held this status. In the first half of 2022, this group, including the Internal Audit Officer, was formed by 8.4 persons, measured in full-time equivalent terms (6.5 persons in the first half of 2021).

The remuneration for 2022 includes variable remuneration amounts as at 30 June 2022 corresponding to 50% of theoretical short-term variable remuneration for the financial year 2022, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise.

In 2022 extraordinary amounts corresponding to end-of-contract payments are included, amounting to 579 thousand euros. With regard to remuneration corresponding to 2021, extraordinary amounts in respect of severance pay are included; these amounted to 5,340 thousand euros and corresponded to pre-existing legal or contractual obligations.

Risk transactions granted by the Bank and consolidated companies to Senior Management staff (with the exception of those who are also executive directors) amounted to 2,748 thousand euros as at 30 June 2022 (4,156 thousand euros as at 31 December 2021), comprising 2,526 thousand euros in loans and advances and 222 thousand euros related to loan commitments given (as at 31 December 2021, 3,865 thousand euros related to loans and advances and 290 thousand euros related to loan commitments given). Liabilities amounted to 1,590 thousand euros as at 30 June 2022 (1,520 thousand euros as at 31 December 2021).

Note 35 – Subsequent events

Since 30 June 2022, there have been no events worthy of mention.

Schedule I – Changes in the consolidation perimeter

Newly consolidated companies in the first half of 2022:

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of combination: Cost of acquisition	Cost of combination: Fair value of equity instruments issued for the acquisition	% Voting rights acquired	% Total voting rights	Type of shareholding	Method	Reason
Catalana de Biogás Iberia, S.L.	Associate	25/4/2022	2	—	24.90%	24.90%	Indirect	Equity method	a
Duncan Holdings 2022-1 Limited	Subsidiary	29/3/2022	1	—	100.00%	100.00%	Indirect	Full consolidation	b
Gier Operations 2021, S.L.U.	Subsidiary	21/1/2022	730	—	100.00%	100.00%	Direct	Full consolidation	b
Total newly consolidated subsidiaries			**731**						
Total newly consolidated associates			**2**						

(a) Incorporation of associated companies.
(b) Incorporation of subsidiaries

Companies no longer consolidated in the first half of 2022:

Thousand euro

Name of entity (or line of business) sold, spun off or otherwise disposed of	Category	Effective date of the transaction	% Voting rights disposed of	% Total voting rights following disposal	Profit/(loss) generated	Type of shareholding	Method	Reason
Inversiones en Resorts Mediterráneos, S.L. in liquidation	Subsidiary	20/1/2022	55.06%	—	(800)	Indirect	Full consolidation	a
Other					6,843			
Total					**6,043**			

(a) Disposals from the scope due to dissolution and/or liquidation.

Schedule II – Interim financial statements of Banco Sabadell

Interim financial statements of Banco de Sabadell, S.A.

The Bank's balance sheets as at 30 June 2022 and 31 December 2021 are shown below, together with the Bank's income statements, statements of recognised income and expenses, the statements of total changes in equity and the cash flow statements, corresponding to the six-month periods ended 30 June 2022 and 2021:

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2022 and 31 December 2021

Thousand euro

Assets	30/06/2022	31/12/2021
Cash, cash balances at central banks and other demand deposits	**39,104,251**	**42,305,858**
Financial assets held for trading	**3,560,619**	**1,765,884**
Derivatives	1,928,548	1,175,511
Equity instruments	—	—
Debt securities	1,632,071	590,373
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	155,578	*106,791*
Non-trading financial assets mandatorily at fair value through profit or loss	**61,454**	**76,832**
Equity instruments	3,192	14,582
Debt securities	58,262	62,250
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	—	—
Financial assets designated at fair value through profit or loss	—	**–**
Debt securities	—	—
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	—	—
Financial assets at fair value through other comprehensive income	**5,504,978**	**5,856,546**
Equity instruments	65,589	64,568
Debt securities	5,439,389	5,791,978
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	*1,094,599*	*1,530,351*
Financial assets at amortised cost	**139,731,983**	**133,047,125**
Debt securities	16,322,699	12,176,675
Loans and advances	123,409,284	120,870,450
Central banks	—	—
Credit institutions	7,483,768	7,876,763
Customers	115,925,516	112,993,687
Memorandum item: loaned or pledged as security with sale or pledging rights	*4,113,482*	*3,554,788*
Derivatives – Hedge accounting	**766,675**	**240,921**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(483,705)**	**126,152**
Investments in subsidiaries, joint ventures and associates	**5,768,366**	**5,358,076**
Subsidiaries	5,647,984	5,237,576
Joint ventures	—	—
Associates	120,382	120,500
Tangible assets	**1,804,020**	**1,837,094**
Property, plant and equipment	1,745,084	1,762,166
For own use	1,745,084	1,762,166
Leased out under operating leases	—	—
Investment properties	58,936	74,928
Of whic3h: leased out under operating leases	*58,936*	*74,928*
Memorandum item: acquired through finance leases	*783,830*	*786,344*
Intangible assets	**37,714**	**48,840**
Goodwill	24,536	36,854
Other intangible assets	13,178	11,986
Tax assets	**5,457,219**	**5,485,221**
Current tax assets	169,705	219,403
Deferred tax assets	5,287,514	5,265,818
Other assets	**274,601**	**267,876**
Insurance contracts linked to pensions	86,965	116,453
Inventories	—	—
Rest of other assets	187,636	151,423
Non-current assets and disposal groups classified as held for sale	**749,646**	**771,395**
TOTAL ASSETS	**202,337,821**	**197,187,820**

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2022 and 31 December 2021

Thousand euro

Liabilities	**30/06/2022**	**31/12/2021**
Financial liabilities held for trading	**2,041,188**	**1,189,494**
Derivatives	1,844,858	1,132,832
Short positions	196,330	56,662
Deposits	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Debt securities in issue	—	—
Other financial liabilities	—	—
Financial liabilities designated at fair value through profit or loss	**—**	**—**
Deposits	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Debt securities in issue	—	—
Other financial liabilities	—	—
Memorandum item: subordinated liabilities	—	—
Financial liabilities at amortised cost	**187,049,755**	**182,745,169**
Deposits	162,326,627	159,650,268
Central banks	31,867,493	31,702,700
Credit institutions	7,539,274	8,170,430
Customers	122,919,860	119,777,138
Debt securities in issue	18,698,698	18,831,284
Other financial liabilities	6,024,430	4,263,617
Memorandum item: subordinated liabilities	*3,479,761*	*4,243,768*
Derivatives – Hedge accounting	**568,398**	**354,769**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(297,744)**	**95,139**
Provisions	**483,636**	**840,139**
Pensions and other post employment defined benefit obligations	59,793	79,575
Other long term employee benefits	102	297
Pending legal issues and tax litigation	74,576	76,841
Commitments and guarantees given	161,014	277,888
Other provisions	188,151	405,538
Tax liabilities	**186,487**	**135,055**
Current tax liabilities	117,270	62,479
Deferred tax liabilities	69,217	72,576
Share capital repayable on demand	**—**	**—**
Other liabilities	**974,110**	**524,808**
Liabilities included in disposal groups classified as held for sale	**—**	**—**
TOTAL LIABILITIES	**191,005,830**	**185,884,573**

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2022 and 31 December 2021

Thousand euro

Equity	**30/06/2022**	**31/12/2021**
Shareholders' equity	**11,499,514**	**11,371,203**
Capital	703,371	703,371
Paid up capital	703,371	703,371
Unpaid capital which has been called up	—	—
Memorandum item: capital not called up	—	—
Share premium	7,899,227	7,899,227
Equity instruments issued other than capital	—	—
Equity component of compound financial instruments	—	—
Other equity instruments issued	—	—
Other equity	9,891	9,663
Retained earnings	4,637,011	4,486,020
Revaluation reserves	—	—
Other reserves	(2,074,523)	(2,021,071)
(-) Treasury shares	(29,757)	(34,419)
Profit or loss for the period	354,294	328,412
(-) Interim dividends	—	—
Accumulated other comprehensive income	**(167,523)**	**(67,956)**
Items that will not be reclassified to profit or loss	(78,982)	(74,402)
Actuarial gains or (-) losses on defined benefit pension plans	(6,539)	(179)
Non-current assets and disposal groups classified as held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(72,443)	(74,223)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Items that may be reclassified to profit or loss	(88,541)	6,446
Hedge of net investments in foreign operations [effective portion]	(27,129)	(2,915)
Foreign currency translation	133,461	44,138
Hedging derivatives. Cash flow hedges reserve [effective portion]	(64,868)	(20,235)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(130,005)	(14,542)
Hedging instruments [not designated elements]	—	—
Non-current assets and disposal groups classified as held for sale	—	—
TOTAL EQUITY	**11,331,991**	**11,303,247**
TOTAL EQUITY AND TOTAL LIABILITIES	**202,337,821**	**197,187,820**

Memorandum item: off-balance sheet exposures		
Loan commitments given	**20,579,158**	**21,078,872**
Financial guarantees given	**8,898,461**	**8,966,917**
Other commitments given	**7,754,802**	**7,425,425**

Income statements of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	30/06/2022	**30/06/2021**
Interest income	1,406,035	1,413,750
Financial assets at fair value through other comprehensive income	32,148	22,383
Financial assets at amortised cost	1,159,269	1,195,516
Other interest income	214,618	195,851
(Interest expenses)	(330,757)	(321,248)
(Expenses on share capital repayable on demand)	—	—
Net interest income	**1,075,278**	**1,092,502**
Dividend income	74,435	64,759
Fee and commission income	740,604	688,591
(Fee and commission expenses)	(92,942)	(65,112)
Gains or (-) losses on financial assets and liabilities, net	(30,196)	(57,868)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	18,363	7,761
Financial assets at amortised cost	7,704	458
Other financial assets and liabilities	10,659	7,303
Gains or (-) losses on financial assets and liabilities held for trading, net	(55,940)	(71,874)
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortised cost	—	—
Other gains or (-) losses	(55,940)	(71,874)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(7,374)	6,185
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortised cost	—	—
Other gains or (-) losses	(7,374)	6,185
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	—	—
Gains or (-) losses from hedge accounting, net	14,755	60
Exchange differences [gain or (-) loss], net	113,670	84,706
Other operating income	24,227	28,455
(Other operating expenses)	(128,977)	(114,315)
Gross income	**1,776,099**	**1,721,718**

Thousand euro

	30/06/2022	30/06/2021
(Administrative expenses)	(847,361)	(877,497)
(Staff expenses)	(468,612)	(511,810)
(Other administrative expenses)	(378,749)	(365,687)
(Depreciation and amortisation)	(96,421)	(116,522)
(Provisions or (-) reversal of provisions)	(21,483)	(53,925)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	(348,295)	(468,327)
(Financial assets at fair value through other comprehensive income)	(60)	566
(Financial assets at amortised cost)	(348,235)	(468,893)
Profit/(loss) on operating activities	**462,539**	**205,447**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)	16,109	18,488
(Impairment or (-) reversal of impairment on non-financial assets)	(6,076)	(23,333)
(Tangible assets)	(6,076)	(23,333)
(Intangible assets)	—	—
(Other)	—	—
Gains or (-) losses on derecognition of non-financial assets, net	8,309	83,336
Negative goodwill recognised in profit or loss	—	—
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(13,430)	(33,807)
Profit or (-) loss before tax from continuing operations	**467,451**	**250,131**
(Tax expense or (-) income related to profit or loss from continuing operations)	(113,157)	(65,494)
Profit or (-) loss after tax from continuing operations	**354,294**	**184,637**
Profit or (-) loss after tax from discontinued operations	—	—
Profit or loss for the period	**354,294**	**184,637**
Earnings per share (euro)	**0.05**	**0.02**
Basic (in euro)	0.05	0.02
Diluted (in euro)	0.05	0.02

Statements of recognised income and expenses of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	30/06/2022	30/06/2021
Profit or loss for the period	**354,294**	**184,637**
Other comprehensive income	**(99,567)**	**(102,199)**
Items that will not be reclassified to profit or loss	(4,581)	10,535
Actuarial gains or (-) losses on defined benefit pension plans	(9,087)	—
Non-current assets and disposal groups held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	2,033	6,738
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Income tax relating to items that will not be reclassified	2,473	3,797
Items that may be reclassified to profit or loss	(94,986)	(112,734)
Hedge of net investments in foreign operations [effective portion]	(24,213)	(5,752)
Valuation gains or (-) losses taken to equity	(24,213)	(5,752)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	89,323	29,393
Translation gains or (-) losses taken to equity	89,323	29,393
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges (effective portion)	(63,761)	(156,113)
Valuation gains or (-) losses taken to equity	(35,614)	(151,084)
Transferred to profit or loss	(28,147)	(5,029)
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Hedging instruments [not designated elements]	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Debt instruments at fair value through other comprehensive income	(158,671)	(11,110)
Valuation gains or (-) losses taken to equity	(147,680)	(5,856)
Transferred to profit or loss	(10,991)	(5,254)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Income tax relating to items that may be reclassified to profit or (-) loss	62,336	30,848
Total comprehensive income for the period	**254,727**	**82,438**

Statements of total changes in equity of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

Sources of changes in equity	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss for the period	(-) Interim dividends	Accumulated other comprehensive income	**Total**
Closing balance 31/12/2021	**703,371**	**7,899,227**	**—**	**9,663**	**4,486,020**	**—**	**(2,021,071)**	**(34,419)**	**328,412**	**—**	**(67,956)**	**11,303,247**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	**—**
Opening balance 01/01/2022	**703,371**	**7,899,227**	**—**	**9,663**	**4,486,020**	**—**	**(2,021,071)**	**(34,419)**	**328,412**	**—**	**(67,956)**	**11,303,247**
Total comprehensive income for the period	**—**	**—**	**—**	—	—	—	—	—	354,294	**—**	(99,567)	**254,727**
Other changes in equity	**—**	**—**	**—**	**228**	**150,991**	**—**	**(53,452)**	**4,662**	**(328,412)**	**—**	**—**	**(225,983)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	(168,809)	—	—	—	—	—	—	**(168,809)**
Purchase of treasury shares	—	—	—	—	—	—		(50,878)	—	—	—	**(50,878)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	2,149	55,540	—	—	—	**57,689**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	328,412	—	—	—	(328,412)	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	228	—	—	—	—	—	—	—	**228**
Other increase or (-) decrease in equity	—	—	—	—	(8,612)	—	(55,601)	—	—	—	—	**(64,213)**
Closing balance 30/06/2022	**703,371**	**7,899,227**	**—**	**9,891**	**4,637,011**	**—**	**(2,074,523)**	**(29,757)**	**354,294**	**—**	**(167,523)**	**11,331,991**

Statements of total changes in equity of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

Sources of changes in equity	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss for the period	(-) Interim dividends	Accumulated other comprehensive income	**Total**
Closing balance 31/12/2020	**703,371**	**7,899,227**	**—**	**8,755**	**4,402,722**	**—**	**(1,930,114)**	**(37,457)**	**93,781**	**—**	**(43,863)**	**11,096,422**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	**—**
Opening balance 01/01/2021	**703,371**	**7,899,227**	**—**	**8,755**	**4,402,722**	**—**	**(1,930,114)**	**(37,457)**	**93,781**	**—**	**(43,863)**	**11,096,422**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**184,637**	**—**	**(102,199)**	**82,438**
Other changes in equity	**—**	**—**	**—**	**32**	**81,703**	**—**	**(30,977)**	**3,365**	**(93,781)**	**—**	**—**	**(39,658)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	—	—	—	—	—	—	—	**—**
Purchase of treasury shares	—	—	—	—	—	—	—	(35,338)	—	—	—	**(35,338)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	1,045	38,703	—	—	—	**39,748**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	93,781	—	—	—	(93,781)	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	1,737	—	—	—	—	—	—	—	**1,737**
Other increase or (-) decrease in equity	—	—	—	(1,705)	(12,078)	—	(32,022)	—	—	—	—	**(45,805)**
Closing balance 30/06/2021	**703,371**	**7,899,227**	**—**	**8,787**	**4,484,425**	**—**	**(1,961,091)**	**(34,092)**	**184,637**	**—**	**(146,062)**	**11,139,202**

Cash flow statements of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2022 and 2021

