

Rating Object	Rating Information
<p><b>Banco de Sabadell S.A. (Group)</b></p> <p>Creditreform ID: 18644</p>	<p>Long Term Issuer Rating / Outlook: <b>BBB+ / stable</b></p> <p>Short Term: <b>L3</b></p> <p>Type: Initialrating / Unsolicited</p>
<p>Rating Date: <b>29 August 2023</b></p> <p>Monitoring until: withdrawal of the rating</p> <p>Rating Methodology: CRA "Bank Ratings v.3.2" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3"</p> <p>Rating History: <a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a></p>	<p>Rating of Bank Capital and Unsecured Debt Instruments:</p> <p>Preferred Senior Unsecured (PSU): <b>BBB+</b></p> <p>Non-Preferred Senior Unsecured (NPS): <b>BBB</b></p> <p>Tier 2 (T2): <b>BB</b></p> <p>Additional Tier 1 (AT1): <b>BB-</b></p>

## Rating Action

### Creditreform Rating upgrades Banco de Sabadell's Long-Term Issuer Rating to BBB+ (Outlook: stable)

Creditreform Rating (CRA) upgrades Banco de Sabadell's Long-Term Issuer Rating to BBB+. The rating outlook is stable.

CRA upgrades Banco de Sabadell's Preferred Senior Unsecured Debt to BBB+, Non-Preferred Senior Unsecured Debt to BBB, Tier 2 Capital to BB and AT1 Capital to BB-.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update.

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## Key Rating Drivers

- Strongly improved cost efficiency leads to increased profitability at Group level
- Successful operational efficiency turnaround at British and Mexican subsidiaries
- Stagnant growth, yet satisfactory asset quality amidst relatively high impairment charges
- Satisfactory capital position
- New interest rate environment provides avenues for earnings growth but also increases risk
- New banking tax may lead to competitive disadvantages

## Executive Summary

Quantitative:	Satisfactory	
Earnings	Sufficient	
Assets	Satisfactory	
Capital	Satisfactory	
Liquidity	Very Good	
Qualitative:	Good	

The rating of Banco de Sabadell S.A. is prepared on the basis of group consolidated accounts.

The Long-Term Issuer Rating of Banco de Sabadell S.A. was upgraded from BBB to BBB+. The main factor behind this upgrade was a significant increase in the profitability. This improvement is due to the more favorable interest rate environment and due to a substantial improvement on the cost side following the completion of the efficiency programs; both developments promise both sustainable cost efficiency and renewed earnings potential. At the same time, Banco de Sabadell was able to uphold its capital position and asset quality.

## Company Overview

Banco de Sabadell (in the following: Sabadell) acts as a universal bank (focus on individuals and SME) and operates primarily in Spain and the United Kingdom. In addition, Sabadell operates offices worldwide and a noteworthy business in Mexico. Sabadell reports along three major segments: *Banking Business Spain* includes Sabadell's Retail Banking and Business Banking, as well as the Corporate Banking (CIB). *Banking Business UK*, as part of Sabadell's international presence, covers retail business activities of Sabadell's franchise Trustee Savings Bank plc (TSB) in the United Kingdom. TSB was acquired by Sabadell in 2015 and is the most relevant acquisition in the past years. The acquisition of TSB enabled Sabadell to access the banking market in the United Kingdom, as well as to increase its international operations significantly. *Banking Business Mexico* covers Sabadell's corporate and commercial banking efforts in Mexico.

Sabadell introduced its new strategic business plan for 2021-2023, which is based on three main pillars. According to the plan, Sabadell intends to consolidate its position with a focus on Spain. For the international businesses, Sabadell seeks to significantly improve the profitability, specifically through a cost base reduction. At the end of the planning period, the bank expects to maintain a fully loaded CET1 ratio of above 12% and a return on tangible equity (ROTE) of 10.5%. As far as the plan is concerned, the first successes have already been achieved, both through cost cutting as well as exogenously through the more favorable interest rate regime by the central banks, combatting high inflation in Europe and across the globe.

At the end of 2022, a so-called windfall tax came into force in Spain with Law 38/2022. This tax is intended to contribute to reducing the sharp increase in the cost of living for the population. Banks that generated net interest income and commission income of more than EUR 800mn in 2019 will have to pay 4.8% of net interest and commission income generated in Spain for each of the years 2022 and 2023. Sabadell faced a full year non-tax-deductible charge of EUR 157mn in Q1-23 related to this windfall tax.

