KPMG

Audit Report on Banco de Sabadell, S.A. and Subsidiaries

(Together with the condensed consolidated half-yearly accounts and consolidated half-yearly directors' report on Banco de Sabadell, S.A. and Subsidiaries for the period ended 30 June 2021)

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

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(Barcelona)

Independent Auditor's Report on the Condensed Consolidated Half-Yearly Accounts

(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 CONSOLIDATED HALF-YEARLY ACCOUNTS

Opinion

We have audited the condensed consolidated half-yearly accounts of Banco de Sabadell, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form the Banco de Sabadell Group (the "Group"), which comprise the consolidated balance sheet at 30 June 2021 and the consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of total changes in equity and consolidated statement of cash flows for the six-month period then ended, and consolidated explanatory notes.

In our opinion, the accompanying condensed consolidated half-yearly accounts of the Group for the six-month period ended 30 June 2021 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 Consolidated Half-Yearly Accounts* 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 consolidated half-yearly accounts 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 consolidated half-yearly accounts of the current period. These matters were addressed in the context of our audit of the condensed consolidated half-yearly accounts 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 other debtors See notes 1, 2, 4.1 and 10 to the condensed consolidated half-yearly accounts	
Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to other debtors reflects a net balance of Euros 154,860 million at 30 June 2021, while allowances and provisions recognised at that date for impairment total Euros 3,177 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 other debtors due to credit risk included an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on that estimate, for which we involved 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 appropriate classification of the loans and advances to other debtors 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. • Testing of the relevant controls relating to the information available for the monitoring of loans outstanding. • Evaluating the design and implementation of the relevant controls over the management and measurement of collateral and guarantees. • Evaluating the correct functioning of the internal models for estimating both individual and collective provisions for expected losses. • Assessing the consideration of the aspects observed by the Internal Valuation Unit in the recalibration and tests of the models to estimate collective provisions. • Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place.

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

Impairment of loans and advances to other debtors

See notes 1, 2, 4.1 and 10 to the condensed consolidated half-yearly accounts

Key audit matter	*How the matter was addressed in our audit*
Since 2020 the COVID-19 pandemic has been affecting the economy and business activities of the countries where the Group operates, leading to an economic recession in many of these countries. To mitigate the impacts of COVID-19, the governments of different countries launched initiatives to support the most affected sectors and customers through various measures such as the provision of State-backed credit facilities, penalty-free payment deferrals (moratoriums) and flexible financing and liquidity facilities. All these aspects have an impact on the parameters considered by the Group to quantify the expected losses on financial assets (macroeconomic variables, customer net revenues, value of collateral pledged, probability of default, etc.), thus increasing the uncertainty associated with their estimation. The Group has supplemented the expected losses with certain additional temporary adjustments to the models that were deemed necessary to reflect the particular characteristics of borrowers, sectors or portfolios and which might not be identified in the general process. The consideration of this aspect as a key audit matter is based both on the significance for the Group of the loans and advances to other debtors portfolio, and of the corresponding allowances and provisions recognised, and on the relevance and complexity of the process for classifying these financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment, while also taking into consideration the situation generated by the COVID-19 pandemic.	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 individually 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 the correct functioning of the calculation engine by repeating the estimation process for all contracts, taking into account the segmentation and assumptions used by the Group. In carrying out our audit procedures, we have taken into consideration the impacts of COVID-19 and the government aid on the parameters used to calculate the expected losses. • We also assessed the reasonableness of the additional adjustments made by the Group to the expected loss models and we recalculated the most significant using a sample to consider the accuracy of the data used to estimate these adjustments. • Furthermore, we analysed the reasonableness of the macroeconomic scenarios used in estimating the provisions for impairment. Finally, we analysed whether the disclosures in the explanatory notes to the condensed consolidated half-yearly accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Recoverability of goodwill