Thousand euro

	30/06/2022	30/06/2021
Cash flows from operating activities	**(2,256,816)**	**12,550,243**
Profit or loss for the period	354,294	184,637
Adjustments to obtain cash flows from operating activities	574,443	742,500
Depreciation and amortisation	96,421	116,522
Other adjustments	478,022	625,978
Net increase/decrease in operating assets	(8,870,989)	1,535,269
Financial assets held for trading	(1,794,735)	417,300
Non-trading financial assets mandatorily at fair value through profit or loss	15,378	(11,220)
Financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	237,826	(740,454)
Financial assets at amortised cost	(7,421,093)	1,909,366
Other operating assets	91,635	(39,723)
Net increase/decrease in operating liabilities	5,620,161	9,861,788
Financial liabilities held for trading	851,694	(883,457)
Financial liabilities designated at fair value through profit or loss	—	—
Financial liabilities at amortised cost	5,054,586	11,788,463
Other operating liabilities	(286,119)	(1,043,218)
Income tax receipts or payments	65,275	226,049
Cash flows from investing activities	**46,316**	**146,998**
Payments	(76,817)	(66,888)
Tangible assets	(73,558)	(61,887)
Intangible assets	(2,529)	(4,675)
Investments in subsidiaries, joint ventures and associates	—	—
Other business units	(730)	(326)
Non-current assets and liabilities classified as held for sale	—	—
Other payments related to investing activities	—	—
Collections	123,133	213,886
Tangible assets	22,874	3,918
Intangible assets	—	—
Investments in subsidiaries, joint ventures and associates	68,569	58,907
Other business units	4,213	9,128
Non-current assets and liabilities classified as held for sale	27,477	141,933
Other collections related to investing activities	—	—
Cash flows from financing activities	**(1,018,160)**	**915,842**
Payments	(1,075,847)	(123,906)
Dividends	(168,809)	—
Subordinated liabilities	(750,000)	—
Amortisation of own equity instruments	—	—
Acquisition of own equity instruments	(50,878)	(35,338)
Other payments related to financing activities	(106,160)	(88,568)
Collections	57,687	1,039,748
Subordinated liabilities	—	1,000,000
Issuance of own equity instruments	—	—
Disposal of own equity instruments	57,687	39,748
Other collections related to financing activities	—	—
Effect of exchange rate fluctuations	**27,053**	**(235)**
Net increase (decrease) in cash and cash equivalents	**(3,201,607)**	**13,612,848**
Cash and cash equivalents at the beginning of the period	**42,305,858**	**28,723,571**
Cash and equivalents at the end of the period	**39,104,251**	**42,336,419**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash	586,182	509,726
Cash equivalents in central banks	38,134,295	41,332,423
Other demand deposits	383,774	494,270
Other financial assets	—	—
Less: bank overdrafts repayable on demand	—	—

Schedule III – Information required to be kept by issuers of mortgage market securities and the special accounting mortgage register

Information concerning the data kept in the special accounting register of the issuer Banco Sabadell referred to in Article 21 of Royal Decree 716/2009, as required by Bank of Spain Circular 5/2011, is set out below, without taking into account the guarantee provided by the DGF.

a) Asset-side transactions

Details of the nominal value of the entire mortgage loans and credit portfolio as at 30 June 2022 and at 31 December 2021 used as collateral for issues, their eligibility and the qualifying amount for mortgage market purposes, are presented in the following table:

Thousand euro

Analysis of overall mortgage loan & credit portfolio; eligibility and qualifying amounts (nominal values)		
	30/06/2022	**31/12/2021**
Total mortgage loan and credit portfolio	**50,028,856**	**50,225,414**
Participation mortgages issued	**1,410,772**	**1,535,765**
Of which: Loans held on balance sheet	*1,382,622*	*1,502,504*
Mortgage transfer certificates	**5,028,754**	**5,466,788**
Of which: Loans held on balance sheet	*4,779,019*	*5,219,354*
Mortgage loans pledged as security for financing received	**—**	**—**
Loans backing issues of mortgage bonds and covered bonds	**43,589,330**	**43,222,861**
Ineligible loans	8,314,281	8,794,185
Fulfil eligibility requirements except for limit under Article 5.1 of Royal Decree 716/2009	7,966,480	8,429,918
Other	347,801	364,267
Eligible loans	35,275,049	34,428,676
Non-qualifying portions	103,647	59,146
Qualifying portions	35,171,402	34,369,530
Loans covering mortgage bond issues	—	—
Loans eligible as coverage for covered bond issues	35,171,402	34,369,530
Substitution assets for covered bond issues	**—**	**—**

A breakdown of these nominal values according to different attributes is given below:

Thousand euro

Analysis of total mortgage loan and credit portfolio backing mortgage market issues	30/06/2022		31/12/2021	
	Total	***Of which: Eligible loans***	**Total**	***Of which: Eligible loans***
Loans backing issues of mortgage bonds and covered bonds	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Origin of operations	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Originated by the institution	43,087,490	*34,883,256*	42,655,304	*34,016,806*
Subrogated from other entities	308,948	*264,520*	292,307	*256,014*
Other	192,892	*127,273*	275,250	*155,856*
Currency	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Euro	43,546,298	*35,237,920*	43,173,341	*34,386,431*
Other currencies	43,032	*37,129*	49,520	*42,245*
Payment status	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Satisfactory payment	39,799,330	*32,861,891*	39,681,234	*32,280,269*
Other situations	3,790,000	*2,413,158*	3,541,627	*2,148,407*
Average residual maturity	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Up to 10 years	9,733,587	*8,473,958*	9,789,964	*8,350,104*
10 to 20 years	16,906,129	*14,132,550*	16,907,433	*13,923,891*
20 to 30 years	16,637,608	*12,551,314*	16,088,183	*11,979,015*
More than 30 years	312,006	*117,227*	437,281	*175,666*
Interest rate	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Fixed	22,490,275	*18,570,118*	21,087,632	*17,206,952*
Variable	21,099,055	*16,704,931*	22,135,229	*17,221,724*
Mixed				
Borrowers	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Legal entities and individual entrepreneurs	11,267,479	*8,694,360*	11,403,204	*8,578,554*
Of which: Real estate developments	*1,831,714*	*1,183,218*	*1,805,426*	*1,062,649*
Other individuals and NPISHs	32,321,851	*26,580,689*	31,819,657	*25,850,122*
Type of guarantee	**43,589,330**	***35,275,049***	**43,222,861**	***34,428,676***
Assets /finished buildings	42,883,067	*34,794,812*	42,517,282	*33,960,470*
Residential	*35,545,053*	*29,134,958*	*35,052,356*	*28,295,021*
Of which: Subsidised housing	*1,360,692*	*1,120,368*	*1,360,692*	*1,120,368*
Commercial	*7,115,406*	*5,492,165*	*7,238,866*	*5,491,003*
Other	*222,608*	*167,689*	*226,060*	*174,446*
Assets/ buildings under construction	153,446	*146,516*	139,896	*132,851*
Residential	*127,148*	*120,221*	*125,565*	*118,595*
Of which: Subsidised housing	*50*	*50*	*50*	*50*
Commercial	*26,044*	*26,041*	*13,977*	*13,902*
Other	*254*	*254*	*354*	*354*
Land	552,817	*333,721*	565,683	*335,355*
Developed	*76,435*	*38,259*	*68,582*	*22,181*
Rest	*476,382*	*295,462*	*497,101*	*313,174*

The nominal value of available funds (undrawn commitments) of all mortgage loans and credit as at 30 June 2022 and at 31 December 2021 is as follows:

Thousand euro

Undrawn balances (nominal value). Total mortgage loans and credit backing the issue of mortgage bonds and covered bonds	30/06/2022	31/12/2021
Potentially eligible	1,033,828	1,051,888
Ineligible	2,157,461	1,969,968

The breakdown of nominal values based on the loan-to-value (LTV) ratio measuring the risk based on the last available valuation of the mortgage lending portfolio eligible for the issuance of mortgage bonds and mortgage covered bonds as at 30 June 2022 and 31 December 2021 is shown below:

Thousand euro

LTV ratio by type of security. Eligible loans for the issue of mortgage bonds and covered bonds	30/06/2022	31/12/2021
Secured on residential property	**29,259,386**	**28,408,838**
Of which LTV <= 40%	*8,060,402*	*8,015,059*
Of which LTV 40%-60%	*10,133,072*	*9,912,812*
Of which LTV 60%-80%	*11,065,912*	*10,480,967*
Of which LTV > 80%	—	—
Secured on other property	**6,015,663**	**6,019,838**
Of which LTV <= 40%	*3,665,790*	*3,666,010*
Of which LTV 40%-60%	*2,349,873*	*2,353,828*
Of which LTV > 60%	—	—

Movements during the first half of 2022 in the nominal values of mortgage loans backing issues of mortgage bonds and mortgage covered bonds (eligible and ineligible) are as follows:

Thousand euro

Changes in nominal values of mortgage loans	Eligible	Ineligible
Balance as at 31 December 2021	**34,428,676**	**8,794,185**
Derecognised during the year	**(2,940,907)**	**(1,655,889)**
Terminations at maturity	(1,525,674)	(268,275)
Early terminations	(1,078,544)	(233,757)
Subrogations by other entities	(24,552)	(2,629)
Other	(312,137)	(1,151,228)
Additions during the year	**3,787,280**	**1,175,985**
Originated by the institution	2,422,981	897,602
Subrogations by other entities	21,697	223
Other	1,342,602	278,160
Balance as at 30 June 2022	**35,275,049**	**8,314,281**

b) Liability-side transactions

Information on issues carried out and secured with Banco Sabadell's mortgage loans and credit portfolio is provided in the following table, broken down according to whether the sale was by public offering or otherwise and by their residual maturity:

Thousand euro

Nominal value	**30/06/2022**	**31/12/2021**
Covered bonds issued	**15,936,254**	**14,986,254**
Of which: Not reflected under liabilities on the balance sheet	*7,615,000*	*7,315,000*
Debt securities. Issued through public offering	**5,100,000**	**4,100,000**
Time to maturity up to one year	—	—
Time to maturity from one to two years	2,000,000	1,000,000
Time to maturity from two to three years	—	1,000,000
Time to maturity from three to five years	1,100,000	—
Time to maturity from five to ten years	2,000,000	2,100,000
Time to maturity more than ten years	—	—
Debt securities. Other issues	**10,005,400**	**9,755,400**
Time to maturity up to one year	677,400	1,677,400
Time to maturity from one to two years	688,000	338,000
Time to maturity from two to three years	2,500,000	1,600,000
Time to maturity from three to five years	4,640,000	5,140,000
Time to maturity from five to ten years	1,500,000	1,000,000
Time to maturity more than ten years	—	—
Deposits	**830,854**	**1,130,854**
Time to maturity up to one year	394,444	694,444
Time to maturity from one to two years	100,000	100,000
Time to maturity from two to three years	336,410	—
Time to maturity from three to five years	—	336,410
Time to maturity from five to ten years	—	—
Time to maturity more than ten years	—	—

	30/06/2022		**31/12/2021**	
	Nominal value (thousand euro)	**Average residual maturity** (years)	**Nominal value** (thousand euro)	**Average residual maturity** (years)
Mortgage transfer certificates	**5,028,754**	**20**	**5,466,788**	**20**
Issued through public offering				
Other issues	5,028,754	20	5,466,788	20
Participation mortgages	**1,410,772**	**11**	**1,535,765**	**12**
Issued through public offering				
Other issues	1,410,772	11	1,535,765	12

Banco de Sabadell's over-collateralisation ratio (the nominal value of the entire mortgage loans and credit portfolio backing the issuance of mortgage bonds and mortgage covered bonds, divided by the nominal value of issued mortgage covered bonds) stood at 274% as at 30 June 2022.

The policies and procedures aimed at guaranteeing compliance with the regulations governing the mortgage market are described in Schedule III to the 2021 consolidated annual financial statements.

With regard to funding activities, the Group is an active participant in capital markets and has a number of funding programmes in operation (see Schedule III to the 2021 consolidated annual financial statements). As one element of the Group's funding strategy, Banco de Sabadell is an issuer of mortgage covered bonds. Mortgage covered bonds are issued with the portfolio of home equity loans granted by the issuer as collateral, adhering to the eligibility criteria defined in Royal Decree 716/2009 regulating the mortgage market and other standards of the financial mortgages system in Spain, as amended by Royal Decree-Law 24/2021 or any subsequent regulation that may replace it. Pursuant to the aforesaid Royal Decree, the full amount of principal and interest, both accrued payments and those payable in the future, of the mortgage covered bonds issued will be specially secured, with no need for assets to be pledged by means of a public deed, or for registration in any public registry, or for any other formality, by a preferential right over all of the assets included in the corresponding collateral pool. In this respect, the Group has control procedures in place to monitor its entire mortgage lending portfolio (one of which involves keeping special accounting records of all mortgage loans and credit – and any assets that replace them – used to back issues of covered bonds and mortgage bonds, as well as records of any associated financial derivatives). There are also procedures in place to verify that all loans meet the eligibility criteria for use as collateral in issues of mortgage covered bonds, and to ensure that bond issues are kept within their maximum limits at all times. These procedures are all regulated by current mortgage market regulations.

Schedule IV – Information on issues during the six-month period

Details of public issues carried out by the Group during the first half of 2022 are as follows:

Million euro

Issuer	Type of issuance	Date of issue	Amount 30/06/2022	Interest rate ruling as at 30/06/2022	Maturity date	Issue currency	Target of offering
Banco de Sabadell, S.A.	Senior Non-Preferred debentures	24/03/2022	750	2.63%	24/03/2026	Euro	Institutional
Banco de Sabadell, S.A.	Senior Non-Preferred debentures	30/03/2022	120	3.15%	30/03/2037	Euro	Institutional
Banco de Sabadell, S.A.	Covered bonds	30/05/2022	1,000	1.75%	30/05/2029	Euro	Institutional
Banco de Sabadell, S.A.	Senior Non-Preferred debentures	03/06/2022	9	2.75%	03/06/2027	Euro	Institutional

Schedule V – Other risk information

Credit risk exposure

Loans to customers broken down by activity and type of guarantee

The breakdown of the heading "Loans and advances – Customers" by activity and type of guarantee, excluding advances not classed as loans, as at 30 June 2022 and 31 December 2021, respectively, is as follows:

Thousand euro

	30/06/2022							
				Collateralised loans. Carrying amount based on last available valuation. Loan to value				
	TOTAL	**Of which: secured with real estate**	**Of which: secured with other collateral**	**Less than or equal to 40%**	**Over 40% and less than or equal to 60%**	**Over 60% and less than or equal to 80%**	**Over 80% and less than or equal to 100%**	**Over 100%**
General governments	**10,651,983**	**29,501**	**486,994**	**14,060**	**9,228**	**—**	**934**	**492,273**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,240,463**	**204,058**	**392,198**	**152,832**	**229,588**	**126,407**	**41,907**	**45,522**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**61,465,371**	**14,179,678**	**5,673,482**	**7,039,390**	**5,082,870**	**2,754,660**	**1,890,904**	**3,085,336**
Construction and real estate development (including land)	2,815,202	1,669,778	368,227	790,322	614,363	206,646	194,191	232,483
Civil engineering construction	1,021,116	52,891	124,395	49,959	43,560	38,441	17,772	27,554
Other purposes	57,629,053	12,457,009	5,180,860	6,199,109	4,424,947	2,509,573	1,678,941	2,825,299
Large enterprises	24,105,462	2,287,706	2,039,433	1,791,813	582,841	493,337	522,635	936,513
SMEs and individual entrepreneurs	33,523,591	10,169,303	3,141,427	4,407,296	3,842,106	2,016,236	1,156,306	1,888,786
Other households	**86,930,099**	**78,634,753**	**1,173,615**	**17,332,036**	**24,482,671**	**27,989,530**	**6,920,322**	**3,083,809**
Home loans	77,797,324	77,430,461	211,619	16,698,146	23,777,208	27,554,394	6,724,149	2,888,183
For consumption	5,446,070	45,875	871,972	175,881	324,683	205,568	111,765	99,950
Other purposes	3,686,705	1,158,417	90,024	458,009	380,780	229,568	84,408	95,676
TOTAL	**160,287,916**	**93,047,990**	**7,726,289**	**24,538,318**	**29,804,357**	**30,870,597**	**8,854,067**	**6,706,940**
MEMORANDUM ITEM Forbearance (refinanced and restructured loans)	**5,174,175**	**2,885,461**	**341,820**	**874,939**	**940,081**	**654,338**	**378,357**	**379,566**

Thousand euro

	31/12/2021							
				Collateralised loans. Carrying amount based on last available valuation. Loan to value				
	TOTAL	**Of which: secured with real estate**	**Of which: secured with other collateral**	**Less than or equal to 40%**	**Over 40% and less than or equal to 60%**	**Over 60% and less than or equal to 80%**	**Over 80% and less than or equal to 100%**	**Over 100%**
General governments	**9,408,771**	**33,916**	**553,176**	**13,891**	**11,091**	**—**	**963**	**561,147**
Other financial corporations and individual entrepreneurs (financial business activity)	**948,435**	**188,751**	**370,675**	**394,379**	**119,440**	**26,501**	**6,063**	**13,043**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**60,321,572**	**13,494,991**	**5,387,073**	**7,661,213**	**4,648,179**	**2,596,527**	**1,397,013**	**2,579,132**
Construction and real estate development	2,652,955	1,569,215	320,736	829,524	496,816	248,870	144,481	170,260
Civil engineering	819,200	32,852	25,371	26,128	12,252	2,556	2,803	14,484
Other purposes	56,849,417	11,892,924	5,040,966	6,805,561	4,139,111	2,345,101	1,249,729	2,394,388
Large enterprises	24,465,428	1,893,913	1,944,357	1,992,477	332,307	294,649	505,815	713,022
SMEs and individual entrepreneurs	32,383,989	9,999,011	3,096,609	4,813,084	3,806,804	2,050,452	743,914	1,681,366
Other households	**86,247,200**	**78,518,084**	**1,316,948**	**16,755,153**	**23,692,853**	**28,115,931**	**7,955,458**	**3,315,637**
Home loans	77,741,032	77,267,421	324,331	15,851,014	23,061,319	27,752,944	7,775,459	3,151,016
For consumption	5,387,338	48,559	622,025	164,816	245,859	127,265	74,417	58,227
Other purposes	3,118,830	1,202,104	370,592	739,323	385,675	235,722	105,582	106,394
TOTAL	**156,925,978**	**92,235,742**	**7,627,872**	**24,824,636**	**28,471,563**	**30,738,959**	**9,359,497**	**6,468,959**
MEMORANDUM ITEM Forbearance (refinanced and restructured loans)	**5,503,333**	**3,117,314**	**397,856**	**955,550**	**949,483**	**742,577**	**409,411**	**458,149**

Refinancing and restructuring transactions

Information on refinancing and restructuring transactions as at 30 June 2022 and 31 December 2021 is shown below. The Group's refinancing policy and strategy is described in Note 4 on "Risk management" to the 2021 consolidated annual financial statements.