## Business Development

### Profitability

Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different banks as well as within the scope of consolidation as comparable as possible. Certain key ratios are also taken or calculated from the Bank's Pillar III Report for reasons of comparability.

Banco de Sabadell once again achieved a significant increase in net profit to EUR 0.9bn, compared with EUR 0.5bn in the previous year. This was due to slight improvements on the income side and a significantly lower cost base, coupled with lower risk costs.

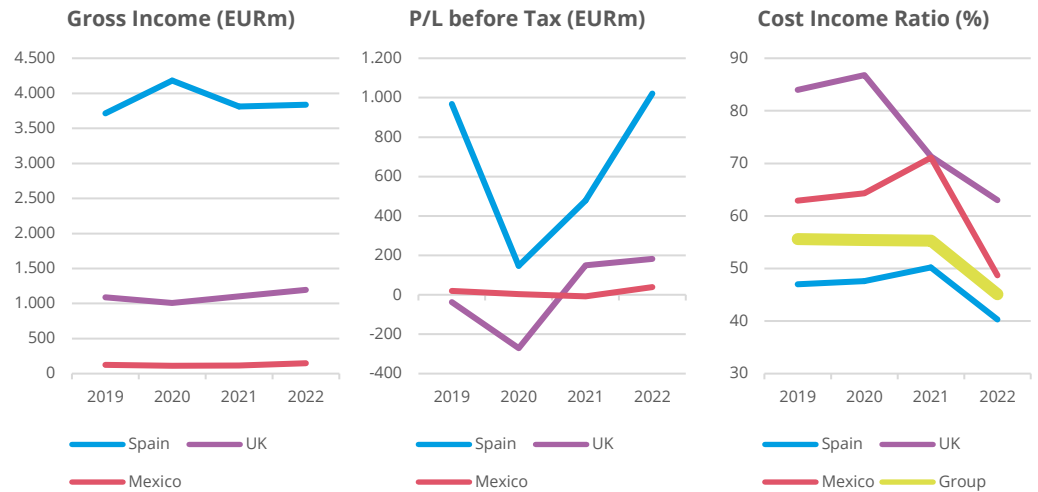
In detail, net interest income increased strongly by 11% to EUR 3.8bn in the reporting year 2022. In percentage terms, interest expense increased significantly more than income. A higher yielding loan book and improved fixed-income revenue were offset by higher borrowing costs. Net fees and commissions increased slightly year-on-year, mainly due to an increase in service fees. Net trading and securities income showed a notable decline, but this was almost exclusively due to gains on sales in the previous year. Apart from this effect, the development was positive. Participation and dividend revenue increased due to generally higher income in the insurance business. Overall, reported operating income increased only marginally, but apart from specific effects from the previous year, it increased significantly.

The cost base was effectively reduced compared to the previous year. Following the implementation of the efficiency plan in the previous fiscal year, which resulted in costs of EUR 298mn, personnel expenses decreased by EUR -385mn. Total special charges under the plan amounted to EUR 320mn, of which EUR 19mn resulted from the closure of TSB branches. The two phases of the efficiency plan involved the closure of 25% of the branches and a reduction in the workforce by 20%. Sabadell hopes to achieve combined savings totaling approximately EUR 270mn per year, with total expenses in 2022 of EUR 3.5bn. In 2022 these cost savings amounted to around EUR 105mn or EUR 129m in constant FX.

As a result of the positive jaws effect, pre-impairment operating profit increased to EUR 2.1bn. In conjunction with lower risk costs, pre-tax profit doubled, leaving an increase after taxes of 61.4% to EUR 0.9bn.

Chart 1 provides an overview of the development of the individual business segments:

Chart 1: Segment Reporting | Source: Sabadell

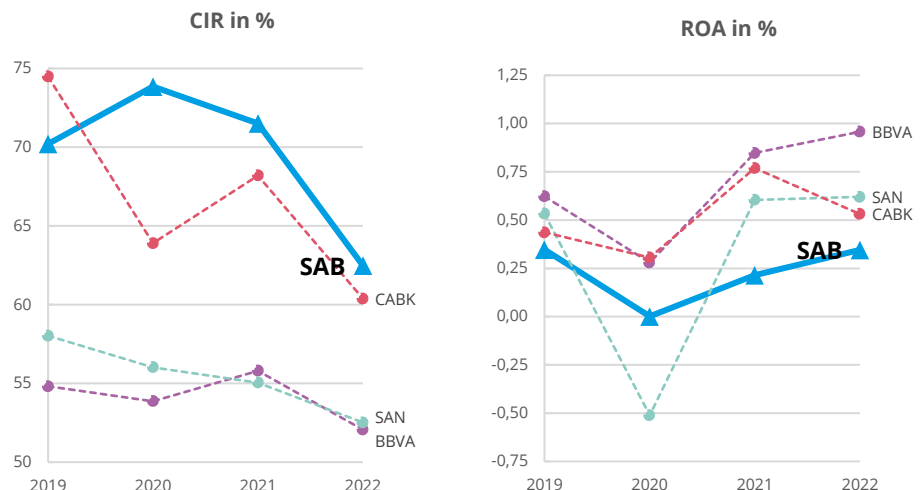


Clearly visible in terms of gross income is the dominance of *Banking Business Spain*. The segment contributed three quarters of gross income in fiscal year 2022. However, coming from a low base, the UK and Mexico divisions were able to achieve significantly higher growth in the period under review (2019-2022). In Mexico, Gross Income increased by 16.3%, in the UK by 9.5% and in Spain by only 3.3%. From a group perspective, overall income increased rather sluggishly over the period. The improvements are therefore more to be found on the cost side: among other things, TSB was able to post a profit again for the first time in 2021. The cost/income ratio (self-reported) of all Group segments improved dramatically, particularly in 2022, due to the aforementioned cost efficiency measures with high start-up costs in previous years and, since 2022, the sharp rise in interest rates, which has provided impetus on the earnings side.

In addition to the cost/income ratio, all other key earnings indicators of the bank also made progress. However, despite the significant improvement, the earnings situation can still only be rated as average.

Chart 2 confirms the initial impression in comparison with a Spanish peer group:

Chart 2: CIR and ROA Sabadell in comparison to the peer group | Source: eValueRate / CRA



Compared with Spanish peers, Banco de Sabadell ranks last in terms of operating profitability (cost income ratio, calculated according to CRA) and return on assets (ROA), but has shown a consistently positive development since 2020.

In the first half of 2023, Sabadell was able to build on the good performance of the previous year. For the full year, the bank expects net interest income to increase above 20%, while fee and commission income will decline slightly. Despite the high cost of the windfall tax and moderately rising operating costs, the bank is targeting a return on tangible equity of above 10.5%.

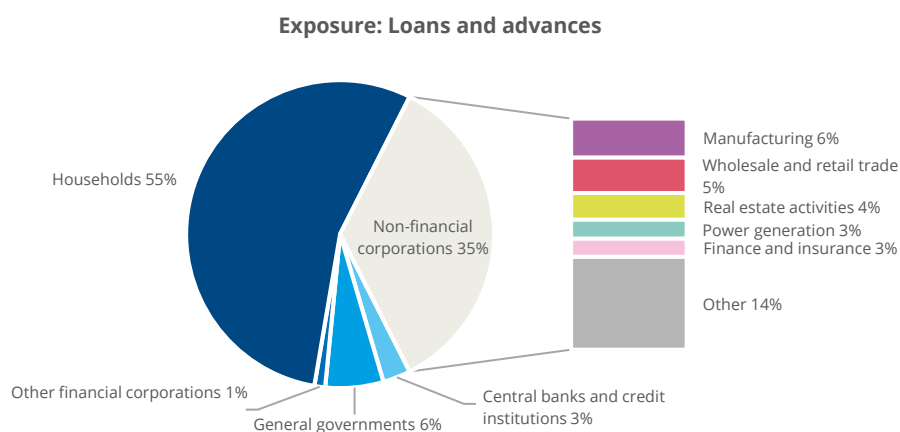
### Asset Situation and Asset Quality

Total assets decreased slightly by only EUR 0.6bn in 2022 compared with the previous year, which corresponded to a decrease of 0.2%. The largest movement was in liquid assets due to the repayment of TLTRO III liabilities, which decreased by EUR 8bn. By contrast, total securities increased by EUR 5bn to EUR 27.7bn. After strong growth in the previous year, loans to customers increased by only EUR 1.4bn (+0.9%). In the period under review from 2019-2022, loans to customers increased by 7.6% and total assets by 12.3%. Overall, loan growth appears to be largely stagnant, however, with the exception of the growth spurt in 2021.

Financial assets consist mainly of loans and advances and to a lesser extent of debt securities. Both exposures are mainly located in Spain and the UK, with debt securities consisting overwhelmingly of government bonds. A good two thirds of the total exposure by geography is located in Spain and just under a quarter in the UK, the remainder mainly in North America and Western and Southern Europe.