See notes 1 and 12 to the condensed consolidated half-yearly accounts

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2021 the Group has recognised goodwill totalling Euros 1,026 million, from the acquisition of certain entities and businesses in Spain. The Group tests recognised goodwill for impairment annually, or when impairment indicators are identified. The measurement of goodwill requires that associated cash-generating units (CGUs) be determined, that the carrying amount of each CGU be calculated, that their recoverable amount be estimated and that any events that may indicate impairment be identified. This estimate entails, among other matters, financial projections that take into account, inter alia, the expected performance of macroeconomic variables and their impact on the CGU's future business, internal circumstances of the entity and its competitors and the performance of discount rates. These projections have taken into consideration the economic impact of the COVID-19 pandemic. Due to the high level of judgement and subjectivity of the assumptions and valuation techniques used for its estimate, also taking into consideration the situation triggered by the COVID-19 pandemic, 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 CGU to which goodwill is associated, and evaluating the methodology and estimates used by the Group to determine its possible impairment. The Group's analysis of goodwill impairment has been reviewed by independent experts commissioned by the Group. We also carried out procedures of detail in relation to the evaluation of goodwill impairment, particularly with regard to the reliability of the information used, the reasonableness of the methodology used to calculate the recoverable amount of the CGU and of the main assumptions considered. Lastly, we analysed whether the disclosures in the explanatory notes to the condensed consolidated half-yearly accounts 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 of 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 and harmonised, in relevant areas such as data and program security, operating of systems, or development and maintenance of information applications and systems used to prepare financial information. We have therefore considered the risks associated with information technology to be a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in generating the financial information, in the following areas: • An understanding of the information flows and identification of the key controls that ensure the appropriate processing of the financial information. • Tests 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 these applications and systems. • Testing of the operation, maintenance and development controls of applications and systems.

Emphasis of Matter

We draw your attention to note 1 to the accompanying condensed consolidated half-yearly accounts, which states that these accounts 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 consolidated half-yearly accounts should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Half-Yearly Directors' Report

Other information solely comprises the consolidated half-yearly directors' report for the six-month period ended 30 June 2021, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the condensed consolidated half-yearly accounts.

Our audit opinion on the condensed consolidated half-yearly accounts does not encompass the consolidated half-yearly directors' report. Our responsibility for the consolidated half-yearly 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 consolidated half-yearly directors' report with the condensed consolidated half-yearly accounts, based on knowledge of the Group obtained during the audit of the aforementioned condensed consolidated half-yearly accounts 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 consolidated half-yearly 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.

Based on the work carried out, as described in the preceding paragraph, we evaluated that the information contained in the consolidated half-yearly directors' report is consistent with that disclosed in the condensed consolidated half-yearly accounts for the six-month period ended 30 June 2021 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 Consolidated Half-Yearly Accounts

The Directors of the Bank are responsible for the preparation of the accompanying condensed consolidated half-yearly accounts 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 consolidated half-yearly accounts that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated half-yearly accounts, 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.

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The Bank's Audit and Control Committee is responsible for overseeing the preparation and presentation of the condensed consolidated half-yearly accounts.

Auditor's Responsibilities for the Audit of the Condensed Consolidated Half-Yearly Accounts

Our objectives are to obtain reasonable assurance about whether the condensed consolidated half-yearly accounts 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 consolidated half-yearly accounts.

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 consolidated half-yearly accounts, 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.

- 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 consolidated half-yearly accounts 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 consolidated half-yearly accounts, including the disclosures, and whether the condensed consolidated half-yearly accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated half-yearly accounts. 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 consolidated half-yearly accounts for the six-month period ended 30 June 2021 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.

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, which began on 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 2021 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

(Signed on original in Spanish)

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

4 August 2021

"Translation of the Condensed interim consolidated financial statements originally issued in Spanish and prepared in accordance with IFRS, 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 consolidated Interim Directors' Report of Banco Sabadell Group for the six-month period ended 30 June 2021