Thousand euro

	30/06/2022						
	Credit institutions	**General governments**	**Other financial corporations and individual entrepreneurs (financial business activity)**	**Non-financial corporations and individual entrepreneurs (non-financial business activity)**	***Of which: lending for construction and real estate development (including land)***	**Other households**	**TOTAL**
TOTAL							
Not secured with collateral							
Number of transactions	—	12	81	30,732	*887*	63,301	**94,126**
Gross carrying amount	—	8,456	25,795	2,468,702	*163,794*	308,332	**2,811,285**
Secured with collateral							
Number of transactions	1	1	14	8,833	*1,337*	15,905	**24,754**
Gross carrying amount	13	113	2,098	2,056,778	*129,017*	1,446,364	**3,505,366**
Impairment allowances	—	1,162	15,324	798,268	*74,459*	327,709	**1,142,463**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	—	10	38	13,687	*473*	45,101	***58,836***
Gross carrying amount	—	7,292	16,559	919,944	*80,660*	176,283	***1,120,078***
Secured with collateral							
Number of transactions	—	1	6	4,974	*1,218*	7,878	***12,859***
Gross carrying amount	—	113	359	892,919	*69,990*	816,793	***1,710,184***
Impairment allowances	—	936	15,156	696,322	*71,000*	296,195	***1,008,609***
TOTAL							
Number of transactions	1	13	95	39,565	*2,224*	79,206	**118,880**
Gross amount	13	8,569	27,893	4,525,480	*292,811*	1,754,696	**6,316,651**
Impairment allowances	—	1,162	15,324	798,268	*74,459*	327,709	**1,142,463**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	—	—	—	—	—	—	**—**

Thousand euro

	31/12/2021						
	Credit institutions	**General governments**	**Other financial corporations and individual entrepreneurs (financial business activity)**	**Non-financial corporations and individual entrepreneurs (non-financial business activity)**	***Of which: lending for construction and real estate development (including land)***	**Other households**	**TOTAL**
TOTAL							
Not secured with collateral							
Number of transactions	—	14	173	35,608	*688*	64,850	**100,645**
Gross carrying amount	—	9,055	28,192	2,571,808	*138,613*	332,020	**2,941,075**
Secured with collateral							
Number of transactions	—	2	17	8,732	*1,367*	14,957	**23,708**
Gross carrying amount	—	203	2,492	2,329,048	*170,870*	1,561,620	**3,893,363**
Impairment allowances	—	1,255	16,215	972,963	*78,863*	340,664	**1,331,097**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	—	12	58	17,603	*410*	44,497	***62,170***
Gross carrying amount	—	8,133	17,719	977,368	*64,623*	210,091	***1,213,311***
Secured with collateral							
Number of transactions	—	1	9	5,543	*1,253*	8,417	***13,970***
Gross carrying amount	—	126	627	916,569	*78,527*	879,217	***1,796,539***
Impairment allowances	—	1,255	15,978	823,960	*69,424*	302,977	***1,144,170***
TOTAL							
Number of transactions	—	16	190	44,340	*2,055*	79,807	**124,353**
Gross amount	—	9,258	30,684	4,900,856	*309,483*	1,893,640	**6,834,438**
Impairment allowances	—	1,255	16,215	972,963	*78,863*	340,664	**1,331,097**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–	–

The value of the guarantees received to ensure collection associated with refinancing and restructuring transactions, broken down into collateral and other guarantees, as at 30 June 2022 and 31 December 2021, is as follows:

Thousand euro

Guarantees received	**30/06/2022**	**31/12/2021**
Value of collateral	3,145,531	3,430,237
Of which: securing Stage 3 loans	*1,370,390*	*1,382,700*
Value of other guarantees	1,246,039	1,281,854
Of which: securing Stage 3 loans	*360,973*	*316,047*
Total value of guarantees received	**4,391,570**	**4,712,091**

Movements in the balance of refinancing and restructuring transactions during the first half of 2022 are as follows:

Thousand euro

	30/06/2022
Opening balance	**6,834,438**
(+) Forbearance (refinancing and restructuring) in the period	798,172
Memorandum item: impact recognised on the income statement for the period	59,982
(-) Debt amortisations	(701,671)
(-) Foreclosures	(1,615)
(-) Derecognised from the balance sheet (reclassified as write-offs)	(54,741)
(+)/(-) Other changes (*)	(557,932)
Balance at the end of the year	**6,316,651**

(*) Includes transactions no longer classified as forborne (refinanced or restructured) loans, as they meet the requirements for their reclassification as performing (Stage 1) as they have completed the cure period.

The table below shows the value of transactions which, after refinancing or restructuring, have been classed as stage 3 during the period:

Thousand euro

	30/06/2022	31/12/2021
General governments	–	–
Other legal entities and individual entrepreneurs	**263,708**	**297,088**
Of which: Lending for construction and real estate development	*2,302*	*15,882*
Other natural persons	**52,338**	**209,610**
TOTAL	**316,046**	**506,698**

The average probability of default (PD) on current refinancing and restructuring transactions, broken down by activity, as at 30 June b2022 and 31 December 2021 is as follows:

%

	30/06/2022	31/12/2021
General governments (*)	–	–
Other legal entities and individual entrepreneurs	**14**	**13**
Of which: Lending for construction and real estate development	*16*	*12*
Other natural persons	**10**	**10**

(*) Authorisation has not been granted for the use of internal models in the calculation of capital requirements.
Average probability of default calculated as at the end of the quarter immediately preceding the publication of results.

Concentration risk

Geographical exposure

Global

The breakdown of risk concentration, by activity and at a global level, as at 30 June 2022 and 31 December 2021 is as follows:

Thousand euro

	30/06/2022				
	TOTAL	**Spain**	**Rest of European Union**	**Americas**	**Rest of the world**
Central banks and Credit institutions	**52,524,549**	**38,740,290**	**5,144,273**	**1,983,269**	**6,656,717**
General governments	**36,803,100**	**27,458,173**	**4,770,693**	**1,655,172**	**2,919,062**
Central governments	20,844,068	16,757,223	1,200,206	249,021	2,637,618
Other	15,959,032	10,700,950	3,570,487	1,406,151	281,444
Other financial corporations and individual entrepreneurs	**5,279,296**	**1,171,340**	**1,857,885**	**516,784**	**1,733,287**
Non-financial corporations and individual entrepreneurs	**64,161,479**	**48,742,320**	**3,506,965**	**9,197,289**	**2,714,905**
Construction and real estate development	2,909,663	2,462,803	33,140	264,434	149,286
Civil engineering construction	1,118,764	831,856	16,703	244,785	25,420
Other purposes	60,133,052	45,447,661	3,457,122	8,688,070	2,540,199
Large enterprises	25,920,613	15,516,617	1,872,560	7,070,387	1,461,049
SMEs and individual entrepreneurs	34,212,439	29,931,044	1,584,562	1,617,683	1,079,150
Other households	**87,188,757**	**40,232,600**	**1,084,688**	**501,882**	**45,369,587**
Home loans	77,938,644	33,510,914	1,056,658	253,198	43,117,874
For consumption	5,446,070	3,364,294	7,928	4,246	2,069,602
Other purposes	3,804,043	3,357,392	20,102	244,438	182,111
TOTAL	**245,957,181**	**156,344,723**	**16,364,504**	**13,854,396**	**59,393,558**

Thousand euro

	31/12/2021				
	TOTAL	**Spain**	**Rest of European Union**	**Americas**	**Rest of the world**
Central banks and Credit institutions	**56,135,227**	**42,901,463**	**4,324,590**	**1,937,097**	**6,972,077**
General governments	**30,944,737**	**23,058,110**	**2,905,921**	**1,521,875**	**3,458,831**
Central governments	22,243,892	15,386,550	2,905,917	492,765	3,458,660
Other	8,700,845	7,671,560	4	1,029,110	171
Other financial corporations and individual entrepreneurs	**3,029,456**	**1,281,242**	**773,852**	**478,222**	**496,140**
Non-financial corporations and individual entrepreneurs	**62,991,664**	**48,323,248**	**3,330,753**	**8,599,608**	**2,738,055**
Construction and real estate development	2,721,772	2,296,122	3,961	300,391	121,298
Civil engineering construction	916,490	872,392	19,718	5,013	19,367
Other purposes	59,353,402	45,154,734	3,307,074	8,294,204	2,597,390
Large enterprises	26,326,637	15,295,916	2,159,755	7,218,989	1,651,977
SMEs and individual entrepreneurs	33,026,765	29,858,818	1,147,319	1,075,215	945,413
Other households	**86,396,456**	**39,304,626**	**979,842**	**515,497**	**45,596,491**
Home loans	77,782,121	33,274,507	952,291	218,760	43,336,563
For consumption	5,387,338	3,297,195	6,812	5,521	2,077,810
Other purposes	3,226,997	2,732,924	20,739	291,216	182,118
TOTAL	**239,497,540**	**154,868,689**	**12,314,958**	**13,052,299**	**59,261,594**

By autonomous community

The risk concentration broken down by activity and by Spanish autonomous community as at 30 June 2022 and 31 December 2021, respectively, is as follows:

Thousand euro

	30/06/2022									
		AUTONOMOUS COMMUNITIES								
	TOTAL	**Andalusia**	**Aragón**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castilla y León**	**Catalonia**
Central banks and Credit institutions	**38,740,290**	**5,670**	**—**	**3**	**—**	**2**	**175,812**	**1**	**—**	**256,410**
General governments	**27,458,173**	**629,067**	**319,327**	**369,064**	**461,803**	**549,835**	**26,857**	**211,431**	**785,399**	**846,108**
Central governments	16,757,223	—	—	—	—	—	—	—	—	—
Other	10,700,950	629,067	319,327	369,064	461,803	549,835	26,857	211,431	785,399	846,108
Other financial corporations and individual entrepreneurs	**1,171,340**	**5,297**	**1,869**	**2,930**	**1,238**	**848**	**265**	**745**	**12,727**	**371,603**
Non-financial corporations and individual entrepreneurs	**48,742,320**	**2,506,818**	**1,072,212**	**1,371,157**	**2,287,450**	**1,222,533**	**199,213**	**679,863**	**1,201,427**	**13,973,408**
Construction and real estate development	2,462,803	88,443	42,822	49,689	88,818	26,491	5,659	17,046	30,507	562,371
Civil engineering construction	831,856	30,655	9,459	21,487	7,270	4,241	5,692	6,296	16,602	177,556
Other purposes	45,447,661	2,387,720	1,019,931	1,299,981	2,191,362	1,191,801	187,862	656,521	1,154,318	13,233,481
Large enterprises	15,516,617	536,829	349,817	344,433	924,317	347,113	53,854	175,925	222,927	4,150,358
SMEs and individual entrepreneurs	29,931,044	1,850,891	670,114	955,548	1,267,045	844,688	134,008	480,596	931,391	9,083,123
Other households	**40,232,600**	**2,807,866**	**560,655**	**1,214,873**	**1,461,416**	**604,018**	**117,514**	**506,507**	**796,955**	**15,654,663**
Home loans	33,510,914	2,298,426	477,681	927,668	1,292,835	427,753	98,736	405,792	620,562	13,366,007
For consumption	3,364,294	355,237	41,633	92,189	86,305	148,604	9,331	67,385	90,107	1,026,788
Other purposes	3,357,392	154,203	41,341	195,016	82,276	27,661	9,447	33,330	86,286	1,261,868
TOTAL	**156,344,723**	**5,954,718**	**1,954,063**	**2,958,027**	**4,211,907**	**2,377,236**	**519,661**	**1,398,547**	**2,796,508**	**31,102,192**

Thousand euro

	30/06/2022								
	AUTONOMOUS COMMUNITIES								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and Credit Institutions	**—**	**4,077**	**38,030,592**	**19**	**—**	**117,451**	**150,253**	**—**	**—**
General governments	**81,949**	**512,524**	**3,866,884**	**80,771**	**307,515**	**746,366**	**818,431**	**60,046**	**27,573**
Central governments									
Other	81,949	512,524	3,866,884	80,771	307,515	746,366	818,431	60,046	27,573
Other financial corporations and individual entrepreneurs	**84**	**4,054**	**665,426**	**2,962**	**389**	**73,822**	**26,978**	**86**	**17**
Non-financial corporations and individual entrepreneurs	**192,914**	**2,428,285**	**12,456,007**	**1,163,130**	**611,019**	**5,009,253**	**2,150,041**	**197,289**	**20,301**
Construction and real estate development	1,860	85,029	1,138,257	35,535	14,590	164,310	100,125	10,567	684
Civil engineering construction	1,746	52,072	360,875	11,746	3,060	53,348	67,167	2,137	447
Other purposes	189,308	2,291,184	10,956,875	1,115,849	593,369	4,791,595	1,982,749	184,585	19,170
Large enterprises	45,164	709,619	4,957,554	245,345	213,705	1,454,776	738,068	46,552	261
SMEs and individual entrepreneurs	144,144	1,581,565	5,999,321	870,504	379,664	3,336,819	1,244,681	138,033	18,909
Other households	**144,183**	**940,465**	**5,371,259**	**2,090,927**	**174,386**	**6,301,809**	**1,330,364**	**74,789**	**79,951**
Home loans	107,286	686,176	4,410,515	1,729,943	141,109	5,212,764	1,172,991	59,532	75,138
For consumption	27,564	139,914	543,914	165,524	10,686	481,685	67,886	7,035	2,507
Other purposes	9,333	114,375	416,830	195,460	22,591	607,360	89,487	8,222	2,306
TOTAL	**419,130**	**3,889,405**	**60,390,168**	**3,337,809**	**1,093,309**	**12,248,701**	**4,476,067**	**332,210**	**127,842**

Thousand euro

	31/12/2021									
		AUTONOMOUS COMMUNITIES								
	TOTAL	**Andalusia**	**Aragón**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castilla y León**	**Catalonia**
Central banks and Credit Institutions	**42,901,463**	**5,610**	**8**	**2**	**—**	**2**	**290,083**	**1**	**—**	**270,562**
General governments	**23,058,110**	**350,471**	**119,243**	**360,503**	**383,630**	**299,697**	**6,647**	**105,290**	**709,478**	**904,436**
Central governments	15,386,550	—	—	—	—	—	—	—	—	—
Other	7,671,560	350,471	119,243	360,503	383,630	299,697	6,647	105,290	709,478	904,436
Other financial corporations and individual entrepreneurs	**1,281,242**	**5,325**	**2,810**	**3,642**	**1,323**	**837**	**287**	**833**	**14,705**	**536,990**
Non-financial corporations and individual entrepreneurs	**48,323,248**	**2,477,885**	**1,027,327**	**1,490,319**	**2,294,312**	**1,261,855**	**201,262**	**625,905**	**1,106,996**	**14,226,345**
Construction and real estate development	2,296,122	84,280	40,585	46,909	90,043	26,854	10,497	15,220	26,690	556,249
Civil engineering construction	872,392	33,172	9,461	20,230	7,502	3,639	5,580	6,740	17,163	143,110
Other purposes	45,154,734	2,360,433	977,281	1,423,180	2,196,767	1,231,362	185,185	603,945	1,063,143	13,526,986
Large enterprises	15,295,916	520,792	312,677	446,085	932,259	351,140	55,657	143,991	199,151	4,413,074
SMEs and individual entrepreneurs	29,858,818	1,839,641	664,604	977,095	1,264,508	880,222	129,528	459,954	863,992	9,113,912
Other households	**39,304,626**	**2,764,232**	**547,729**	**1,163,902**	**1,435,534**	**596,049**	**114,198**	**496,557**	**773,274**	**15,321,766**
Home loans	33,274,507	2,285,812	470,373	929,102	1,276,716	424,622	96,902	401,705	617,482	13,241,197
For consumption	3,297,195	344,663	42,835	89,927	85,105	147,048	9,043	64,404	86,338	1,020,198
Other purposes	2,732,924	133,757	34,521	144,873	73,713	24,379	8,253	30,448	69,454	1,060,371
TOTAL	**154,868,689**	**5,603,523**	**1,697,117**	**3,018,368**	**4,114,799**	**2,158,440**	**612,477**	**1,228,586**	**2,604,453**	**31,260,099**