Chart 3 shows the loan book exposure of Sabadell per sector:

Chart 3: Exposure Loans and Advances per YE 2022 | Source: Pillar III, EU CR1 and CQ5



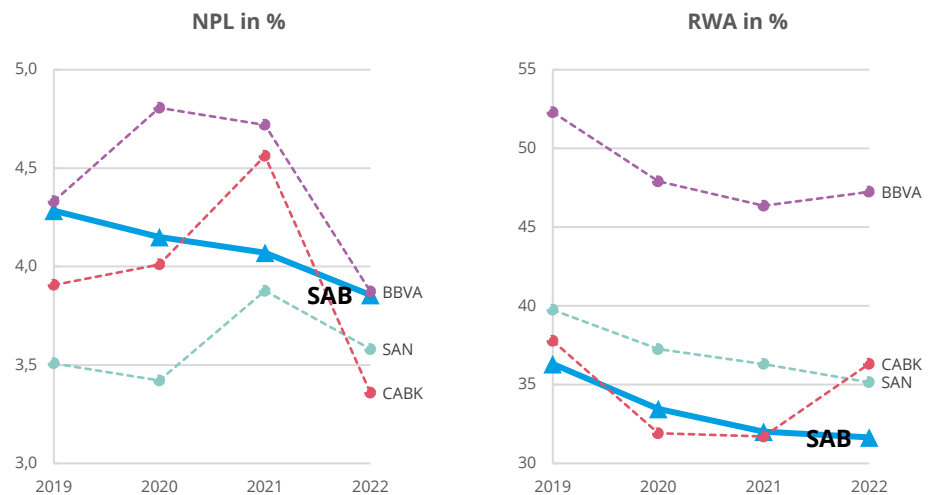
More than half of the loan exposure as of year-end 2022 can be attributed to the household sector, with mortgages accounting for the majority (as of Q1-23, around half is attributable to TSB and half to Sabadell ex-TSB); one third is attributable to non-financial corporations. Manufacturing, wholesale and retail trade are the largest exposures in the non-financial segment, each accounting for about one-sixth. Overall, Sabadell has a fairly balanced risk mix, but despite the exposure to the UK, the focus remains very much on Spain. Especially in the area of debt assets, Sabadell is very dependent on the well-being of the Spanish economy.

Asset quality improved further in 2022. The NPL ratio fell yet again, while the cost of risk relative to RWA remains quite high. The problem loan ratio (IFRS Stage 2) has also been increasing again

in recent years. By contrast, the RWA ratio is on the decline and stands at a low 31.6%.

Chart 4 displays NPL and RWA ratios of Banco de Sabadell with Spanish peer banks:

Chart 4: NPL and RWA ratios of Sabadell in comparison to the peer group | Source: Pillar III, EU CR1 and KM1



Of the Spanish banks surveyed, Sabadell has a relatively high NPL ratio, but was able to reduce it continuously over the period under review. Overall, the NPL ratio interval of all the banks surveyed stands only at roughly 0.5% however, with differences hardly accounting for a discernible, differentiated risk appetite, despite the stark deviation in size and geographical scope of operations. The ratios are still elevated compared with other Western European banks. In terms of RWA, Sabadell displays the lowest ratio of all covered peer banks, with BBVA being a significant outlier.

With regard to the new interest rate regime, Sabadell does not appear to be overly exposed; as of Q1-23, the majority of residential mortgages are fixed-rated and the remaining portion is only adjusted annually in Spain. Average loans to value (LTV) in Spain and UK are at 64 and 54%, respectively. This also contributes to the explanation of the rather slow increase in net interest income compared with competitors, but at the same time supports asset quality in the medium term. However, new mortgage loan originations slumped in the first half of 2023, with a drop of -23% compared to the same period last year. Consumer loans, working capital and business banking, on the other hand, offset the decline. This development has not yet had any discernible effect on overall asset quality, however. The NPL ratio in Q2-23 fell to a self-reported 3.5%. Total assets fell significantly below the EUR 250bn mark. Loans to customers fell, offset by an increase in loans to central banks and credit institutions amid a continued erosion of liquid assets. This continued decrease coincides with the prepayment of TLTRO III liabilities in November 2022, January 2023 and maturation in June 2023 of a grand total of EUR 27bn. The remaining EUR 5bn of TLTRO III funds mature in March 2024.

### Refinancing, Capital Quality and Liquidity

The only significant changes on the funding side in 2022 were in the area of bank deposits, which also includes central bank funding. The decline here is almost exclusively attributable to the aforementioned pre-payment of EUR 10bn in TLTRO III funds. Equity increased only slightly by EUR 0.2bn under the impact of total comprehensive income of EUR 0.6bn and dividend payments in 2022 of EUR 0.3bn.