Consolidated balance sheets of Banco Sabadell Group

As at 30 June 2021 and 31 December 2020

Thousand euro

Assets	Note	30/06/2021	31/12/2020 (*)
Cash, cash balances at central banks and other demand deposits (**)	7	**46,910,036**	**35,184,902**
Financial assets held for trading		**2,262,660**	**2,678,836**
Derivatives		1,720,079	2,364,595
Equity instruments	9	3,491	1,115
Debt securities	8	539,090	313,126
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or pledged as security with sale or pledging rights		*172,345*	*15,792*
Non-trading financial assets mandatorily at fair value through profit or loss		**122,584**	**114,198**
Equity instruments	9	18,416	12,516
Debt securities	8	104,168	101,682
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		**6,900,276**	**6,676,801**
Equity instruments	9	190,595	169,983
Debt securities	8	6,709,681	6,506,818
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or pledged as security with sale or pledging rights		*1,873,542*	*1,091,719*
Financial assets at amortised cost		**177,438,228**	**174,488,258**
Debt securities	8	19,045,174	18,091,189
Loans and advances	10	158,393,054	156,397,069
Central banks		154,526	134,505
Credit institutions		3,378,336	7,079,088
Customers		154,860,192	149,183,476
Memorandum item: loaned or pledged as security with sale or pledging rights		*6,994,300*	*4,950,813*
Derivatives – Hedge accounting		**497,429**	**549,550**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**214,406**	**458,849**
Investments in joint ventures and associates		**587,508**	**779,859**
Joint ventures		-	-
Associates		587,508	779,859
Assets under insurance or reinsurance contracts		-	-
Tangible assets	11	**2,908,915**	**3,200,379**
Property, plant and equipment		2,502,966	2,852,287
For own use		2,500,114	2,579,002
Leased out under operating leases		2,852	273,285
Investment properties		405,949	348,092
Of which: leased out under operating leases		*405,949*	*348,092*
Memorandum item: acquired through finance leases		*1,050,808*	*1,007,727*
Intangible assets	12	**2,568,216**	**2,596,083**
Goodwill		1,026,457	1,026,105
Other intangible assets		1,541,759	1,569,978
Tax assets		**6,861,223**	**7,151,681**
Current tax assets		199,554	506,943
Deferred tax assets	32	6,661,669	6,644,738
Other assets	13	**1,491,192**	**908,356**
Insurance contracts linked to pensions		132,892	133,757
Inventories		187,834	194,264
Rest of other assets		1,170,466	580,335
Non-current assets and disposal groups classified as held for sale	14	**1,357,229**	**975,540**
TOTAL ASSETS		250,119,902	235,763,292

(*) Shown for comparative purposes only (see section "Comparability" in Note 1).

(**) See details in the consolidated cash flow statement of the Group.

Notes 1 to 35 and accompanying schedules I to V form an integral part of the balance sheet as at 30 June 2021.

Consolidated balance sheets of Banco Sabadell Group

As at 30 June 2021 and 31 December 2020

Thousand euro

Liabilities	Note	30/06/2021	31/12/2020 (*)
Financial liabilities held for trading		**1,639,215**	**2,653,849**
Derivatives		1,604,071	2,437,919
Short positions		35,144	215,930
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum item: subordinated liabilities		-	-
Financial liabilities at amortised cost		**233,255,996**	**217,390,766**
Deposits		205,704,519	193,234,442
Central banks	15	34,818,582	31,881,351
Credit institutions	15	12,673,990	10,083,381
Customers	16	158,211,947	151,269,710
Debt securities issued	17	21,777,739	20,413,398
Other financial liabilities		5,773,738	3,742,926
Memorandum item: subordinated liabilities		*3,467,986*	*2,923,190*
Derivatives – Hedge accounting		**609,913**	**782,657**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**205,827**	**371,642**
Liabilities under insurance or reinsurance contracts		**-**	**-**
Provisions	**18**	**671,655**	**983,512**
Pensions and other post employment defined benefit obligations		100,064	99,690
Other long term employee benefits		2,706	3,971
Pending legal issues and tax litigation		120,017	114,097
Commitments and guarantees given		199,441	195,879
Other provisions		249,427	569,875
Tax liabilities		**252,554**	**206,206**
Current tax liabilities		118,614	39,689
Deferred tax liabilities	32	133,940	166,517
Share capital repayable on demand		**-**	**-**
Other liabilities		**741,963**	**883,022**
Liabilities included in disposal groups classified as held for sale	**14**	**70,149**	**-**
TOTAL LIABILITIES		237,447,272	223,271,654

(*) Shown for comparative purposes only (see section “Comparability” in Note 1).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the balance sheet as at 30 June 2021.

Consolidated balance sheets of Banco Sabadell Group

As at 30 June 2021 and 31 December 2020

Thousand euro

Equity	Note	30/06/2021	31/12/2020 (*)
Shareholders' equity		**13,119,804**	**12,943,594**
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		17,236	20,273
Retained earnings		5,461,801	5,444,622
Revaluation reserves		-	-
Other reserves		(1,147,941)	(1,088,384)
Reserves or accumulated losses of investments in joint ventures and associates		237,073	264,484
Other		(1,385,014)	(1,352,868)
(-) Treasury shares		(34,233)	(37,517)
Profit or loss attributable to owners of the parent		220,343	2,002
(-) Interim dividends		-	-
Accumulated other comprehensive income		**(523,050)**	**(523,590)**
Items that will not be reclassified to profit or loss		(49,431)	(64,419)
Actuarial gains or (-) losses on defined benefit pension plans		(660)	(693)
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		(48,771)	(63,726)
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		(473,619)	(459,171)
Hedge of net investments in foreign operations [effective portion]		181,601	211,841
Foreign currency translation		(585,877)	(737,073)
Hedging derivatives. Cash flow hedges reserve [effective portion]		(74,155)	39,798
Fair value changes of debt instruments measured at fair value through other comprehensive income		(18,664)	(871)
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		23,476	27,134
Non-controlling interests		**75,876**	**71,634**
Accumulated other comprehensive income		415	541
Other items		75,461	71,093
TOTAL EQUITY		12,672,630	12,491,638
TOTAL EQUITY AND TOTAL LIABIITIES		250,119,902	235,763,292