Thousand euro

	31/12/2021								
	AUTONOMOUS COMMUNITIES								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and Credit Institutions	**—**	**5,136**	**42,024,234**	**2**	**180**	**116,748**	**188,895**	**—**	**—**
General governments	87,251	419,626	1,876,784	55,766	291,266	701,521	859,215	110,090	30,646
Central governments	—	—	—	—	—	—	—	—	—
Other	87,251	419,626	1,876,784	55,766	291,266	701,521	859,215	110,090	30,646
Other financial corporations and individual entrepreneurs	**99**	**4,380**	**655,805**	**3,107**	**477**	**27,658**	**22,862**	**84**	**18**
Non-financial corporations and individual entrepreneurs	**176,135**	**2,348,363**	**12,190,026**	**1,133,579**	**601,156**	**4,889,933**	**2,063,837**	**187,401**	**20,612**
Construction and real estate development	2,071	64,311	1,023,028	35,361	20,977	146,930	96,077	9,698	342
Civil engineering construction	2,039	47,318	429,982	12,463	2,607	63,133	65,976	1,815	462
Other purposes	172,025	2,236,734	10,737,016	1,085,755	577,572	4,679,870	1,901,784	175,888	19,808
Large enterprises	19,967	726,793	4,587,849	235,642	205,908	1,392,587	705,700	46,124	520
SMEs and individual entrepreneurs	152,058	1,509,941	6,149,167	850,113	371,664	3,287,283	1,196,084	129,764	19,288
Other households	**139,718**	**900,696**	**5,226,038**	**2,038,198**	**171,896**	**6,183,773**	**1,274,889**	**80,285**	**75,892**
Home loans	103,585	669,564	4,339,875	1,735,994	138,787	5,283,696	1,128,245	59,509	71,341
For consumption	28,185	137,929	533,090	157,659	12,085	451,813	69,924	14,684	2,265
Other purposes	7,948	93,203	353,073	144,545	21,024	448,264	76,720	6,092	2,286
TOTAL	**403,203**	**3,678,201**	**61,972,887**	**3,230,652**	**1,064,975**	**11,919,633**	**4,409,698**	**377,860**	**127,168**

Sovereign risk exposure

Sovereign risk exposures, broken down by type of financial instrument, as at 30 June 2022 and 31 December 2021, are as follows:

Thousand euro

	30/06/2022											
	Sovereign debt securities							Derivatives				
Sovereign risk exposure by country (*)	**Financial assets held for trading**	**Financial liabilities held for trading - Short positions**	**Mandatorily at fair value through profit or loss**	**Measured at fair value through other comprehensive income**	**Financial assets at amortised cost**	**Loans and advances to customers (**)**	***Of which: Financial assets FVOCI or non-derivative and non-trading financial assets measured at fair value to equity***	**With positive fair value**	**With negative fair value**	**Total**	**Other off-balance sheet exposures (***)**	**%**
Spain	60,333	(184,484)	—	3,362,680	13,352,397	11,807,712	—	4,260	(6,217)	28,396,681	—	75.2%
Italy	742,353	—	—	—	2,784,456	—	—	—	—	3,526,809	—	9.4%
United States	—	—	—	933,004	220,213	294	—	—	—	1,153,511	—	3.1%
United Kingdom	—	—	—	889,762	1,718,863	51,171	—	—	—	2,659,796	—	7.1%
Portugal	10,222	—	—	—	739,500	3,842	—	—	—	753,564	—	2.0%
Mexico	—	—	—	391,543	99,682	—	—	—	—	491,225	—	1.3%
Rest of the world	624,190	—	—	87,717	—	23,046	—	—	—	734,953	—	1.9%
Total	**1,437,098**	**(184,484)**	**—**	**5,664,706**	**18,915,111**	**11,886,065**	**—**	**4,260**	**(6,217)**	**37,716,539**	**—**	**100.0%**

(*) Sovereign exposure positions shown in accordance with EBA criteria.

(**) Includes those available under credit transactions and other contingent risks (1,162 million euros at 30 June 2022).

(***) Relates to commitments for cash purchases and sales of financial assets.

Thousand euro

Sovereign risk exposure by country (*)	31/12/2021											
	Sovereign debt securities							Derivatives				
	Financial assets held for trading	**Financial liabilities held for trading - Short positions**	**Mandatorily at fair value through profit or loss**	**Measured at fair value through other comprehensive income**	**Financial assets at amortised cost**	**Loans and advances to customers (**)**	***Of which: Financial assets FVOCI or non-derivative and non-trading financial assets measured at fair value to equity***	**With positive fair value**	**With negative fair value**	**Total**	**Other off-balance sheet exposures**	**%**
Spain	74,979	(46,751)	—	3,807,149	9,747,536	10,486,762	—	15,323	(16)	24,084,982	—	75.3%
Italy	202,456	—	—	49,021	2,135,300	—	—	—	—	2,386,777	—	7.5%
United States	—	—	2,727	887,114	197,875	233	—	—	—	1,087,949	—	3.4%
United Kingdom	—	—	—	1,284,232	1,921,159	34,011	—	—	—	3,239,402	—	10.1%
Portugal	5	—	—	—	355,552	1,949	—	—	—	357,506	—	1.1%
Mexico	—	—	—	311,831	100,194	12,499	—	—	—	424,524	—	1.3%
Rest of the world	261,156	—	—	106,623	—	22,704	—	—	—	390,483	—	1.2%
Total	**538,596**	**(46,751)**	**2,727**	**6,445,970**	**14,457,616**	**10,558,158**	**—**	**15,323**	**(16)**	**31,971,623**	**—**	**100.0%**

(*) Sovereign exposure positions shown in accordance with EBA criteria.

(**) Includes those available under credit transactions and other contingent risks (1,084 million euros as at 31 December 2021).

(***) Relates to commitments for cash purchases and sales of financial assets.

Exposure to construction and real estate development sector

Details of lending for construction and real estate development and the relevant allowances are as follows:

Million euro

	30/06/2022		
	Gross carrying amount	**Excess value of the collateral**	**Impairment allowances**
Lending for construction and real estate development (including land) (business in Spain)	**2,778**	**677**	**119**
Of which: risks classified as Stage 3	192	79	94

Million euro

	31/12/2021		
	Gross carrying amount	**Excess value of the collateral**	**Impairment allowances**
Lending for construction and real estate development (including land) (business in Spain)	**2,554**	**607**	**135**
Of which: risks classified as Stage 3	*218*	*93*	*111*

Million euro

Memorandum item	Gross carrying amount 30/06/2022	31/12/2021
Write-offs (*)	7	15

Million euro

Memorandum item	Amount 30/06/2022	Amount 31/12/2021
Loans to customers, excluding General Governments (business in Spain) (carrying amount)	92,215	90,569
Total assets (total business) (carrying amount)	257,229	251,947
Allowances and provisions for exposures classed as Stage 2 or Stage 1 (total operations)	895	942

(*) Refers to lending for construction and real estate development reclassified as write-offs during the year.

The breakdown of lending for construction and real estate development for transactions recorded by credit institutions (business in Spain) is as follows:

Million euro

	Gross carrying amount 30/06/2022	Gross carrying amount 31/12/2021
Not secured with real estate	**942**	**745**
Secured with real estate	**1,836**	**1,809**
Buildings and other finished constructions	821	835
Housing	569	596
Other	252	239
Buildings and other construction in progress	801	784
Housing	773	751
Other	28	33
Land	215	190
Consolidated urban land	179	154
Other land	36	36
TOTAL	**2,778**	**2,554**

The figures presented do not show the total value of guarantees received, but rather the gross carrying amount of the associated exposure.

Guarantees received associated with lending for construction and real estate development are shown hereafter, for both periods:

Million euro

Guarantees received	30/06/2022	31/12/2021
Value of collateral	1,776	1,727
Of which: securing Stage 3 loans	73	88
Value of other guarantees	380	321
Of which: securing Stage 3 loans	17	13
Total value of guarantees received	**2,156**	**2,048**

The breakdown of lending to households for home purchase for transactions recorded by credit institutions (business in Spain) is as follows:

Million euro

	30/06/2022	
	Gross carrying amount	***Of which: Stage 3 exposures***
Lending for house purchase	**35,580**	***917***
Not secured with real estate	585	*38*
Secured with real estate	34,995	*879*

Million euro

	31/12/2021	
	Gross carrying amount	***Of which: Stage 3 exposures***
Lending for house purchase	**35,253**	***924***
Not secured with real estate	553	*44*
Secured with real estate	34,700	*880*

The tables below show mortgage loans granted to households for home purchase, broken down by the gross carrying amount of the last available valuation expressed as a percentage of the total risk for transactions recorded by credit institutions (business in Spain):

Million euro

	30/06/2022	
	Gross amount	***Of which: Stage 3 exposures***
LTV ranges	**34,995**	***879***
LTV <= 40%	6,547	*130*
40% < LTV <= 60%	9,350	*182*
60% < LTV <= 80%	12,152	*211*
80% < LTV <= 100%	4,289	*146*
LTV > 100%	2,657	*210*

Million euro

	31/12/2021	
	Gross amount	***Of which: Stage 3 exposures***
LTV ranges	**34,700**	***880***
LTV <= 40%	6,500	*120*
40% < LTV <= 60%	9,112	*180*
60% < LTV <= 80%	11,783	*210*
80% < LTV <= 100%	4,443	*160*
LTV > 100%	2,862	*210*

In addition, the table below gives details of assets foreclosed or received in lieu of debt by the consolidated Group entities for transactions recorded by credit institutions in Spain:

Million euro

	30/06/2022			
	Gross carrying amount	**Allowances**	***Gross amount (*)***	***Allowances (*)***
Real estate assets acquired through lending for construction and real estate development	**569**	**190**	***619***	***252***
Finished buildings	527	172	*565*	*224*
Housing	327	101	*348*	*128*
Other	199	72	*217*	*96*
Buildings under construction	5	2	*7*	*4*
Housing	5	2	*6*	*4*
Other	—	—	—	—
Land	37	15	*47*	*23*
Building land	20	8	*27*	*12*
Other land	17	7	*20*	*12*
Real estate assets acquired through mortgage lending to households for house purchase	**550**	**149**	***631***	***237***
Other real estate assets foreclosed or received in lieu of debt	**24**	**5**	**26**	**10**
Capital instruments foreclosed or received in lieu of debt	**3**	**—**	**—**	**—**
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Financing to institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
TOTAL	**1,146**	**344**	***1,277***	***499***

(*) Non-performing real estate assets including real estate located outside Spain and the coverage established in the original financing, and excluding the credit risk transferred in portfolio sales (see reconciliation between assets foreclosed or received in payment of debt and non-performing assets, below).

Million euro

	31/12/2021			
	Gross carrying amount	**Allowances**	***Gross amount (*)***	***Allowances (*)***
Real estate assets acquired through lending for construction and real estate development	**639**	**204**	***686***	***264***
Finished buildings	594	185	631	*236*
Housing	378	114	*400*	*145*
Other	216	71	*230*	*91*
Buildings under construction	5	2	7	*4*
Housing	5	2	*6*	*4*
Other	—	—	—	—
Land	40	17	48	*24*
Building land	23	9	*30*	*13*
Other land	17	8	*19*	*11*
Real estate assets acquired through mortgage lending to households for house purchase	**566**	**154**	***646***	***242***
Other real estate assets foreclosed or received in lieu of debt	**24**	**5**	***30***	***13***
Capital instruments foreclosed or received in lieu of debt	**3**	**—**	**—**	**—**
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Financing to institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
TOTAL	**1,232**	**363**	**1,362**	**520**

(*) Non-performing real estate assets including real estate located outside Spain and the coverage established in the original financing, and excluding the credit risk transferred in portfolio sales (see reconciliation between assets foreclosed or received in payment of debt and non-performing assets, below).

The reconciliation of the real estate assets shown in the two previous tables of this Schedule as at 30 June 2022 and 31 December 2021 is shown below:

Million euro

	30/06/2022		
	Gross amount	**Allowances**	**Net carrying value**
Total real estate portfolio in the national territory (in books)	**1,143**	**344**	**799**
Total operations outside the national territory and others	7	3	5
Provision allocated in original loan	190	190	—
Risk transferred in portfolio sales	(63)	(38)	(25)
Total non-performing real estate	**1,277**	**499**	**778**

Million euro

	31/12/2021		
	Gross amount	**Allowances**	**Net carrying value**
Total real estate portfolio in the national territory (in books)	**1,229**	**363**	**867**
Total operations outside the national territory and others	7	3	5
Provision allocated in original loan	194	194	—
Risk transferred in portfolio sales	(69)	(40)	(29)
Total non-performing real estate	**1,362**	**520**	**842**

Loans and advances subject to statutory and sector moratoria and financing granted subject to government guarantee schemes

Below is certain information as at 30 June 2022 and 31 December 2021 on the loans and credit granted by the Group that are subject to statutory or sector moratoria, as well as the financing granted that has benefited from the government guarantee schemes established to enable the Group's customers to cope with the impact of Covid-19:

Thousand euro

	30/06/2022						
	Gross carrying amount	**Performing**	***Of which: exposures with forbearance measures***	***Of which: stage 2***	**Non performing**	***Of which: exposures with forbearance measures***	***Of which: Unlikely to pay that are not past-due or past-due <= 90 days***
Loans and advances subject to moratorium	**2,798**	**2,798**	***1,033***	***1,033***	**—**	**—**	**—**
Of which: Households	—	—	—	—	—	—	—
Of which: Collateralised by residential immovable property	—	—	—	—	—	—	—
Of which: Non-financial corporations	*2,798*	*2,798*	*1,033*	*1,033*	—	—	—
Of which: Small and Medium-sized Enterprises	*2,798*	*2,798*	*1,033*	*1,033*	—	—	—
Of which: Collateralised by commercial immovable property	*2,798*	*2,798*	*1,033*	*1,033*	—	—	—

Thousand euro

	30/06/2022						
	Accumulated impairment, accumulated negative changes in fair value due to credit risk	**Performing**	***Of which: exposures with forbearance measures***	***Of which: stage 2***	**Non performing**	***Of which: exposures with forbearance measures***	***Of which: Unlikely to pay that are not past-due or past-due <= 90***
Loans and advances subject to moratorium	**(5)**	**(5)**	**(3)**	**(3)**	**—**	**—**	**—**
Of which: Households	—	—	—	—	—	—	—
Of which: Collateralised by residential immovable property	—	—	—	—	—	—	—
Of which: Non-financial corporations	*(5)*	*(5)*	*(3)*	*(3)*	—	—	—
Of which: Small and Medium-sized Enterprises	*(5)*	*(5)*	*(3)*	*(3)*	—	—	—
Of which: Collateralised by commercial immovable property	*(5)*	*(5)*	*(3)*	*(3)*	—	—	—

Thousand euro

	31/12/2021						
	Gross carrying amount	**Performing**	***Of which: exposures with forbearance measures***	***Of which: stage 2***	**Non performing**	***Of which: exposures with forbearance measures***	***Of which: Unlikely to pay that are not past-due or past-due <= 90 days***
Loans and advances subject to moratorium	**197,135**	**195,611**	***52,126***	***53,927***	**1.524 (*)**	***1,394***	***1,408***
Of which: Households	*8,100*	*6,666*	*650*	*2,180*	*1,434*	*1,366*	*1,380*
Of which: Collateralised by residential immovable property	*2,804*	*1,549*	*528*	*977*	*1,255*	*1,255*	*1,255*
Of which: Non-financial corporations	*189,034*	*188,945*	*51,476*	*51,747*	*90*	*29*	*29*
Of which: Small and Medium-sized Enterprises	*158,210*	*158,121*	*51,476*	*51,747*	*90*	*29*	*29*
Of which: Collateralised by commercial immovable property	*51,936*	*51,875*	*40,532*	*40,649*	*61*	—	—

(*) Of which 1.5 million euro correspond to stage 3 transactions.