In terms of debt funding, Sabadell issued EUR 3.5bn in benchmark issues in 2022, EUR 1.5bn of which in covered bonds and the rest in senior preferred and non-preferred bonds. The issues towards the end of the year carried a significantly higher coupons due to the rapid increase in capital market interest rates. The objective of the 2023 funding plan was to maintain the levels in the individual buckets; in January/February, an AT1 issue was replaced, and in February a Tier 2 issue was placed. This was followed by further preferred senior and non-preferred senior unsecured and covered bond issues. In the first half of 2023, issues with a total volume of EUR 4.5bn were placed; total debt thus increased significantly compared to the end of the year.

The development of the capital ratios in 2022 was mixed. The balance sheet equity ratio increased slightly in 2022, as did the CET1 ratio. By contrast, the leverage ratio fell as corona relief measures expired. Tier 1 and Total Capital ratios also decreased due to AT1 early redemption. Overall, the capital ratios are to be regarded as slightly below average, while the bank itself believes that the CET1 ratio is within the target range for future developments. The CET1 buffer of just over 4% is adequately dimensioned.

Chart 5 shows available capital and minimum requirements established through the Supervisory Review and Evaluation Process (SREP) per Q2-23. With the good results in 2023 so far, the AT1 issuance delta (+EUR 0.1 bn) and the Tier 2 placement, the capital ratios improved noticeably at the half-year point.

Chart 5: Capital available and minimum requirements of Sabadell as per Q2-23 | Source: 23Q2 Report

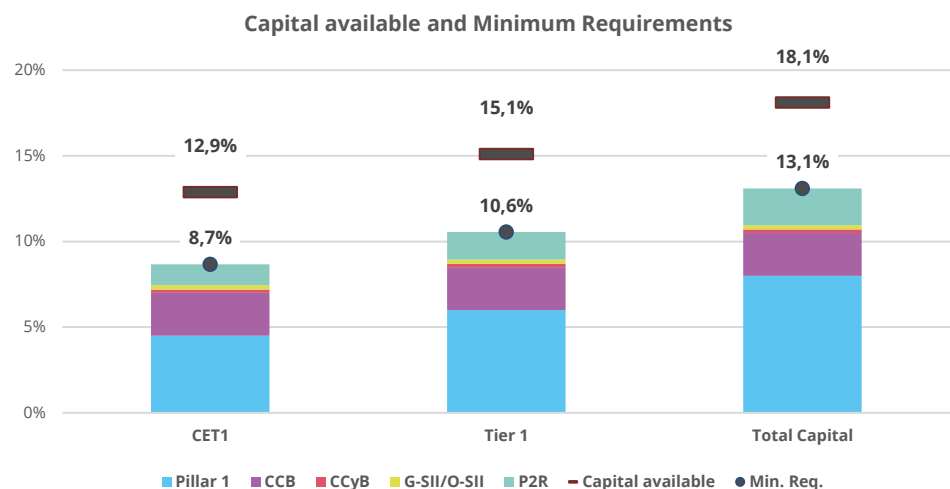
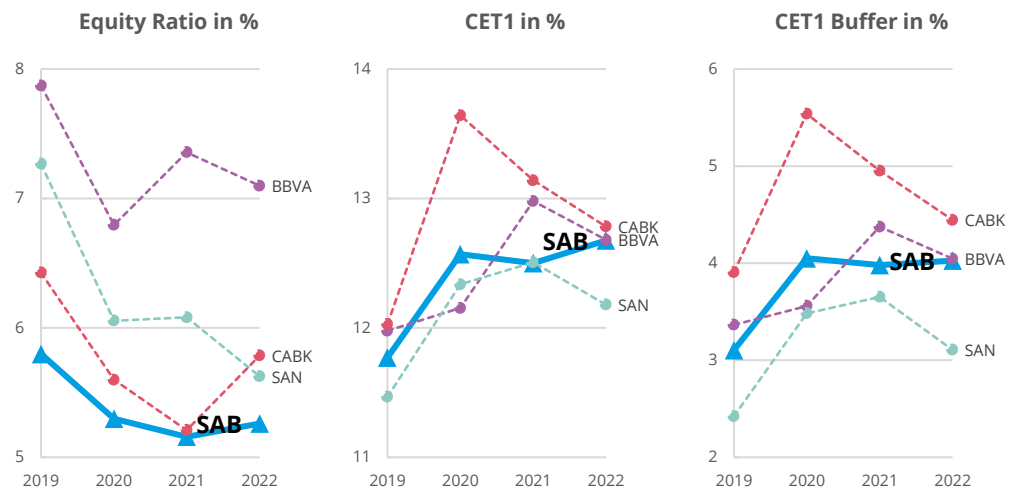


Chart 6 shows the development of equity and CET1 ratios, as well as the CET1 buffer of Sabadell in comparison with the peer group.