Memorandum item: off-balance sheet exposures			
Loan commitments given	20	**29,097,653**	**29,295,155**
Financial guarantees provided	20	**2,030,859**	**2,035,638**
Other commitments provided	20	**7,505,813**	**7,594,720**

(*) Shown for comparative purposes only (see section "Comparability" in Note 1).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the balance sheet as at 30 June 2021.

Consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	Note	30/06/2021	30/06/2020 (*)
Interest income	21	2,049,117	2,230,675
Financial assets at fair value through other comprehensive income		23,990	36,157
Financial assets at amortised cost		1,851,533	2,047,704
Other interest income		173,594	146,814
(Interest expenses)	21	(363,815)	(526,148)
(Expenses on share capital repayable on demand)		-	-
Net interest income		**1,685,302**	**1,704,527**
Dividend income		1,063	466
Profit or loss of entities accounted for using the equity method		54,742	13,487
Fee and commission income	22	789,065	761,028
(Fee and commission expenses)	22	(79,619)	(87,796)
Gains or (-) losses on financial assets and liabilities, net	23	(59,887)	332,801
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		14,356	181,518
Financial assets at amortised cost		414	143,754
Other financial assets and liabilities		13,942	37,764
Gains or (-) losses on financial assets and liabilities held for trading, net		(79,543)	178,380
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		(79,543)	178,380
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net		6,208	(31,387)
Reclassification of financial assets from fair value through other comprehensive income		-	(694)
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		6,208	(30,693)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		-	-
Gains or (-) losses from hedge accounting, net		(908)	4,290
Exchange differences [gain or (-) loss], net	23	87,999	(177,601)
Other operating income	24	83,117	123,553
(Other operating expenses)	25	(205,087)	(209,913)
Income from assets under insurance or reinsurance contracts		-	-
(Expenses on liabilities under insurance or reinsurance contracts)		-	-
Gross income		**2,356,695**	**2,460,552**

(*) Shown for comparative purposes only (see section “Comparability” in Note 1).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the consolidated profit and loss account corresponding to the six-month period ended 30 June 2021.

Consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	Note	30/06/2021	30/06/2020 (*)
(Administrative expenses)		(1,250,706)	(1,306,519)
(Staff expenses)	26	(753,834)	(797,799)
(Other administrative expenses)	26	(496,872)	(508,720)
(Depreciation and amortisation)		(261,365)	(255,406)
(Provisions or (-) reversal of provisions)	18	(49,073)	(116,518)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	27	(503,956)	(881,499)
(Financial assets at fair value through other comprehensive income)		561	660
(Financial assets at amortised cost)		(504,517)	(882,159)
Profit/(loss) on operating activities		**291,595**	**(99,390)**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)		(69)	732
(Impairment or (-) reversal of impairment on non-financial assets)	28	(38,881)	2,016
(Tangible assets)		(15,360)	(948)
(Intangible assets)		-	-
(Other)		(23,521)	2,964
Gains or (-) losses on derecognition of non-financial assets, net	29	80,206	526
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	(35,262)	181,597
Profit or (-) loss before tax from continuing operations		**297,589**	**85,481**
(Tax expense or (-) income related to profit or loss from continuing operations)		(70,294)	59,052
Profit or (-) loss after tax from continuing operations		**227,295**	**144,533**
Profit or (-) loss after tax from discontinued operations		-	-
Profit or loss for the period		**227,295**	**144,533**
Attributable to minority interest [non-controlling interests]		6,952	(881)
Attributable to owners of the parent		220,343	145,414
Earnings per share (euro)	3	**0.03**	**0.02**
Basic (in euro)		0.03	0.02
Diluted (in euro)		0.03	0.02

(*) Shown for com.parative purposes only (see section "Comparability" in Note 1).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the consolidated profit and loss account corresponding to the six-month period ended 30 June 2021.