Thousand euro

	31/12/2021						
	Accumulated impairment, accumulated negative changes in fair value due to credit risk	**Performing**	***Of which: exposures with forbearance measures***	***Of which: stage 2***	**Non performing**	***Of which: exposures with forbearance measures***	***Of which: Unlikely to pay that are not past-due or past-due <= 90 days***
Loans and advances subject to moratorium	**(3,258)**	**(3,072)**	**(3,054)**	**(2,172)**	**(2,201)**	***(186)***	***(67)***
Of which: Households	(210)	(48)	(29)	(5)	(34)	(163)	(44)
Of which: Collateralised by residential immovable property	*(129)*	*(14)*	—	*(1)*	*(14)*	*(115)*	—
Of which: Non-financial corporations	(3,048)	(3,025)	(3,025)	(2,166)	(2,168)	(23)	(23)
Of which: Small and Medium-sized Enterprises	*(2,964)*	*(2,941)*	*(2,941)*	*(2,166)*	*(2,168)*	*(23)*	*(23)*
Of which: Collateralised by commercial immovable property	*(1,634)*	*(1,622)*	*(1,622)*	*(1,603)*	*(1,604)*	*(11)*	*(11)*

Thousand euro

	30/06/2022							
	Gross carrying amount	**Of which: legislative moratoria**	**Of which: expired**	**Residual maturity of moratoria**				
				<= 3 months	**> 3 months <= 6 months**	**> 6 months <= 9 months**	**> 9 months <= 12 months**	**> 1 year**
Loans and advances subject to moratorium (granted)	**7,609,288**	**5,020,433**	**7,606,490**	**2,798**	**—**	**—**	**—**	**—**
Of which: Households	7,239,816	4,666,767	7,239,816	—	—	—	—	—
Of which: Collateralised by residential immovable property	*6,779,546*	*4,526,212*	*6,779,546*	—	—	—	—	—
Of which: Non-financial corporations	369,147	353,341	366,349	2,798	—	—	—	—
Of which: Small and Medium-sized Enterprises	*332,379*	*316,585*	*329,581*	*2,798*	—	—	—	—
Of which: Collateralised by commercial immovable property	*307,480*	*295,536*	*304,682*	*2,798*	—	—	—	—

Thousand euro

	31/12/2021							
	Gross carrying amount	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances subject to moratorium (granted)	**8,544,562**	**5,641,866**	**8,347,428**	**171,892**	**25,243**	**—**	**—**	**—**
Of which: Households	8,021,621	5,258,623	8,013,520	8,100	—	—	—	—
Of which: Collateralised by residential immovable property	*7,457,730*	*5,060,563*	*7,454,926*	*2,804*	—	—	—	—
Of which: Non-financial corporations	522,591	382,892	333,557	163,791	25,243	—	—	—
Of which: Small and Medium-sized Enterprises	*451,817*	*343,018*	*293,606*	*132,967*	*25,243*	—	—	—
Of which: Collateralised by commercial immovable property	*329,570*	*317,178*	*277,634*	*26,693*	*25,243*	—	—	—

Thousand euro

	30/06/2022		
	Gross carrying amount	*Of which: forborne*	Maximum amount of the guarantee that can be considered
			Public guarantees received
Newly originated loans and advances subject to public guarantee schemes	**8.900.013 (*)**	**931,791**	**6,800,084**
Of which: Households	978,232	—	—
Of which: Collateralised by residential immovable property	—	—	—
Of which: Non-financial corporations	7,918,998	850,748	6,027,928
Of which: Small and Medium-sized Enterprises	6,076,833	—	—
Of which: Collateralised by commercial immovable property	28,917	—	—

(*) Of which 376 million euro correspond to stage 3 transactions.

Thousand euro

	31/12/2021		
	Gross carrying amount	*Of which: forborne*	Maximum amount of the guarantee that can be considered
			Public guarantees received
Newly originated loans and advances subject to public guarantee schemes	**9.362.892 (*)**	**909,670**	**7,189,136**
Of which: Households	1,014,618	—	—
Of which: Collateralised by residential immovable property	—	—	—
Of which: Non-financial corporations	8,345,090	859,706	6,371,037
Of which: Small and Medium-sized Enterprises	*6,345,176*	—	—
Of which: Collateralised by commercial immovable property	*34,650*	—	—

(*) Of which 341 million euro correspond to stage 3 transactions.

Banco Sabadell Group Interim Consolidated Directors' Report for the first six months of 2022

The interim consolidated Directors' Report is prepared with the sole purpose of describing the significant events and changes that occurred in the six-month period, without duplicating information already published in the Directors' Report of the most recent consolidated annual financial statements. Consequently, for proper comprehension of the information contained in this interim consolidated Directors' Report, it should be read together with the Group's 2021 consolidated annual financial statements, which were prepared in accordance with the recommendations of the "Guide for the preparation of Directors' Reports of listed companies" (*"Guía para la elaboración del informe de gestión de las entidades cotizadas"*), published by the CNMV in July 2013.

1. BANCO SABADELL GROUP

1.1 Mission and values

Banco Sabadell helps people and businesses to bring their projects to life, anticipating their needs and making sure they make the best economic decisions. It does this through environmentally and socially responsible management.

This is Banco Sabadell's *raison d'être*: to help its customers make the best economic decisions to enable them to realise their projects, both personal and business-related. To this end, it provides its customers with the opportunities offered by big data, digital capabilities and the expertise of its specialists.

The Bank and those that form part of it share the values that help to accomplish this mission, however, wherever and whenever that may be.

Banco Sabadell accomplishes its mission while staying true to its values:

- Commitment and Non-Conformism, values that define the Bank's way of being.
- Professionalism and Effectiveness, values that define the way the Bank works.
- Empathy and Openness, values that define the way the Bank interacts with others.

1.2 2021-2023 Strategic Plan

The 2023 Strategic Plan was unveiled on 28 May 2021. This Plan defines the Group's strategic priorities, which include an increased focus on core businesses in Spain, with different levers of action for each business that will strengthen the Bank's competitive position in the domestic market, as well as a significant improvement in the profitability of international businesses, both in the UK and in the rest of the countries. The cost base will also be reduced during the Plan to bring it in line with competitive realities.

In this way, the Strategic Plan sets out a specific strategic approach for each business:

In Retail Banking, the approach is to undergo a radical transformation, which will profoundly change the offering of products and services as well as the customer relationship model.

In relation to the aforesaid offering, further efforts will be made to make transaction services available to customers in a simple and agile way through digital channels. Regarding the commercial offering of products and services, a fundamentally digital and remote offering will be available in products where the customer seeks greater autonomy, immediacy and convenience, such as consumer loans, accounts and cards. For more complex products, such as mortgages, insurance and savings/investment products, in which the customer demands assistance, product specialists will be available and multi-channel support will be offered.

The goal in Retail Banking is to respond better to customers' needs while at the same time reducing the cost base of the business.

In Business Banking, the sizeable franchise of the Bank in this segment will be strengthened and specific levers have been established to achieve profitable growth: launch of sector-specific solutions for businesses, support for customers in their internationalisation process, expansion of specialised solutions for SMEs, and a comprehensive support plan for Next Generation EU funds. This will be reinforced with an optimal risk management framework, complementing the perspective of risk experts and business experts with new business intelligence tools and data analytics.

The goal in Business Banking is to promote growth, safeguarding risk quality and driving profitability.

The approach in Corporate Banking Spain is to develop plans to improve customer profitability and increase the contribution of specialised product units to the generation of income.

The goal in this business is to obtain adequate profitability in each customer and to meet their needs.

TSB will focus on what it does best and what it is known for in the market: retail mortgages. TSB has an excellent platform, with high operational capabilities for mortgage management and a firmly consolidated network of financial intermediaries, a key factor in the British market where a substantial portion of new mortgage business is arranged through this channel.

The goal of TSB is to increase its contribution to the Group's profitability.

In other international businesses, the Group's priority is to actively manage the capital allocated by the Group to these business lines. On a supplementary basis, there are specific priorities in each geographical area: in Mexico, the focus is placed on rigorous cost management. Miami will strengthen its Private Banking business, while the other foreign branches will prioritise their support offered to Spanish customers in their international activities.

In just over a year since the Plan was launched, the progress made has been very significant. In terms of Retail Banking, the deployment of relationship managers specialised in mortgages and insurance has been completed, a new digital landing page for mortgages and a new online mortgage simulator have been launched, and a new pricing structure for consumer loans and mortgages has been set up. Customers can now apply online for consumer loans and cards, and the new Sabadell Online account, which is a 100% digital account, has been released.

In terms of Business Banking, 22 vertical solutions have been rolled out for businesses such as pharmacies, bars and restaurants, etc. The specialised SME team has been strengthened with a more sophisticated offering, such as access to capital markets and structured finance. A comprehensive support plan has also been developed for enterprises to take advantage of the opportunities offered by the Next Generation EU funds. From a risk perspective, initiatives have been developed that guide and promote growth in lending volumes, while preserving credit quality.

In terms of cost reduction, in the last quarter of 2021 the second phase of the efficiency plan was carried out, agreeing staff restructuring arrangements with trade unions with the support of 100% of the negotiating table. This agreement, along with other cost reduction measures implemented, will deliver cost savings of 130 million euros per annum, which adds to the cost savings of 140 million euros per annum delivered by the first phase of the efficiency plan, executed in the first quarter of 2021. The combination of the two phases involves reducing total staff expenses by more than 20% and closing around 25% of the branches.

In Corporate and Investment Banking in Spain, action is being taken in the two areas set out in the plan: customer profitability and boosting income generation of the specialist product units.

Meanwhile, in terms of international businesses, TSB has significantly increased its contribution to the Group's profits and Mexico is reducing costs and focusing on the main business lines: corporate banking and business banking.

Although the main financial targets of the Strategic Plan for 2023 that were announced were (i) a return on tangible equity (ROTE) above 6% in 2023, and (ii) to maintain the fully-loaded CET1 capital ratio above 12% throughout the Plan, the ROTE guidance for 2022 has already been upgraded to over 7%, excluding the potential impact of the new tax on financial institutions in Spain. Beyond 2023, the transformation undertaken will continue to deliver results and profitability will continue to improve.

On the other hand, the macroeconomic assumptions on which the financial forecasts of the Plan are based have been developed from a conservative point of view and in a context in which the pandemic is under control, accompanied by fiscal and monetary measures introduced by governments and central banks, respectively. As regards the growth of the system's lending, over the next three years, positive cumulative growth is expected in all segments in Spain and the United Kingdom.

In this regard, Banco Sabadell aims to grow above the market in the mortgage segment, both in Spain and in the UK, while in terms of consumer loans the performance differs across geographical areas for strategic reasons: growth above the sector in Spain and smaller appetite in the UK, which reflects a lower level of commercial priority in this specific segment.

As regards the companies segment, the strategic focus is to continue to grow in Spain, while in terms of international exposures the size of the loan book will likely decrease due to a more efficient allocation of capital by the Institution.

Furthermore, as regards the evolution of the various items of the income statement throughout the Plan (up to 2023), the Institution announced that core results are expected to increase: net interest income in low single digits and fees and commissions in mid-single digits. Both cases will be driven by Banco Sabadell's increased commercial momentum in both Spain and in the British franchise, TSB. In terms of costs, thanks to the efficiency plans being implemented in the Spanish and UK businesses, the Group-wide cost base is expected to be reduced to 2.9 billion euros by 2023. And finally, credit cost of risk is expected to trend downwards during the Plan, supported by improved risk management and a favourable macroeconomic situation.

The Bank closed the 2021 financial year with a positive performance aligned with the main financial targets set (profitability, capital and quality/cost of risk). This trend is continuing during the current year, driven by the repricing of loan portfolios that is starting to take place in an already positive environment of benchmark interest rates and due to a risk quality that remains stable despite the inflationary pressure, the aforesaid interest rate hikes and the uncertainty caused by the war in Ukraine.

1.3 Banco Sabadell share performance and shareholders

Share price performance

Banco Sabadell's share price closed at 0.76 euros per share on 30 June 2022, consolidating the upward trend of the share price during the first half of this year, where it has had a cumulative revaluation of 33.5%. On a like-for-like basis, the revaluation has been above the average of its peers in Spain, which appreciated by 13.8%, as well as above the European banking sector benchmark (STOXX Europe 600 Banks) which depreciated by 14.0%, and also above general indices such as EURO STOXX 50 and IBEX 35 which fell cumulatively by 9.8% and 7.1%, respectively, during the first six months of the year.

The start to the year was marked by the positive performance of stock markets in general and of the financial sector in particular, thanks to the rebound of interest rates in the face of a more hawkish tone by central banks as a result of rising inflation.

However, as a result of the start of the conflict between Russia and Ukraine, financial markets adopted a bearish tone due to fears that developed economies would enter a recessionary period as a consequence of deteriorated economic activity and due to rising inflation that became more persistent in light of the spike in energy prices.

As the months went by, various international institutions revised down the growth expectations of the European Union, as well as those of the other main developed economies. In addition, business confidence indicators, as well as consumer confidence indicators, pointed towards significant economic slowdown during the coming quarters.

Finally, central banks adopted more restrictive monetary policies by carrying out interest rate hikes and ending asset purchase programmes implemented as a result of the pandemic. At its meeting of 21 July 2022, the European Central Bank (ECB) raised its benchmark interest rates by 50 bps and announced its intention to keep increasing interest rates at its next meetings. Moreover, it also approved the new anti-fragmentation mechanism (Transmission Protection Instrument, or TPI) which can be activated to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy. The TPI will be based on unlimited purchases of public debt that will be sterilised and countries will have to meet one condition (EU fiscal rules, conditions of the Next Generation EU funds, etc.)

Shareholding structure

The total number of shares as at 30 June 2022 amounts to 5,626,964,701. In terms of ownership, 31 shareholders control 44.3% of the capital, while the other 55.7% of capital is distributed among the remaining 223,896 shareholders.

50% of the ownership structure corresponds to minority shareholders and the remaining 50% to institutional shareholders as at 30 June 2021.

1.4 Corporate governance

Banco Sabadell has a sound corporate governance structure that guarantees effective and prudent management. The internal governance framework, which sets out, among other aspects, its shareholding structure, the governing bodies, the Group's structure, the composition and operation of corporate governance, the internal control functions, key governance matters, the risk management framework, the internal procedure for the approval of credit transactions granted to Directors and their related parties and the Group's policies, is published on the corporate website: www.grupobancosabadell.com (see section "Corporate Governance and Remuneration Policy - Internal Governance Framework").

As required by Article 540 of the Spanish Capital Companies Act, Banco Sabadell Group has prepared the Annual Report on Corporate Governance for the year 2021, which, in accordance with Article 49 of the Spanish Commercial Code, forms part of the Directors' Report for the 2021 consolidated annual financial statements. It includes a section on the extent to which the Bank is following recommendations on corporate governance that currently exist in Spain.

Following the 2020 financial year, Banco Sabadell once again opted to prepare the Annual Report on Corporate Governance in free PDF format in order to explain and disclose, with maximum transparency, the main aspects contained therein and, in particular, the substantial changes made during the 2021 financial year to enhance and strengthen corporate governance, in line with best practices.

2022 Annual General Meeting

The Bank's main governing body is the Annual General Meeting (AGM), in which the shareholders decide on matters attributed to the Meeting by law, the Articles of Association (available on the corporate website under "Corporate Governance and Remuneration Policy - Articles of Association") and its own Regulation, and those business decisions that the Board of Directors considers to be of vital importance for the Bank's future and for far-reaching social interest.

The Annual General Meeting has adopted its own Regulation, which sets out the principles and basic rules of action (available on the corporate website under "Shareholders' General Meeting – Regulations of the Shareholders' Meeting") and safeguards shareholder rights and transparency.

In the Annual General Meeting, shareholders may cast one vote for every thousand shares they own or represent. The Policy on communication and contact with shareholders, institutional investors and proxy advisors approved by the Board of Directors adapted to the Good Governance Code of Listed Companies after its June 2020 revision, aims to promote transparency *vis-à-vis* the markets and build trust while safeguarding, at all times, the legitimate interests of institutional investors, shareholders and proxy advisors and of all other stakeholders of Banco Sabadell.

The Board of Directors, at its meeting on 17 February 2022, resolved to permit the vote and representation in the 2022 Annual General Meeting to be cast and delegated (respectively) remotely prior to the AGM, as well as the systems and procedures required for shareholders and their proxies to attend via telematic means that connect in real time to the meeting room where the AGM is being held, and the intervention and casting of votes through the systems and procedures set up for this purpose, in accordance with that set forth in the Articles of Association and in the Regulation of the Shareholders' Meeting.

The Annual General Meeting held on 24 March 2022, on its second call, approved all the items on the agenda, including the annual financial statements and corporate management for the 2021 financial year and, as regards appointments, the ratification and appointment of Luis Deulofeu Fuguet as Independent Director, as well as the re-election as members of the Board of Directors of Pedro Fontana García, George Donald Johnston III and José Manuel Martínez Martínez as Independent Directors and of David Martínez Guzmán as Proprietary Director.

Information regarding the 2022 Annual General Meeting is published on the corporate website: www.grupobancosabadell.com (see section "Shareholders and Investors - Shareholders' General Meeting").