Chart 6: Equity, CET1 and CET1 buffer of Sabadell in comparison to the peer group | Source: eValueRate / CRA



The above chart shows the different levels of associated risk (in regulatory terms) among the banks analyzed. Although Sabadell has the lowest equity ratio, it is in the midfield of the banks considered in terms of CET1 ratio and buffer due to lower levels of RWA. The capitalization therefore appears to be satisfactory.

All instrument classes have been notched up at least by one notch in line with the upgrade of Sabadell's Long-Term Issuer Rating. Due to Sabadell's bank capital and debt structure, as well as its status as an O-SII, the Group's Preferred Senior Unsecured Debt instruments are (not) notched down in comparison to the Long-Term Issuer Rating and are rated BBB+. Due to the seniority structure, Sabadell's Non-Preferred Senior Unsecured debt is rated BBB. Sabadell's Tier 2 Capital is rated BB based on Sabadell's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 Capital is rated BB-, reflecting the capital structure, seniority and a high bail-in risk in the event of resolution.

## Environmental, Social and Governance (ESG) Score Card

Banco de Sabadell has one significant and two moderate ESG rating drivers

- Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated neutral.
- Corporate Behaviour and Green Financing / Promoting are identified as moderate rating drivers. Green Financing / Promoting is rated positive due to an increasing amount of green bonds since the start of issuance in 2020. Corporate Behaviour is also rated positive.

**ESG  
Bank Score**

3,8 / 5

Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
<= 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	1.2 Exposure to Environmental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )

Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	4	( )
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)

ESG Relevance Scale		ESG Evaluation Guidance	
5	Highest Relevance	(+ +)	Strong positive
4	High Relevance	(+)	Positive
3	Moderate Relevance	( )	Neutral
2	Low Relevance	( - )	Negative
1	No significant Relevance	( - - )	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage <https://creditreform-rating.de/en/about-us/regulatory-requirements.html>. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

## Outlook

The outlook of the Long-Term Issuer Rating of Banco de Sabadell is stable. In the medium term, CRA expects further improvements in profitability with the change in the interest environment and with the concluded efficiency measures. Loan growth in recent years has been relatively stagnant however. Growth opportunities have large arisen from inorganic growth in the past. Inflationary tendencies and a general slowdown of economic activity will put a damper on future growth opportunities. Likewise, CRA expects higher costs of risk associated in this changing environment.

Best-case scenario: A

Worst-case scenario: BBB+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

## Scenario Analysis

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of A- in the “Best-Case-Scenario” and a Long-Term Issuer Rating of BBB in the “Worst-Case-Scenario”. The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade Sabadell’s Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt due to a lasting increase in operational efficiency and thus profitability. Sabadell should also exhibit organic growth while at the same time maintaining adequate asset quality. For an upgrade, CRA expects Sabadell at least to maintain its current capitalization.

By contrast, a downgrade of Sabadell’s Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt might occur if the concluded efficiency measures do not prove to be lasting, asset quality deteriorates substantially and the capitalization erodes through bad operational performance and/or too generous distribution policies.

## Appendix

### Bank ratings Banco de Sabadell S.A.

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

Long-Term Issuer / Outlook / Short-Term **BBB+ / L3 / stable**

### Bank Capital and Debt Instruments Ratings Banco de Sabadell S.A.

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured (PSU): **BBB+**  
 Non-Preferred Senior Unsecured (NPS): **BBB**  
 Tier 2 (T2): **BB**  
 Additional Tier 1 (AT1): **BB-**

### Rating History

Please consult our website [www.creditreform-rating.de](http://www.creditreform-rating.de) for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	23.05.2018	BBB / stable / L3
Rating Update	08.07.2019	BBB / stable / L3
Monitoring	24.03.2020	BBB / NEW / L3
Rating Update	01.10.2020	BBB- / stable / L3
Rating Update	13.10.2021	BBB- / positive / L3
Rating Update	15.12.2022	BBB / stable / L3
Rating Update	29.08.2023	BBB+ / stable / L3
Bank Capital and Debt Instruments	Rating Date	Result
Senior Unsecured / T2 / AT1 (Initial)	23.05.2018	BBB- / BB- / B+
PSU / NPS / T2 / AT1	08.07.2019	BBB- / BB+ / BB- / B+
PSU / NPS / T2 / AT1 (NEW)	24.03.2020	BBB- / BB+ / BB- / B+
PSU / NPS / T2 / AT1	01.10.2020	BB+ / BB / B+ / B
PSU / NPS / T2 / AT1	13.10.2021	BB+ / BB / B+ / B
PSU / NPS / T2 / AT1	15.12.2022	BBB- / BB+ / BB- / B+
PSU / NPS / T2 / AT1	29.08.2023	BBB+ / BBB / BB / BB-