Consolidated statements of changes in equity of Banco Sabadell Group

Consolidated statements of recognised income and expenses

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	30/06/2021	30/06/2020 (*)
Profit or loss for the period	**227,295**	**144,533**
Other comprehensive income	**414**	**(224,135)**
Items that will not be reclassified to profit or loss	14,989	(23,590)
Actuarial gains or (-) losses on defined benefit pension plans	47	38
Non-current assets and dis.posal 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	12,303	(26,151)
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	2,639	2,523
Items that may be reclassified to profit or loss	(14,575)	(200,545)
Hedge of net investments in foreign operations [effective portion]	(30,240)	115,432
Valuation gains or (-) losses taken to equity	(30,240)	115,432
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	151,196	(281,108)
Translation gains or (-) losses taken to equity	151,196	(281,108)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	(138,797)	17,026
Valuation gains or (-) losses taken to equity	(141,641)	81,891
Transferred to profit or loss	2,844	(64,865)
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	(24,052)	(60,857)
Valuation gains or (-) losses taken to equity	(102,499)	110,030
Transferred to profit or loss	78,447	(170,887)
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	(3,659)	(1,295)
Income tax relating to items that may be reclassified to profit or (-) loss	30,977	10,257
Total comprehensive income for the period	**227,709**	**(79,602)**
Attributable to minority interest [non-controlling interests]	6,826	(1,363)
Attributable to owners of the parent	220,883	(78,239)

(*) Shown for comparative purposes only (see section "Comparability" in Note 1).

The consolidated statement of recognised income and expense and the consolidated statement of total changes in equity make up the consolidated statement of changes in equity.

Notes 1 to 35 and accompanying schedules I to V form an integral part of the consolidated statement of changes in equity corresponding to the six-month period ended 30 June 2021.

Consolidated statements of changes in equity of Banco Sabadell Group

Consolidated statements of total changes in equity

For the six-month periods ended 30 June 2021 and 2020

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
Opening 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**

The consolidated statement of recognised income and expense and the consolidated statement of total changes in equity make up the consolidated statement of changes in equity.

Notes 1 to 35 and accompanying schedules I to V form an integral part of the consolidated statement of changes in equity corresponding to the six-month period ended 30 June 2021.

Consolidated statements of changes in equity of Banco Sabadell Group

Consolidated statements of total changes in equity
For the six-month periods ended 30 June 2021 and 2020

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
Opening balance 31/12/2019	**703,371**	**7,899,227**	**-**	**39,742**	**4,858,681**	**-**	**(977,687)**	**(8,533)**	**767,822**	**(110,817)**	**(266,746)**	**242**	**69,104**	**12,974,406**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Opening balance 01/01/2020	**703,371**	**7,899,227**	**-**	**39,742**	**4,858,681**	**-**	**(977,687)**	**(8,533)**	**767,822**	**(110,817)**	**(266,746)**	**242**	**69,104**	**12,974,406**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	145,414	-	(223,653)	(482)	(881)	**(79,602)**
Other changes in equity	-	-	-	(7,434)	559,875	-	(39,808)	(33,121)	(767,822)	110,817	-	-	357	**(177,136)**
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) (*)	-	-	-	-	(223,356)	-	-	-	-	110,817	-	-	-	**(112,539)**
Purchase of treasury shares	-	-	-	-	-	-	-	(98,170)	-	-	-	-	-	**(98,170)**
Sale or cancellation of treasury shares	-	-	-	-	-	-	(1,195)	65,049	-	-	-	-	-	**63,854**
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfers among components of equity	-	-	-	-	767,822	-	-	-	(767,822)	-	-	-	-	**-**
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share based payments	-	-	-	5,071	-	-	-	-	-	-	-	-	-	**5,071**
Other increase or (-) decrease in equity	-	-	-	(12,505)	15,409	-	(38,613)	-	-	-	-	-	357	**(35,352)**
Closing balance 30/06/2020	**703,371**	**7,899,227**	**-**	**32,308**	**5,418,556**	**-**	**(1,017,495)**	**(41,654)**	**145,414**	**-**	**(490,399)**	**(240)**	**68,580**	**12,717,668**

(**) Distribution of supplementary dividend (see Note 3).

Shown for comparative purposes only (see section "Comparability" in Note 1).

Consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	Note	30/06/2021	30/06/2020 (*)
Cash flows from operating activities		**10,884,690**	**14,323,163**
Profit or loss for the period		227,295	144,533
Adjustments to obtain cash flows from operating activities		905,800	1,018,977
Depreciation and amortisation		261,365	255,406
Other adjustments		644,435	763,571
Net increase/decrease in operating assets		(3,614,315)	2,059,434
Financial assets held for trading		416,177	(991,161)
Non-trading financial assets mandatorily at fair value through profit or loss		(8,387)	26,148
Financial assets designated at fair value through profit or loss		-	-
Financial assets at fair value through other comprehensive income		(225,751)	1,525,854
Financial assets at amortised cost		(3,454,487)	1,860,238
Other operating assets		(341,867)	(361,645)
Net increase/decrease in operating liabilities		13,136,644	10,982,728
Financial liabilities held for trading		(1,014,632)	912,089
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities measured at amortised cost		15,302,353	9,736,913
Other operating liabilities		(1,151,077)	333,726
Income tax receipts or payments		229,266	117,491
Cash flows from investment activities		**246,534**	**72,228**
Payments		(250,468)	(295,476)
Tangible assets		(169,652)	(159,968)
Intangible assets		(79,749)	(122,441)
Investments in joint ventures and associates		(1,067)	(11,661)
Subsidiaries and other business units		-	(1,406)
Non-current assets and liabilities classified as held for sale		-	-
Other payments related to investment activities		-	-
Collections		497,002	367,704
Tangible assets		66,396	61,561
Intangible assets		-	-
Investments in joint ventures and associates		60,824	2,931
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		369,782	303,212
Other collections related to investment activities		-	-

(*) Shown for comparative purposes only (see section “Comparability” in Note 1).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the consolidated cash flow statement corresponding to the six-month period ended 30 June 2021.

Consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	Note	30/06/2021	30/06/2020 (*)
Cash flows from financing activities		**457,694**	**(359,406)**
Payments		(581,865)	(723,260)
Dividends		-	(112,539)
Subordinated liabilities		(443,497)	(412,105)
Amortisation of own equity instruments		-	-
Acquisition of own equity instruments		(35,755)	(98,170)
Other payments related to financing activities		(102,613)	(100,446)
Collections		1,039,559	363,854
Subordinated liabilities	Schedule III	1,000,000	300,000
Issuance of own equity instruments		-	-
Disposal of own equity instruments		39,559	63,854
Other collections related to financing activities		-	-
Effect of exchange rate fluctuations		**136,216**	**(156,385)**
Net increase (decrease) in cash and cash equivalents		**11,725,134**	**13,879,600**
Cash and cash equivalents at the beginning of the period	7	**35,184,902**	**15,169,202**
Cash and equivalents at the end of the period	7	**46,910,036**	**29,048,802**

Memorandum item			
CASH FLOWS CORRESPONDING TO:			
Interest received		2,035,607	2,279,781
Interest paid		421,882	612,496
Dividends received		1,063	466
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
Cash	7	630,019	683,821
Cash equivalents in central banks	7	45,117,322	27,729,648
Other demand deposits	7	1,162,695	635,333
Other financial assets		-	-
Less: bank overdrafts repayable on demand		-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		46,910,036	29,048,802
Of which: held by Group entities but which cannot be drawn by the Group		-	-

(*) Shown for comparative purposes only (see section “Comparability” in Note 1).

Notes 1 to 35 and accompanying schedules I to V form an integral part of the consolidated cash flow statement corresponding to the six-month period ended 30 June 2021.

Explanatory notes to the consolidated financial statements of Banco Sabadell Group for the six-month period ended 30 June 2021

Note 1 – Activity, accounting policies and practices

Activity

Banco de Sabadell, S.A. (hereinafter, also referred to as "Banco Sabadell" 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), as prudential supervisor.

The Bank is the parent company of a group of entities (see Schedule I to the 2020 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").

Basis of presentation

The Group's consolidated annual financial statements for 2020 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS) applicable at the end of 2020, 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 2020 and the results of its consolidated operations, changes in equity and cash flows in 2020.

Note 1 to the 2020 consolidated annual financial statements includes a summary of the accounting principles, policies and valuation criteria applied by the Group. The aforesaid consolidated annual financial statements were authorised by the directors of Banco Sabadell at a meeting of the Board of Directors on 29 January 2021 and were approved by shareholders at the Annual General Meeting on 26 March 2021.

These condensed interim consolidated financial statements for the six-month period ended 30 June 2021 have been prepared and are presented in accordance with IAS 34 "Interim Financial Reporting", as set out in the IFRS, and they have been authorised by the Bank's Directors on 28 July 2021, taking into account Bank of Spain Circular 4/2017, of 27 November, and its subsequent amendments.