Composition of the Board of Directors

With the exception of matters reserved for the Annual General Meeting, the Board of Directors is the highest decision-making body in the company and its consolidated group, as it is responsible, under the law and the Articles of Association, for the management and representation of the Bank. The Board of Directors acts mainly as an instrument of supervision and control, and it delegates the management of ordinary business matters to the Chief Executive Officer.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and the Regulation of the Board of Directors (available on the corporate website under "Corporate Governance and Remuneration Policy - Regulation of the Board of Directors"), and it conforms to best practices in the area of corporate governance.

On 26 May 2022, José Ramón Martínez Sufrategui submitted his resignation from the role of Independent Director of Banco Sabadell, effective as of the date on which regulatory approvals to fill the vacancy on the Board are obtained. To fill this vacancy, on the same date the Board of Directors agreed the appointment by co-optation of Laura González Molero as Independent Director, subject to the relevant regulatory approvals.

Board Committees

In accordance with the Articles of Association, the Board of Directors has established the following Board Committees:

– the Strategy and Sustainability Committee.

– the Delegated Credit Committee.

– the Board Audit and Control Committee.

– the Appointments and Corporate Governance Committee.

– the Board Remuneration Committee.

– the Board Risk Committee.

The organisation and structure of the Board Committees are set out in the Articles of Association, in the Regulation of the Board of Directors and in their respective Regulations, which establish rules for their composition, operation and responsibilities (see the section of the corporate website "Corporate Governance and Remuneration Policy - Regulations of the Committees"), and develop and complete the rules of operation and basic functions set out in the Articles of Association and in the Regulation of the Board of Directors.

The Committees have sufficient resources to perform their duties, they can draw on external professional advice and are entitled to obtain information on any aspect of the Institution, with unrestricted access to both Senior Management and Group executives and to any kind of information or documentation at the Institution's disposal in connection with the matters within their remit.

The composition of the Board Committees as at 30 June 2022 is shown hereafter:

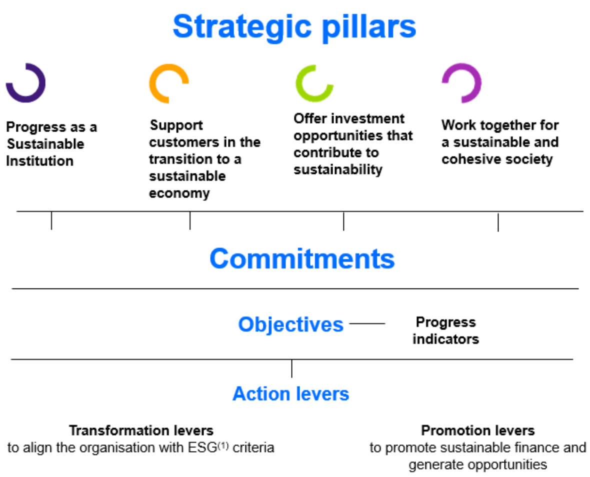
Position	Strategy and Sustainability	Delegated Credit	Audit and Control	Appointments & Corporate Governance	Remuneration	Risk
Chair	Josep Oliu Creus	Pedro Fontana García	Mireya Giné Torrens	José Manuel Martínez Martínez	Aurora Catá Sala	George Donald Johnston III
Member	Lluís Deulofeu Fuguet	Lluís Deulofeu Fuguet	Pedro Fontana García	Anthony Frank Elliott Ball	Anthony Frank Elliott Ball	Aurora Catá Sala
Member	Pedro Fontana García	María José García Beato	José Ramón Martínez Sufrategui	Aurora Catá Sala	George Donald Johnston III	Alicia Reyes Revuelta
Member	María José García Beato	César González-Bueno Mayer	Manuel Valls Morató	Mireya Giné Torrens	José Ramón Martínez Sufrategui	Manuel Valls Morató
Member	César González-Bueno Mayer (*)	Alicia Reyes Revuelta	-	-	-	-
Member	José Manuel Martínez Martínez	-	-	-	-	-
Member	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Miquel Roca i Junyent	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Gonzalo Barettino Coloma

(*) Member for strategy matters only.

1.5 Sustainability

Banco Sabadell's strategy is aligned with the Sustainable Development Goals (SDGs) and the Paris Agreement, for an orderly transition towards a sustainable economy. This is the reason why the Banco Sabadell Commitment to Sustainability was published in the first quarter of the year.

The action framework for Banco Sabadell's Commitment to Sustainability is underpinned by four strategic pillars, for which a set of commitments is defined. Each one is set out through objectives and activated by two kinds of levers: transformation levers and promotion levers.



(1) Environmental, Social and Governance (ESG).

Banco Sabadell's commitment is action-oriented. Therefore, the Institution has organised its activities based on four pillars.

The main goals of the Bank's ESG strategy are:

	Institution	Customers	Investors	Society

E *Environmental*
S *Social*
G *Governance*
	• Be neutral in GHG emissions and continue reducing our own consumption
	• Continue to move forward with diversity, gender equality and talent promotion
	• Incorporate ESG criteria in governance and participate in the most relevant partnerships
		• Map out the decarbonisation pathway of our portfolio by mitigating climate risk
		• Support customers in the transition, providing training and finance and analysing their sensitivity to, and ability to take on, the ESG challenges
		• Establish sectoral standards that restrict controversial activities and introduce new ESG rules that ensure that the customer's situation is aligned with the regulatory environment
			• Increase the range of ESG savings and investment products:
			  • Our own
			  • Third parties
				• Improve financial education
				• Move forward with financial inclusion
				• Safeguard the privacy and security of personal data and transaction data

	Progress as a Sustainable Institution	**Support customers in the transition to a sustainable economy**	**Offer investment opportunities that contribute to sustainability**	**Work together for a sustainable and cohesive society**

1.6 New working arrangements

Banco Sabadell has made further progress in terms of its working arrangements with the launch of SmartWork 2.0, a cross-cutting project that aims to support the Bank's employees in the transition towards a blended working model, which is more flexible and combines working at corporate centres and from home, when the nature of the activity allows. To promote employee adaptation and to learn to take advantage of the best of both worlds (on-site and remote), a series of differential actions impacting working arrangements, technology, equality and well-being have been implemented. These actions include, among others:

- More technology, with tools such as the SmartApp, new screens, smartphones and Office 365 accessible from all environments.
- Training support with live events (start of the new season of SmartBreaks) and training courses (e.g. inclusive leadership).
- Creation and adaptation of digital spaces, such as SmartSite and the Equality and Diversity Space.
- Promotion of activities impacting people's health such as, for example, Reto Yoga 21 Días (21-Day Yoga Challenge) and the cycle of health conferences in collaboration with Sanitas.

At the branch network, the work environment has been upgraded, with technology and processes that increase efficiency and that better connect the Bank with its customers.

2. ECONOMIC AND FINANCIAL ENVIRONMENT

2.1 Global economic, political and financial context

The main events of these six months have been the war in Ukraine, rising inflation, the hawkish tone of central banks and zero-Covid policies in China. All these factors have resulted in a gradual deterioration of the growth-inflation mix, placing many economies near a situation of virtual stagflation. Covid-19 has continued to lose prominence as a factor influencing the economy and financial markets in an environment in which the reduced severity of the latest variants of the virus has been confirmed. In most countries, Covid-19 has been transitioning to an endemic phase, the main exception being China.

The conflict in Ukraine broke out at a complex time for the global economy, still reeling from the Covid-19 crisis, with tensions in global production chains and in the labour market of some countries, in addition to high inflation. The conflict's main impact has been surging energy and commodity prices and new disruptions to some production chains as a result of the sanctions imposed on Russia by Western countries. Global supply chains have also been affected by zero-Covid policies in China.

The conflict in Ukraine has contributed to rising inflation, rebounding to new record highs not seen for several decades in the main developed economies. Inflationary pressures have been more generalised in terms of components. For example, in the Eurozone, almost 80% of the HICP components are experiencing inflation equal to or above 2% year-on-year. Meanwhile, in Spain, inflation exceeded 10% year-on-year in June and the underlying component stood at highs not seen since 1993, with growth above 5% year-on-year. Finally, in countries such as the United States, the rebound of salaries shows second-round effects.

In terms of activity, the economic environment has been deteriorating throughout the six-month period, as a result of the consequences of the conflict in Ukraine, persistently high inflation and the tightening of financial conditions. The conflict has mostly affected European countries due to their stronger links to Russia and high energy reliance on the latter. Therefore, the GDP of the Eurozone remained virtually stagnant in the first quarter, posting growth of just 0.2% quarter-on-quarter. At present, the main risk relates to the consequences of a potential shut-off of Russian gas. Right now, Russia is cutting its gas supply to Europe and has completely shut off supply to Poland, Bulgaria, Denmark, Finland and the Netherlands. Meanwhile, the United States has been more resilient to the aftermath of the conflict. Regardless, activity in this country has begun to suffer from monetary policy tightening.

In Spain, GDP growth slowed in the first quarter, affected by the consequences of the Omicron variant, the strike in the road transport sector and the onset of the conflict in Ukraine. From April onwards, most activity indicators returned to good performance, with business confidence indices at levels consistent with economic expansion. In the final part of the half-year, the Spanish economy proved to be relatively resilient compared to other developed economies. Activity was supported by the good performance of the labour market, the recovery of tourism and the measures approved by the government to deal with the consequences of the war.

As regards geopolitical events and Brexit, tensions have escalated again around the Northern Ireland Protocol, part of the Brexit agreements. The UK government is in the process of approving a domestic law to allow the country to stop applying parts of the agreements reached with the EU unilaterally. The EU has responded to this by restarting a legal case against the United Kingdom for breaching the Brexit agreements.

2.2 Central banks and fixed-income markets

The main priority of central banks has been to tackle inflation. Central banks' hawkish tone has been the main factor behind the significant volatility seen in capital markets. In general, financial assets had a negative performance. It is important to point out the sell-off of public debt. Sovereign risk premiums in the European periphery and corporate risk premiums have also risen sharply.

The European Central Bank (ECB) raised its benchmark interest rates by 50 bps in July and announced its intention to keep increasing interest rates at its next meetings. In terms of balance sheet policies, the ECB ended the PEPP (Pandemic Emergency Purchase Programme) in March and it put an end to the particularly attractive conditions of TLTRO III (-1.00% rate) in June. In addition, it ended purchases under QE at the beginning of July and announced that it would gradually end the relaxation of collateral rules. Finally, at the July meeting, it approved the new anti-fragmentation mechanism (Transmission Protection Instrument, or TPI) which can be activated to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy.

In the United States, the Federal Reserve (Fed) started the rate hike cycle in March. In total, the Fed has increased the benchmark rate by 150 bps to the 1.50%-1.75% bracket, with the last increase of 75 bps, a level not seen since 1994 (the two previous hikes were of 25 bps and 50 bps, respectively). In addition, in June, the Fed began its balance sheet reduction process through the reduction of acquired assets.

The Bank of England (BoE), which started its rate hikes in December 2021 in the face of concerns over high inflation and the tightening of the labour market, has continued to raise interest rates at each of its monetary policy meetings of the first half of 2022 (25 bps in each) to reach 1.25% in June. The BoE began its balance sheet reduction process in March, when it stopped reinvesting the proceeds of maturing bonds from its quantitative easing programme. In addition, the BoE expects to start selling part of its on-balance sheet assets, although it has currently delayed the announcement of the details of this strategy to August.

Long-term government bond yields have rebounded sharply on both sides of the Atlantic, reaching highs not seen since 2011 in the case of the United States and since 2014 in Germany. In fact, it has been the worst six-month period for sovereign bonds in several decades. Yields have been driven upwards by central banks' move towards a less accommodative monetary policy and by rising inflation. The rebound stopped at the end of the six-month period due to increasing fears over a global economic slowdown.

Risk premiums on peripheral government bonds reached levels not seen since the outbreak of the coronavirus pandemic in 2020. The rebound was mainly influenced by the start of the ECB's monetary policy normalisation process. At the end of the six-month period, premiums lost ground as a result of the ECB's commitment to speed up the adoption of an emergency mechanism to avoid fragmentation in capital markets.

2.3 Currency market

The euro continued to depreciate sharply against the dollar in the first half of this year (around 7%), reaching its lowest level since 2003 (USD/EUR rate of close to 1.04). The US currency has been supported by the Fed's earlier exit strategy and has acted as a safe haven asset in the face of concerns over global economic growth in the final part of the half-year.

The pound sterling appreciated in the first part of the half-year, practically reaching the highest appreciation levels since the Brexit referendum. However, in the second half, it has depreciated, ending at levels of 0.86 pounds per euro, which is somewhat more depreciated than it was at the beginning of the year. The pound was initially supported by the post-Omicron reopening and the early start of the BoE's rate hike cycle. However, as the months went by, the possibility that the spike in inflation could be higher and more persistent in the UK than elsewhere, and the risks that this could contribute to the UK economy slipping into recession, has weighed on the pound's value. The domestic political environment has not been supportive for the British currency either.

2.4 Emerging markets

Emerging markets have also been affected by the complex geopolitical and financial environment. For example, emerging equities lost ground during the first half of the year to again fall below pre-Covid crisis levels. The financial assets of Colombia and Chile have suffered as a result of the increased uncertainty caused by the emergence of populist governments, despite the good performance of commodities.

On the other hand, in the wake of official interest rate hikes in developed economies and the strong upward pressures on inflation, most emerging countries have been forced to increase their official interest rates aggressively. This has been the case in Latin America, from countries with significant fiscal and/or financial vulnerabilities such as Brazil and Colombia to other countries such as Mexico. In the case of Russia, it is important to point out that the country's central bank raised interest rates to 20.00% with the invasion of Ukraine, but it subsequently reduced them (to 9.50%) thanks to the appreciation of the rouble, which benefitted from the capital controls introduced and the higher prices of its energy exports.

Russia has defaulted on its sovereign debt in foreign currency for the first time in a century, due to Western sanctions, which prevent the payment of Russian public debt to foreign investors. This is an atypical default, as Russia does have the resources to repay its public debt issued in foreign currency.

3. FINANCIAL INFORMATION

Banco Sabadell and its group ended the first half of the year with net attributable profit of 393 million euros, compared to 220 million euros in the same period of 2021. The positive variation is mainly due to the good performance of net interest income and fees and commissions, the reduction in costs driven mainly by savings on staff expenses as a result of the savings from the efficiency plans carried out, and also due to the booking of fewer provisions.

3.1 Income and profit performance

Net interest income in the first half of the current year amounted to 1,757 million euros, 4.2% higher than in the first half of 2021, due to the good performance of volumes, notably the increase in TSB's mortgage portfolio, higher remuneration charged on corporate deposits and improved capital market funding, which offset the lower yields of the loan portfolio.

Equity-accounted income and dividends received amounted to 84 million euros in the first half of the year, compared with 56 million euros in the first six months of 2021. The positive change compared to the previous year is mainly due to higher earnings by BS Capital investees.

Net fees and commissions for the six-month period amounted to 729 million euros, thus increasing by 2.8% year-on-year, buoyed by good performance in all segments, service fees being particularly noteworthy mainly as a result of more card transactions.

Net trading income and exchange differences, net amounted to 83 million euros in the first half of 2022, compared to 28 million euros in the first half of 2021. The positive change is explained by higher profits from trading and hedging derivatives and by higher profits from sales of the fixed-income portfolio.

Other operating income and expenses amounted to -147 million euros and mainly include the contribution to the Single Resolution Fund (SRF) of -100 million euros (-88 million euros in 2021). The change compared to the same period of 2021 where these amounted to -122 million euros is mainly due to a higher contribution to the SRF because of an increase in the contribution rate at the systemic level, and also because this year does not include the positive contribution of BanSabadell Renting after its sale.

Operating expenses, depreciation and amortisation amounted to a total of -1,440 million euros during the first half of 2022. In the first half of 2021, operating expenses, depreciation and amortisation amounted to a total of -1,512 million euros, representing a reduction of 4.8% due to both an improvement in staff expenses, after the savings from the efficiency plans carried out had come through, and an improvement in general expenses.

The cost-to-income ratio decreased at the end of June 2022, standing at 46.91% compared to 53.73% in the same period of the previous year. Similarly, the cost-to-income ratio including amortisations decreased to 57.86% from 64.96% in the same period of the previous year.

As a result of the foregoing, the first half of 2022 ended with pre-provisions income of 1,067 million euros (845 million euros in 2021), due to both the aforesaid good performance of net interest income and fees and commissions, as well as to higher net trading income and lower operating expenses.

Provisions and impairments (primarily real estate and financial assets) amounted to -475 million euros, compared with -621 million euros in the first six months of 2021, mainly due to a reduction in loan loss provisions.

Capital gains on asset sales and other revenue amounted to -19 million euros, while in the first half of 2021 they amounted to 73 million euros, with the gross profit of 83 million euros on the sale of the institutional depositary business being particularly noteworthy.