## Tables Group (if applicable)

Figure 2: Income statement<sup>1</sup> | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
<b>Income</b>					
Net Interest Income	3.799	+10,9	3.425	3.399	3.622
Net Fee & Commission Income	1.490	+1,5	1.468	1.350	1.439
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	104	-69,9	344	800	126
Equity Accounted Results	122	+21,8	100	36	56
Dividends from Equity Instruments	3	> +100	1	1	5
Other Income	139	-47,0	263	235	282
<b>Operating Income</b>	<b>5.657</b>	<b>+1,0</b>	<b>5.602</b>	<b>5.821</b>	<b>5.530</b>
<b>Expense</b>					
Depreciation and Amortisation	606	-4,2	632	564	556
Personnel Expense	1.392	-21,7	1.777	1.885	1.649
Tech & Communications Expense	422	-5,4	446	395	432
Marketing and Promotion Expense	72	-9,9	79	88	99
Other Provisions	97	+10,6	88	275	27
Other Expense	946	-3,7	983	1.092	1.121
<b>Operating Expense</b>	<b>3.534</b>	<b>-11,8</b>	<b>4.006</b>	<b>4.299</b>	<b>3.883</b>
<b>Operating Profit &amp; Impairment</b>					
<b>Operating Profit</b>	<b>2.122</b>	<b>+32,9</b>	<b>1.596</b>	<b>1.522</b>	<b>1.647</b>
Cost of Risk / Impairment	855	-13,3	987	1.974	830
<b>Net Income</b>					
Non-Recurring Income	0	-100,0	56	354	134
Non-Recurring Expense	24	-46,5	46	24	0
<b>Pre-tax Profit</b>	<b>1.243</b>	<b>&gt; +100</b>	<b>620</b>	<b>-121</b>	<b>951</b>
Income Tax Expense	373	> +100	81	-124	174
Discontinued Operations	-	-	-	-	-
<b>Net Profit</b>	<b>869</b>	<b>+61,4</b>	<b>539</b>	<b>3</b>	<b>777</b>
Attributable to minority interest (non-controlling interest)	11	+26,9	8	1	9
Attributable to owners of the parent	859	+61,9	530	2	768

Figure 3: Key earnings figures | Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	62,48	-9,02	71,50	73,85	70,22
Cost Income Ratio ex. Trading (CIRex)	63,65	-12,54	76,19	85,61	71,86
Return on Assets (ROA)	0,35	+0,13	0,21	0,00	0,35
Return on Equity (ROE)	6,57	+2,43	4,15	0,02	5,99
Return on Assets before Taxes (ROAbT)	0,49	+0,25	0,25	-0,05	0,43
Return on Equity before Taxes (ROEbT)	9,40	+4,63	4,77	-0,97	7,33
Return on Risk-Weighted Assets (RORWA)	1,09	+0,42	0,67	0,00	0,96
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,56	+0,79	0,77	-0,15	1,17
Net Financial Margin (NFM)	1,47	+0,07	1,40	1,49	1,62
Pre-Impairment Operating Profit / Assets	0,84	+0,21	0,63	0,65	0,74

Change in %Points

<sup>1</sup> Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have to necessarily match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets | Source: eValueRate / CRA

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	41.423	-16,1	49.384	35.319	15.282
Net Loans to Banks	1.445	+20,1	1.204	1.655	2.470
Net Loans to Customers	158.730	+0,9	157.366	149.120	147.580
Total Securities	27.750	+22,1	22.732	25.196	27.792
Total Derivative Assets	5.127	> +100	1.900	3.373	2.558
Other Financial Assets	3.255	-34,1	4.938	5.488	12.041
<b>Financial Assets</b>	<b>237.729</b>	<b>+0,1</b>	<b>237.525</b>	<b>220.151</b>	<b>207.724</b>
Equity Accounted Investments	515	-19,3	639	780	734
Other Investments	300	-21,0	379	348	515
Insurance Assets	90	-22,9	116	134	134
Non-current Assets & Discontinued Ops	738	-5,1	778	976	764
Tangible and Intangible Assets	4.766	-4,3	4.979	5.448	5.513
Tax Assets	6.851	-2,5	7.027	7.152	7.008
Total Other Assets	390	-22,5	503	775	1.362
<b>Total Assets</b>	<b>251.380</b>	<b>-0,2</b>	<b>251.947</b>	<b>235.763</b>	<b>223.754</b>