In accordance with IAS 34, interim financial information is prepared with the sole purpose of explaining significant events and changes that occurred in the six-month period, without duplicating the information published previously in the most recent consolidated annual financial statements. 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 2020.

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.

Standards and interpretations issued by the International Accounting Standards Board (IASB) entering into force in 2021

During the first half of 2021, the standards and interpretations adopted by the European Union, together with amendments thereto, which have been applied by the Group due to their entry into force or their expected application, are as follows:

Standards and Interpretations	Title
Amendments to IFRS 4 (*)	Temporary exemption from applying IFRS 9

(*) The consolidated annual financial statements for the year 2020 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		
Amendments to IAS 16, IAS 37 and IFRS 3 and annual improvements to IFRS 2018-2020 (*)	Narrow-scope amendments	1 January 2022
Not approved for application in the EU		
Amendments to IFRS 16	COVID-19-related rent concessions beyond 30 June 2021	1 April 2021
IFRS 17 (*)	Insurance contracts	1 January 2023
Amendments to IAS 1 (*)	Presentation of financial statements: classification of liabilities as current or non-current	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
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

(*) The consolidated annual financial statements for the year 2020 include a brief description of these standards and amendments.

Amendments to IFRS 16 "COVID-19-related rent concessions beyond 30 June 2021"

These amendments introduce an extension, until 30 June 2022, of the practical expedient to simplify how lessees should account for any rent concessions received as a result of COVID-19, such as rent waivers or reductions, allowing these concessions to be accounted for in the same way as they would if they were not lease modifications.

Amendments to IAS 1 and IFRS Practice Statement 2, "Disclosure of accounting policies"

These amendments aim to help institutions to improve accounting policy disclosures so that they provide more useful information in their annual financial statements.

On one hand, the amendments to IAS 1 require institutions to disclose their material accounting policy information rather than their significant accounting policies, clarifying that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. On the other hand, the amendments to Practice Statement 2, on making materiality judgements, provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 will be applied prospectively, with early application permitted.

Amendments to IAS 8 “Definition of accounting estimates”

These amendments define “accounting estimates” as monetary amounts in financial statements that are subject to measurement uncertainty; they also provide guidance on how to distinguish between changes in accounting estimates and changes in accounting policies. That distinction is important because changes in accounting estimates are applied prospectively, whereas changes in accounting policies are generally applied retrospectively. In particular, the amendments clarify that a change in accounting estimates that results from new information or new developments is not the correction of a prior period error. The early application of these amendments is permitted.

Amendments to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”

These amendments introduce an exception to the initial recognition exemption provided in IAS 12 for situations in which a single transaction gives rise to equal deductible and taxable temporary differences. These amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. The early application of these amendments is permitted.

The implementation of standards, amendments and interpretations issued by the IASB but not yet in force is not expected to have any significant impact on the Group’s activity. Insurance undertakings associated with the Group are working on the implementation of the new regulatory framework for insurance contracts arising from IFRS 17.

Impacts arising from COVID-19

At the start of the first half of 2021, the main markets in which the Group operates experienced a third wave of COVID-19 infections, causing them to tighten containment measures. Nevertheless, thanks to the good progress of vaccination programmes, the epidemiological situation was subsequently brought under control. This in turn led to the lifting of containment measures and a resulting increase in mobility. During the last few weeks of the six-month period, the emergence of the Delta variant of the virus caused case numbers to spike once again in countries such as the United Kingdom, although this wave differs from previous ones in that there have been fewer hospitalisations thanks to the effectiveness of the vaccines.

Against this backdrop, the different authorities have continued to adopt measures to support the economy:

<u>Spain</u>

Statutory (legislative) and sector (non-legislative) moratoria

Royal Decree-Law 3/2021 has extended the deadline for applying for legislative moratoria to 30 March 2021, stipulating that they will apply for a total period of no longer than 9 months, including any length of time during which they have already been in effect. With this amendment, the payment moratoria are in line with the Guidelines on Moratoria issued by the European Banking Authority (EBA).

ICO COVID-19 guarantee line

In March 2021, Royal Decree-Law 5/2021 was approved, mobilising 11 billion euros’ worth of direct aid for companies, support for the restructuring of balance sheets and recapitalisations.

This aid is aimed at viable businesses in the sectors hardest hit by the pandemic, in order to channel funds to the overall economy and reduce the risk of over-indebtedness, which could hamper economic recovery. These measures include more flexible criteria for government-guaranteed loans, thus enabling the ICO to be involved in any refinancing or restructuring arrangements agreed between banks and their customers.