After deducting income tax and minority interests, net profit attributable to the Group amounted to 393 million euros at the end of the first half of 2022. These results represent growth of 78.1%, which is an improvement in the Group's profitability.

3.2 Balance sheet

At the end of the first half of 2022, total assets of Banco Sabadell and its group amounted to 257,229 million euros, representing a 2.1% increase with respect to the end of 2021.

Gross performing loans to customers amounted to 158,144 million euros, increasing by 2.1% compared to the balance at the end of 2021, supported by the good momentum of lending to companies and the public sector.

As at the end of June 2022, the NPL ratio decreased and stood at 3.3%, the stage 3 coverage ratio was 39.6% and the stage 3 coverage ratio with total provisions was 55.3%.

As at 30 June 2022, on-balance sheet customer funds amounted to 163,391 million euros, compared to 162,020 million euros at the end of 2021, representing a 0.8% increase due to both the increase in sight deposit accounts and term deposits.

Sight deposit account balances amounted to 147,892 million euros, representing a 0.4% increase on the figure as at the end of 2021, while customer term deposits (including deposits redeemable at notice and hybrid financial liabilities) amounted to 15,980 million euros (7.9% higher than at the end of 2021).

Total off-balance sheet customer funds amounted to 38,831 million euros, a 6.8% decrease compared to the end of the previous year. In this item, the decrease in mutual funds was particularly notable. As at the end of June 2022, they amounted to 22,538 million euros, down by 8.4% compared to 2021 year-end, mainly affected by volatility in financial markets.

Total funds under management and third-party funds amounted to 224,146 million euros as at 30 June 2022, compared to 224,968 million euros at the end of the previous year, representing a 0.4% decrease driven by the aforesaid reduction in off-balance sheet customer funds.

3.3 Solvency

The phase-in Common Equity Tier 1 (CET1) ratio stood at 12.61%, and the fully-loaded CET1 ratio at 12.48% as at 30 June 2022.

Credit rating

The Group retains its investment grade rating given by all credit rating agencies.

On 18 May 2022, DBRS Ratings GmbH maintained Banco Sabadell's long-term rating of A (Low), improving the outlook from negative to stable, in order to reflect the lower impact that the Covid-19 crisis is expected to have on Banco Sabadell's operating environment in both Spain and the United Kingdom. The short-term rating remained at R-1 (Low).

On 20 May 2022, Moody's Investors Service confirmed the ratings of Banco Sabadell's long-term deposits and long-term senior debt of 'Baa2' and 'Baa3', respectively, with a stable outlook. The agency reiterated the improved quality of assets as a result of the Bank's significant reduction of problematic assets and its comfortable liquidity position. The short-term rating remained at 'P-2'.

On 17 June 2022, S&P Global Ratings maintained Banco Sabadell's long-term rating of BBB-, improving the outlook from stable to positive, thus reflecting the possibility of a rating upgrade over the next 12-24 months if Sabadell increases the size of its subordinated bail-in-able buffer and provides a clear line of sight that its ALAC (Additional Loss-Absorbing Capacity) buffer will remain sustainably above 350 basis points (bps). The short-term rating remained at A-3.

On 30 June 2022, Fitch Ratings affirmed Banco Sabadell's long-term rating of 'BBB-', with a stable outlook, reflecting the Group's adequate capitalisation and risk diversification and its challenges in relation to profitability and keeping cost of risk contained. The factors that had a negative outlook (asset quality and profitability) have stabilised. The short-term rating remained at 'F3'.

3.4 Branches and offices

At the end of the first half of 2022, Banco Sabadell had 1,525 branches and offices. Of the total number of Banco Sabadell Group branches and offices, 957 operate under the Sabadell brand (including 25 business banking and 2 corporate banking branches); 64 operate as Sabadell Gallego (3 business banking branches); 85 as Sabadell Herrero (3 business banking branches); 66 as Sabadell Guipuzcoano (5 business banking branches), 11 as Sabadell Urquijo, and 89 branches operate under the Solbank brand. The other 253 branches and offices make up the international network, of which 15 correspond to Sabadell Mexico and 220 to TSB.

4. BUSINESS REVIEW

The key financial figures associated with the Group's largest business units are shown hereafter, in line with the segment information described in Note 31 to the condensed interim consolidated financial statements for the six-month period ended on 30 June 2022.

4.1 Banking business Spain

Net profit as at the end of June 2022 amounted to 319 million euros, representing year-on-year growth of 82.5%, mainly as a result of the good performance of net fees and commissions, the reduction of costs, and the booking of fewer provisions in the year.

Net interest income amounted to 1,139 million euros, dropping by 0.9% relative to the end of June 2021, due to lower loan book yields, which offset the increased interest charged on corporate deposits and improved funding in capital markets.

Net fees and commissions stood at 660 million euros, 1.4% higher than in the same period of the previous year due to the good performance of all segments.

Net trading income and exchange differences stood at 79 million euros, representing an increase compared with the previous year due to higher profits from trading and hedging derivatives and higher profits from sales of the fixed-income portfolio.

Equity-accounted income and dividends showed year-on-year growth of 50.8% due to higher earnings recorded by BS Capital investees.

Operating expenses decreased by 7.9% due to both lower staff expenses as a result of the cost savings achieved by the efficiency plans and the lower general expenses recorded.

Provisions and impairments amounted to -444 million euros, representing a reduction of 23.9% mainly due to lower loan loss provisions.

Million euro

	30/06/2022	30/06/2021	Year-on-year change (%)
Net interest income	**1,139**	**1,150**	**(0.9)**
Fees and commissions (net)	660	651	1.4
Core revenue	**1,799**	**1,801**	**(0.1)**
Net trading income and exchange differences	79	22	258.3
Equity-accounted income and dividends	84	56	50.8
Other operating income/expense	(117)	(110)	6.5
Gross income	**1,845**	**1,769**	**4.3**
Operating expenses and depreciation and amortisation	(940)	(1,002)	(6.2)
Pre-provisions income	**906**	**767**	**18.1**
Provisions and impairments	(444)	(583)	(23.9)
Capital gains on asset sales and other revenue	(17)	78	(121.7)
Profit/(loss) before tax	**445**	**262**	**69.9**
Corporation tax	(112)	(80)	39.9
Profit or loss attributed to minority interests	14	7	99.5
Net profit	**319**	**175**	**82.5**
ROTE (net return on tangible equity)	7.4 %	4.1 %	
Cost-to-income (general administrative expenses / gross income)	41.4 %	46.0 %	
NPL ratio	4.1 %	4.3 %	
NPL (stage 3) coverage ratio, with total provisions	56.7 %	57.3 %	

Gross performing loans to customers increased by 2.9% compared to December of the previous year, driven by lending to general governments and enterprises.

On-balance sheet customer funds grew by 2.4% compared to December of the previous year, driven by sight deposit accounts. Off-balance sheet customer funds fell by 6.8% due to financial market volatility.

Million euro

	30/06/2022	31/12/2021	Change (%)
Assets	**196,349**	**191,162**	**2.7**
Gross performing loans to customers	110,177	107,089	2.9
Non-performing real estate assets (net)	778	842	(7.6)
Liabilities	**183,298**	**181,389**	**1.1**
On-balance sheet customer funds	119,636	116,788	2.4
Wholesale funding capital markets	18,213	18,090	0.7
Allocated net equity	**9,869**	**9,773**	**1.0**
Off-balance sheet customer funds	**38,831**	**41,678**	**(6.8)**
Other indicators			
Employees	12,949	13,855	(6.5)
Branches	1,290	1,288	0.2

4.2 Banking business United Kingdom

Net profit stood at 54 million euros as at the end of June 2022, growing by 35.4% compared to the previous year, mainly due to the increase in core revenue and lower costs.

Net interest income amounted to a total of 551 million euros, 14.3% higher than in the previous year due to the strong growth of mortgage volumes as well as the appreciation of the pound sterling.

Net fees and commissions increased by 14.2% year-on-year, mainly due to higher service fees, particularly card fees.

Operating expenses amounted to -378 million euros and fell by 4.1% year-on-year, due to the improvement of both staff expenses and general expenses.

Provisions and impairments amounted to -32 million euros, an increase compared to the previous year as -11 million euros were booked in the second quarter of 2022 in respect of estimated charges related to the treatment of some customers in arrears.

Corporation tax in the first half of 2022 included an impact of -15 million euros as a result of the effect on deferred tax assets following the bank levy review in the United Kingdom, which reduced this levy from 8% to 3%. However, in the first half of 2021, +23 million euros were booked under the same item due to the corporation tax increase.

Million euro

	30/06/2022	30/06/2021	Year-on-year change (%)
Net interest income	**551**	**482**	**14.3**
Fees and commissions (net)	64	56	14.2
Core revenue	**615**	**538**	**14.3**
Net trading income and exchange differences	3	7	(59.0)
Equity-accounted income and dividends	—	—	—
Other operating income/expense	(21)	(9)	134.0
Gross income	**597**	**536**	**11.3**
Operating expenses and depreciation and amortisation	(461)	(471)	(2.2)
Pre-provisions income	**136**	**65**	**108.8**
Provisions and impairments	(32)	(28)	13.8
Capital gains on asset sales and other revenue	—	(5)	(97.8)
Profit/(loss) before tax	**104**	**32**	**224.2**
Corporation tax	(50)	8	(720.0)
Profit or loss attributed to minority interests	—	—	—
Net profit	**54**	**40**	**35.4**
ROTE (net return on tangible equity)	5.2%	3.6%	
Cost-to-income (general administrative expenses / gross income)	63.4%	74.0%	
NPL ratio	1.3%	1.6%	
NPL (stage 3) coverage ratio, with total provisions	40.3%	43.6%	

Gross performing loans to customers fell by 0.3% compared to December 2021 due to the depreciation of the pound sterling. At a constant exchange rate, this item grew by 1.8% per annum, due to the increase in the mortgage portfolio.

On-balance sheet customer funds decreased by 3.9%. At a constant exchange rate, this item fell by 1.8% per annum, mainly due to the rising cost of living and branch closures.

Million euro

	30/06/2022	31/12/2021	Change (%)
Assets	**55,297**	**55,657**	**(0.6)**
Gross performing loans to customers	43,903	44,050	(0.3)
Liabilities	**55,297**	**53,012**	**4.3**
On-balance sheet customer funds	41,105	42,779	(3.9)
Wholesale funding capital markets	2,913	2,975	(2.1)
Allocated net equity	**2,589**	**2,645**	**(2.1)**
Other indicators			
Employees	5,595	5,762	(2.9)
Branches	220	290	(24.1)

4.3 Banking business Mexico

Net profit was 19 million euros, representing sharp year-on-year growth supported by improved core revenue and by a reduced allocation of provisions and impairments.

Net interest income amounted to 67 million euros, increasing by 23.2% year-on-year, due to the interest rate hike and the appreciation of the Mexican peso.

Net fees and commissions amounted to 5 million euros as at the end of June 2022, growing by 2 million euros relative to the previous year due to more commercial activity.

Operating expenses amounted to -33 million euros, thus falling by -6.0% year-on-year due to improved general expenses.

Provisions and impairments were below the previous year's levels due to an improvement in the loan portfolio, as well as payments received from one-off customers.

Million euro

	30/06/2022	30/06/2021	Year-on-year change (%)
Net interest income	**67**	**54**	**23.2**
Fees and commissions (net)	5	3	77.9
Core revenue	**72**	**57**	**26.1**
Net trading income and exchange differences	1	(1)	(225.6)
Equity-accounted income and dividends	—	—	—
Other operating income/expense	(8)	(3)	181.1
Gross income	**65**	**53**	**22.1**
Operating expenses and depreciation and amortisation	(39)	(39)	0.2
Pre-provisions income	**26**	**14**	**82.9**
Provisions and impairments	—	(10)	(102.6)
Capital gains on asset sales and other revenue	(2)	—	—
Profit/(loss) before tax	**23**	**4**	**486.3**
Corporation tax	(4)	2	(319.1)
Profit or loss attributed to minority interests	—	—	—
Net profit	**19**	**6**	**217.8**
ROTE (net return on tangible equity)	8.2%	1.7%	
Cost-to-income (general administrative expenses / gross income)	50.8%	66.0%	
NPL ratio	2.3%	0.3%	
NPL (stage 3) coverage ratio, with total provisions	73.3%	416.9%	

Gross performing loans to customers grew by 7.7% compared with December 2021, supported by the evolution of the Mexican peso and the dollar. At a constant exchange rate, they decreased by -1.6%.

On-balance sheet customer funds increased by 8.0% compared to December of the previous year, supported by the evolution of the Mexican peso and the dollar. At a constant exchange rate, they decreased by -2.0%.

Million euro

	30/06/2022	31/12/2021	Change (%)
Assets	**5,583**	**5,128**	**8.9**
Gross performing loans to customers	4,065	3,773	7.7
Real estate exposure (net)	—	—	—
Liabilities	**5,583**	**4,550**	**22.7**
On-balance sheet customer funds	2,650	2,453	8.0
Wholesale funding capital markets	—	—	—
Allocated net equity	**592**	**578**	**2.5**
Off-balance sheet customer funds	**—**	**—**	**—**
Other indicators			
Employees	431	453	(4.9)
Branches	15	15	—

5. SUBSEQUENT EVENTS

Since 30 June 2022, there have been no events worthy of mention.

Glossary of terms on alternative performance measures

In the presentation of its results to the market, and for the purpose of monitoring the business and decision-making processes, the Group uses performance indicators pursuant to the generally accepted accounting regulations (EU-IFRS), and also uses other non-audited measures commonly used in the banking industry (Alternative Performance Measures, or “APMs”) as monitoring indicators for the management of assets and liabilities, and the financial and economic situation of the Group, which facilitates its comparison with other institutions.

Following the ESMA guidelines on APMs (ESMA/2015/1415 of October 2015), the purpose of which is to promote the use and transparency of information for the protection of investors in the European Union, the Group presents below, for each APM, the definition, calculation and use or purpose. Their reconciliation is also shown below.

Performance measure	Definition and calculation	Use or purpose
Gross performing loans to customers	Includes gross customer loans and advances, excluding repos, accrual adjustments and stage 3 assets.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Gross loans to customers	Includes loans and advances to customers excluding impairment allowances.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
On-balance sheet customer funds	Includes customer deposits (ex-repos) and other liabilities sold by the branch network (Banco Sabadell straight bonds, commercial paper and others).	Key figure in the Group's condensed consolidated balance sheet, the performance of which is monitored.
On-balance sheet funds	Includes the following accounting sub-headings: customer deposits, debt securities in issue (borrowings, other marketable securities and subordinated liabilities).	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Off-balance sheet customer funds	Includes mutual funds, asset management, pension funds and insurance products sold.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Funds under management and third-party funds	The sum of on-balance sheet funds and off-balance sheet customer funds.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Customer spread	Difference between yield and costs of customer-related assets and liabilities, i.e. the contribution of exclusively customer-related transactions to net interest income. Calculated as the difference between the average rate that the Bank charges its customers for loans and the average rate that the Bank pays its customers for deposits. The average rate on customer loans and advances is the annualised ratio, in percentage terms, between financial revenues booked on customer loans and advances and the average daily balance of customer loans and advances. The average rate on customer funds is the annualised ratio, in percentage terms, between the financial cost booked on customer funds and the average daily balance of customer funds.	It reflects the profitability of purely banking activity.
Other operating income and expenses	Comprises the following accounting items: other operating income and other operating expenses as well as income from assets and expenses from liabilities under insurance or reinsurance contracts.	Grouping of items used to explain part of the performance of the Group's consolidated results.
Pre-provisions income	Comprises the following accounting items: gross income plus administrative expenses and depreciation and amortisation.	It is one of the key figures that reflects the performance of the Group's consolidated results.

Total provisions and impairments	Comprises the following accounting items: (i) impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net modification losses or gains; (ii) provisions or reversal of provisions; (iii) impairment or reversal of impairment of investments in joint ventures or associates; (iv) impairment or reversal of impairment of non-financial assets; (v) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excludes gains or losses on the sale of equity holdings and other items); and (vi) gains or losses on derecognition of non-financial assets and equity holdings, net (including only gains or losses on the sale of investment properties).	Grouping of items used to explain part of the performance of the Group's consolidated results.
Capital gains on asset sales and other revenue	Comprises the following accounting items: (i) gains or (-) losses on derecognition of non-financial assets and equity holdings, net (excludes gains or (-) losses on the sale of investment properties); and (ii) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (including only gains or losses on the sale of equity holdings and other items).	Grouping of items used to explain part of the performance of the Group's consolidated results.
ROA	Annualised ratio of consolidated profit or loss for the year / average total assets. The numerator is the annualisation of the profit obtained to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end. **Average total assets:** arithmetic mean calculated as the sum of the daily balances for the reference period and divided by the number of days in said period.	A measure commonly used in the financial sector to determine the accounting return on Group assets.
RORWA	Annualised figure resulting from the ratio of profit attributable to the Group / risk-weighted assets (RWAs). The numerator is the annualisation of the profit obtained to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end. **Risk-weighted assets:** total assets of a credit institution, multiplied by its respective risk factors (risk weights). Risk factors reflect the perceived level of risk of a particular asset class.	A measure commonly used in the financial sector to determine the accounting return on risk-weighted assets.