Figure 5: Development of asset quality | Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	63,14	+0,68	62,46	63,25	65,96
Risk-weighted Assets <sup>1</sup> / Assets	31,64	-0,37	32,01	33,45	0,00
NPL <sup>2</sup> / Loans to Customers <sup>3</sup>	3,86	-0,22	4,07	4,15	4,28
NPL <sup>2</sup> / Risk-weighted Assets <sup>1</sup>	7,35	-0,28	7,63	7,48	7,42
Potential Problem Loans <sup>4</sup> / Loans to Customers <sup>3</sup>	8,95	+0,89	8,06	7,91	5,66
Reserves <sup>5</sup> / NPL <sup>2</sup>	92,02	+1,07	90,94	87,87	90,17
Cost of Risk / Loans to Customers <sup>3</sup>	0,56	-0,09	0,65	1,39	0,59
Cost of Risk / Risk-weighted Assets <sup>1</sup>	1,08	-0,15	1,22	2,50	1,02
Cost of Risk / Total Assets	0,34	-0,05	0,39	0,84	0,37

Change in % Points

1 RWA: Pillar 3, EU CR1

2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	31.099	-25,4	41.668	35.175	23.929
Total Deposits from Customers	163.672	+0,9	162.179	151.257	146.411
Total Debt	22.578	+7,3	21.051	20.413	22.570
Derivative Liabilities	3.657	+97,1	1.855	3.592	2.806
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	14.437	+55,2	9.300	9.717	12.494
<b>Total Financial Liabilities</b>	<b>235.442</b>	<b>-0,3</b>	<b>236.054</b>	<b>220.154</b>	<b>208.210</b>
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	10
Tax Liabilities	227	+10,6	205	206	241
Provisions	645	-27,3	886	984	430
Total Other Liabilities	1.842	+2,0	1.805	1.928	1.888
<b>Total Liabilities</b>	<b>238.155</b>	<b>-0,3</b>	<b>238.950</b>	<b>223.272</b>	<b>210.779</b>
<b>Total Equity</b>	<b>13.224</b>	<b>+1,8</b>	<b>12.996</b>	<b>12.492</b>	<b>12.974</b>
<b>Total Liabilities and Equity</b>	<b>251.380</b>	<b>-0,2</b>	<b>251.947</b>	<b>235.763</b>	<b>223.754</b>

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	5,26	+0,10	5,16	5,30	5,80
Leverage Ratio <sup>1</sup>	4,62	-1,28	5,90	5,25	5,01
Common Equity Tier 1 Ratio (CET1) <sup>2</sup>	12,68	+0,18	12,50	12,57	11,77
Tier 1 Ratio (CET1 + AT1) <sup>2</sup>	14,75	-0,72	15,47	14,03	13,20
Total Capital Ratio (CET1 + AT1 + T2) <sup>2</sup>	17,08	-0,90	17,98	16,14	15,06
CET1 Minimum Capital Requirements <sup>1</sup>	8,65	+0,13	8,52	8,52	8,67
Net Stable Funding Ratio (NSFR) <sup>1</sup>	137,86	-2,90	140,76	0,00	0,00
Liquidity Coverage Ratio (LCR) <sup>1</sup>	224,36	+2,95	221,41	197,95	158,18

Change in %Points

<sup>1</sup> Pillar 3 EU KM 1

<sup>2</sup> Regulatory Capital Ratios: Pillar 3 EU KM 1

## Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following table clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	Yes
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website [www.creditreform-rating.de](http://www.creditreform-rating.de). The rating was carried out on the basis of the following methodologies and [Rating Criteria and Definitions \(v1.3\)](#):

- [Bank ratings \(v3.2\)](#)
- [Rating of bank capital and unsecured debt instruments \(v2.1\)](#)
- [Government-Related Banks \(v2.1\)](#)

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions are published on our homepage:

<https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html>

On 29 August 2023, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Banco de Sabadell S.A., and the preliminary rating report was made available to the bank. There was no change in the rating.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

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## Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services



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1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank
5. Public and internal market analyses
6. Internet research

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