ROE	Annualised ratio of profit attributable to the Group / average shareholders' equity. The numerator is the annualisation of the profit obtained to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end. <u>Average shareholders' equity:</u> average shareholders' equity calculated using the month-end balance since December of the previous year.	A measure commonly used in the financial sector to determine the accounting return on the Group's shareholders' equity.
ROTE	Annualised figure calculated as profit attributable to the Group / average shareholders' equity. The numerator is the annualisation of the profit obtained to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end. The denominator excludes intangible assets and goodwill of investees from average shareholders' equity. <u>Average shareholders' equity:</u> average shareholders' equity calculated using the month-end balance since December of the previous year.	Additional measure of the accounting return on own funds, but excluding goodwill from its calculation.
Cost-to-income ratio	Administrative expenses / adjusted gross income. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end.	One of the main indicators of efficiency or productivity of banking activity.
Cost-to-income ratio with amortisation/depreciation	Administrative expenses, amortisations and depreciations / adjusted gross income. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund and the Single Resolution Fund and the Spanish tax on deposits of credit institutions, except at year-end.	One of the main indicators of efficiency or productivity of banking activity.
Stage 3 exposures	These include: (i) assets classified as stage 3 including other valuation adjustments (accrued interests, fees and commissions, and other) classified as stage 3 of loans and advances not classified as non-current assets held for sale, and (ii) guarantees given classified as stage 3.	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk undertaken with customers and to assess its management.
NPL (stage 3) coverage ratio, with total provisions	Percentage of exposures classified as stage 3 (non-performing) that are covered by total provisions. Calculated as impairment of loans and advances to customers (including provisions for guarantees given) / total exposures classified as stage 3 (non-performing) (including guarantees given classified as stage 3).	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk undertaken with customers and shows the provisions that the Institution has allocated for loans classified as stage 3.

NPL (stage 3) coverage ratio	Percentage of exposures classified as stage 3 that are covered by stage 3 provisions. Calculated as impairment of stage 3 customer loans and advances (including provisions for stage 3 guarantees given) / total stage 3 exposures (including guarantees given classified as stage 3).	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk undertaken with customers and shows the provisions that the Institution has allocated for loans classified as stage 3.
Non-performing assets	The sum of risks classified as stage 3 plus non-performing real estate assets. Non-performing real estate assets are foreclosed properties or properties accepted in payment of debt and properties classified in the portfolio of non-current assets and disposal groups classified as held for sale, except for investment properties with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment.	Indicator of total exposure to risks classified as stage 3 and to non-performing real estate assets.
Non-performing real estate coverage ratio	Obtained by dividing provisions for non-performing real estate assets by total non-performing real estate assets. Non-performing real estate assets: foreclosed properties or properties accepted in payment of debt and properties classified in the portfolio of non-current assets and disposal groups classified as held for sale, except for investment properties with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment.	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of real estate risk and shows the provisions that the Institution has allocated for real estate exposure.
NPA coverage ratio	This is calculated by dividing the provisions associated with non-performing assets by total non-performing assets.	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk and real estate risk, and it shows the provisions that the Institution has allocated for non-performing exposures.
NPL ratio	Calculated as a ratio, whose numerator includes: (i) assets classified as stage 3 including other valuation adjustments (accrued interests, fees and commissions, and other) classified as stage 3 of loans and advances not classified as non-current assets held for sale, and (ii) guarantees given classified as stage 3. The denominator includes: (i) gross loans to customers, excluding repos or loans and advances to customers, excluding ATAs and without impairment allowances, and (ii) guarantees given.	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk undertaken with customers and to assess its management.
Credit cost of risk (bps)	Ratio between loan loss provisions / gross loans to customers, excluding repos (loans and advances to customers excluding ATAs and without impairment allowances) and guarantees given. The numerator is adjusted to account for costs associated with managing assets classified as stage 3.	A relative measure of risk, being one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk through the cost or loss due to financial asset impairments that have taken place in one year.

Loan-to-deposit ratio	Net loans and advances / retail funding. Brokered loans are subtracted from the numerator to calculate this ratio. The denominator considers retail funding or customer funds, defined in this table.	Measures a Bank's liquidity as the ratio of the funds at its disposal relative to the volume of lending items granted to customers. Liquidity is one of the key aspects that define the structure of an institution.
Market capitalisation	Calculated by multiplying the share price by the average number of shares outstanding as at the reporting date.	It is an economic market measurement or market ratio that indicates the total value of a company according to its market price.
Earnings per share (EPS)	Annualised figure calculated by dividing the net profit (or loss) attributable to the Group by the average number of shares outstanding as at the reporting date. The numerator is adjusted to account for the amount of the Additional Tier 1 coupon recognised in equity, after tax. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end.	It is an economic measurement or market ratio that indicates a company's profitability, and it is one of the measurements used most frequently to assess institutions' performance.
Book value per share	Book value / average number of shares as at the reporting date. The book value is the sum of shareholders' equity, adjusted to account for the accrual to date of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end.	It is an economic market measurement or market ratio that indicates the book value per share.
TBV per share	Tangible book value / average number of shares outstanding as at the reporting date. The tangible book value is the sum of shareholders' equity adjusted to account for intangible assets and goodwill of investees, as well as the accrual to date of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) and the Spanish tax on deposits of credit institutions (IDEC), except at year-end.	It is an economic market measurement or market ratio that indicates the tangible book value per share.
P/TBV (price/tangible book value per share)	Share price or value / tangible book value per share.	Economic measurement or market ratio commonly used by the market, which represents the listed price of a share relative to its book value.
Price / Earnings ratio (P/E)	Share price or value / net earnings per share.	Economic measurement or market ratio commonly used by the market to determine a company's ability to generate future earnings.

Equivalence of headings from the income statement of businesses and management units that appear in the note on "Segment information" and in the interim consolidated Directors' Report with those of the condensed consolidated income statement (*)

Net fees and commissions:

- Fee and commission income.
- (Fee and commission expenses).

Core revenue:

- Net interest income.
- Fee and commission income.
- (Fee and commission expenses).

Other operating income and expenses:

- Other operating income.
- (Other operating expenses).

Operating expenses, depreciation and amortisation:

- (Administrative expenses).
- (Depreciation and amortisation).

Pre-provisions income:

- Gross income.
- (Administrative expenses).
- (Depreciation and amortisation).

Provisions and impairments:

- (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains).
- (Provisions or (-) reversal of provisions).
- (Impairment or (-) reversal of impairment on investments in joint ventures and associates).
- (Impairment or (-) reversal of impairment on non-financial assets).
- Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excludes gains or (-) losses on the sale of equity holdings and other items).
- Gains or (-) losses on derecognition of non-financial assets and equity holdings, net (including only gains or losses on sale of investment properties).

Provisions for loan losses:

- (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains).
- (Provisions or (-) reversal of provisions) (only includes commitments and guarantees given).

Provisions for other financial assets:

- (Provisions or (-) reversal of provisions) (excludes commitments and guarantees given).

Other provisions and impairments:

- (Impairment or (-) reversal of impairment on investments in joint ventures and associates).
- (Impairment or (-) reversal of impairment on non-financial assets).
- Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excludes gains or (-) losses on the sale of equity holdings and other items).
- Gains or (-) losses on derecognition of non-financial assets and equity holdings, net (including only gains or losses on sale of investment properties).

Capital gains on asset sales and other revenue:

- Gains or (-) losses on derecognition of non-financial assets and equity holdings, net (excludes gains or losses on sale of investment properties).
- Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (including only gains or (-) losses on the sale of equity holdings and other items).

(*) Sub-headings in the condensed consolidated income statement expressed in brackets denote negative figures.

APMs reconciliation (data in million euros, with the exception of those shown in percentages).

BALANCE SHEET	**30/06/2022**	**31/12/2021**
Gross loans to customers / Gross performing loans to customers		
Mortgage-secured loans & credit	90,533	90,718
Loans and credit secured with other collateral	3,456	3,596
Commercial loans	6,745	6,050
Finance leases	2,151	2,106
Other amounts due at notice or on demand	55,259	52,443
Gross performing loans to customers	**158,144**	**154,912**
Assets classified in stage 3 (customers)	5,233	5,698
Other valuation adjustments (accrued interests, fees and other)	84	58
Gross loans to customers, excluding repos	**163,460**	**160,668**
Repos	353	0
Gross loans to customers	**163,814**	**160,668**
Impairment allowances	(2,978)	(3,302)
Loans and advances to customers	**160,835**	**157,366**
On-balance sheet customer funds		
Financial liabilities at amortised cost	239,180	235,179
Non-retail financial liabilities	75,789	73,159
Deposits - central Banks	38,296	38,250
Deposits - credit institutions	8,222	8,817
Institutional issues	21,924	21,270
Other financial liabilities	7,347	4,822
On-balance sheet customer funds	**163,391**	**162,020**
On-balance sheet funds		
Customer deposits	164,619	162,239
Sight deposit accounts	147,892	147,268
Deposits with agreed maturity including deposits redeemable at notice and hybrid financial liabilities	15,980	14,813
Repos	737	60
Accrual adjustments and hedging derivatives	9	98
Debt securities in issue	20,696	21,051
Borrowings and other marketable securities	17,231	16,822
Subordinated liabilities	3,465	4,229
On-balance sheet funds	**185,315**	**183,290**
Off-balance sheet customer funds		
Mutual funds	22,538	24,593
Asset management	3,519	3,795
Pension funds	3,245	3,525
Insurance products sold	9,529	9,765
Off-balance sheet customer funds	**38,831**	**41,678**
Funds under management and third-party funds		
On-balance sheet funds	185,315	183,290
Off-balance sheet customer funds	38,831	41,678
Funds under management and third-party funds	**224,146**	**224,968**

INCOME STATEMENT	30/06/2022	30/06/2021
Customer spread		
Loans and advances to customers (net)		
Average balance	156,863	149,881
Profit/(loss)	1,798	1,741
Rate (%)	2.31	2.34
Customer deposits		
Average balance	168,636	160,522
Profit/(loss)	(52)	(52)
Rate (%)	(0.06)	(0.07)
Customer spread	**2.25**	**2.27**
Other operating income and expenses		
Other operating income	31	83
Other operating expenses	(178)	(205)
Income from assets under insurance or reinsurance contracts	-	-
Expenses on liabilities under insurance or reinsurance contracts	-	-
Other operating income and expenses	**(147)**	**(122)**
Pre-provisions income		
Gross income	2,507	2,357
Administrative expenses	(1,167)	(1,251)
Staff expenses	(694)	(754)
Other general administrative expenses	(473)	(497)
Depreciation and amortisation	(272)	(261)
Pre-provisions income	**1,067**	**845**

	30/06/2022	30/06/2021
<u>**Total provisions and impairments**</u>		
Impairment or reversal of impairment on investments in joint ventures and associates	(13)	-
Impairment or reversal of impairment on non-financial assets, adjusted	(31)	(39)
Impairment or reversal of impairment on non-financial assets	(31)	(39)
Gains or losses on sale of investment properties	1	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, adjusted	(12)	(29)
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(15)	(35)
Gains or losses on the sale of equity holdings and other items	2	6
Other provisions and impairments	**(56)**	**(68)**
Provisions or reversal of provisions	(26)	(49)
Impairment or reversal of impairment and gains or losses on changes in cash flows from financial assets not measured at fair value through profit or loss and net modification losses or gains	(394)	(504)
Provisions for loan losses and other financial assets	**(419)**	**(553)**
Total provisions and impairments	**(475)**	**(621)**

<u>**Capital gains on asset sales and other revenue**</u>		
Gains or losses on derecognition of non-financial assets, net	(16)	80
Gains or losses on the sale of equity holdings and other items	(2)	(6)
Gains or losses on sale of investment properties	(1)	-
Capital gains on asset sales and other revenue	**(19)**	**74**

PROFITABILITY AND EFFICIENCY	**30/06/2022**	**30/06/2021**
<u>ROA</u>		
Average total assets	254,286	240,872
Consolidated profit or loss for the year	407	227
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(13)	(20)
ROA (%)	**0.31**	**0.17**
<u>RORWA</u>		
Net profit attributable to the Group	393	220
Risk-weighted assets (RWAs)	80,524	80,989
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(13)	(20)
RORWA (%)	**0.95**	**0.50**
<u>ROE</u>		
Average shareholders' equity	13,436	12,991
Net profit attributable to the Group	393	220
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(13)	(20)
ROE (%)	**5.70**	**3.10**
<u>ROTE</u>		
Average shareholders' equity (excluding intangible assets)	10,875	10,391
Net profit attributable to the Group	393	220
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(13)	(20)
ROTE (%)	**7.04**	**3.88**
<u>Cost-to-income ratio</u>		
Gross income	2,507	2,357
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions)	(19)	(29)
Administrative expenses	(1,167)	(1,251)
Cost-to-income ratio (%)	**46.91**	**53.73**
Depreciation and amortisation	(272)	(261)
Cost-to-income ratio with amortisation/depreciation (%)	**57.86**	**64.96**

RISK MANAGEMENT	30/06/2022	31/12/2021
Stage 3 exposures		
Assets classified as stage 3 (including other valuation adjustments)	5,263	5,729
Guarantees given classified as stage 3 (off-balance sheet)	451	475
Stage 3 exposures	**5,714**	**6,203**
NPL (stage 3) coverage ratio, with total provisions		
Provisions for loan losses	3,159	3,495
Stage 3 exposures	5,714	6,203
NPL (stage 3) coverage ratio, with total provisions (%)	**55.3%**	**56.3%**
NPL (stage 3) coverage ratio		
Provisions for stage 3 loan losses	2,263	2,553
Stage 3 exposures	5,714	6,203
NPL (stage 3) coverage ratio (%)	**39.6%**	**41.2%**
Non-performing assets		
Stage 3 exposures	5,714	6,203
Non-performing real estate assets	1,277	1,362
Non-performing assets	**6,991**	**7,565**
NPA coverage ratio (%)		
Provisions for non-performing assets	3,658	4,014
Non-performing assets	6,991	7,565
NPA coverage ratio (%)	**52.3%**	**53.1%**
Non-performing real estate coverage ratio		
Provisions for non-performing real estate assets	499	520
Non-performing real estate assets	1,277	1,362
Non-performing real estate coverage ratio (%)	**39.0%**	**38.2%**
NPL ratio		
Stage 3 exposures	5,714	6,203
Gross loans to customers, excluding repos	163,460	160,668
Guarantees given (off-balance sheet)	9,302	9,268
NPL ratio (%)	**3.3%**	**3.7%**
Credit cost of risk (bps)		
Gross loans to customers, excluding repos	163,460	160,668
Guarantees given (off-balance sheet)	9,302	9,268
Provisions for loan losses	(380)	(950)
NPL expenses	(41)	(118)
Provisions for institutional portfolio sales	-	-
Credit cost of risk (bps)	**40**	**49**

LIQUIDITY MANAGEMENT	30/06/2022	31/12/2021
Loan-to-deposit ratio		
Net loans and advances excluding ATAs, adjusted for brokered loans	159,142	156,076
On-balance sheet customer funds	163,391	162,020
Loan-to-deposit ratio (%)	**97.4%**	**96.3%**

SHAREHOLDERS AND SHARES	30/06/2022	30/06/2021
Market capitalisation		
Average number of shares (million)	5,595	5,584
Listed price	0.76	0.57
Market capitalisation (million euros)	**4,255**	**3,206**
Earnings per share		
Profit attributable to the Group, adjusted	316	155
Profit attributable to the Group	393	220
Adjustment for DGF & SRF, net of tax	(13)	(20)
Adjustment for accrued AT1	(64)	(45)
Average number of shares (million)	5,595	5,584
Earnings per share (euros)	**0.11**	**0.06**
Book value per share		
Shareholders' equity, adjusted	13,511	13,099
Shareholders' equity	13,524	13,120
Adjustment for DGF & SRF, net of tax	(13)	(20)
Average number of shares (million)	5,595	5,584
Book value per share (euros)	**2.41**	**2.35**
TBV per share		
Shareholders' equity, adjusted	13,511	13,099
Intangible assets	2,524	2,594
Tangible book value (shareholders' equity, adjusted)	10,987	10,506
Average number of shares (million)	5,595	5,584
TBV per share (euros)	**1.96**	**1.88**
P/TBV		
Listed price	0.76	0.57
TBV per share (euros)	1.96	1.88
P/TBV (price/tangible book value per share)	**0.39**	**0.31**
PER		
Listed Price	0.76	0.57
Earnings per share (euros)	0.11	0.06
PER (share price / EPS)	**6.68**	**10.27**