On 11 May 2021, the Council of Ministers adopted a Resolution approving the Code of Good Practice for renegotiations with customers of the guaranteed loans envisaged in Royal Decree-Law 5/2021, of 12 March, on extraordinary business solvency support measures in response to the COVID-19 pandemic.

This Code of Good Practice, to which Banco Sabadell adheres, provides three main options that debtors may apply for, provided they meet a series of specific conditions (number of public support measures received, etc.), in order to deal with the economic difficulties resulting from COVID: maturity extensions, conversion of debt into participating loans and debt reductions.

United Kingdom

On 27 January 2021, the FCA announced an extension of the ban on lender repossessions of mortgaged properties to 31 March 2021.

In addition, in the Budget 2021, a decision was made to keep the stamp duty applied to the first 500,000 pounds of the purchase price of a property at 0% until the end of June 2021 (the stamp duty holiday was previously due to end in March 2021). Between June and October 2021, the 0% stamp duty will only apply to the first 250,000 pounds of the purchase price of a property and from November onwards it will return to normal.

Schedule V to these condensed interim consolidated financial statements sets out quantitative data relating to the Group's risk exposures arising from statutory and sector moratoria and transactions approved as part of the public support schemes implemented in response to the crisis caused by COVID-19.

Accounting principles and criteria applied

a) Accounting principles and criteria applied for the first time in the first half of 2021

The accounting principles and policies used to prepare the condensed interim consolidated financial statements are consistent with those used to prepare the Group's consolidated annual financial statements for 2020. Nevertheless, the section entitled "Standards and interpretations issued by the International Accounting Standards Board (IASB) entering into force in 2021" describes the standards that have entered into force in the first half of 2021.

Similarly, the next section of this Note describes the main changes in the judgements and estimates applied by the Group during the first six months of 2021.

b) Use of judgements and estimates in preparing the financial statements

The preparation of the condensed interim consolidated financial statements requires certain accounting estimates to be made. It also requires the use of expert judgement when applying the Group's accounting policies. These judgements and estimates may affect the value of the assets and liabilities and the disclosure of contingent assets and 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:

- Corporation tax expense, which, in accordance with IAS 34, is recognised in each interim period 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 determination of the significant increase in credit risk of financial assets since initial recognition (see Notes 8 and 10).
- Losses due to the impairment of 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 valuation of consolidated goodwill (see Note 12).
- The duration of lease contracts and the discount rate used in the valuation 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 COVID-19 pandemic has increased the uncertainty surrounding estimates and underlined the need to use expert judgement when assessing how those estimates are impacted by the current macroeconomic situation, fundamentally in relation to the calculation of impairment losses on financial assets.

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

The main changes in the judgements and estimates during the first six months of 2021 are described here below.

Macroeconomic scenarios used to determine the impairment of the lending portfolio

The macroeconomic and financial scenarios used to calculate losses on the credit portfolio have continued to be determined by the development of the pandemic.

In the three main scenarios considered, the probabilities of occurrence are as follows: 60% in the case of the baseline scenario, 25% in the case of the downside scenario and 15% in the case of the upside scenario (for the subsidiary TSB, these probabilities have been modified to incorporate two additional stress scenarios that consider high interest rates – high inflation – and low interest rates – uncontrolled pandemic – for the UK economy, each weighted at 5%). To carry out the forecasts of these scenarios, a 5-year time horizon has been used. The main variables considered are changes in GDP, the unemployment rate and house prices.

The health crisis and the measures taken to contain it led to an abrupt decline in activity in 2020. The scenarios consider different levels of recovery from the shock, which in turn depends on aspects such as the development of the pandemic and the pace of vaccinations, the transition as restrictions are lifted, the effectiveness of economic policy and the impacts on different sectors and industries.

In the baseline scenario, the progress made in vaccinating the population gradually eases concerns over the pandemic in 2021. The economic ramifications of the measures taken to contain COVID-19 are limited, as there are no complete shutdowns, although some sectors continue to work in 'pandemic mode'. The different authorities maintain their measures to support economic recovery and the stability of capital markets. Between 2021 and the end of 2022, the main developed economies resume their activity levels of the fourth quarter of 2019.

In the downside scenario, economies are affected by the ongoing resurgence of large outbreaks of COVID-19 given the slow vaccination process, the limited effectiveness of the vaccines against new and increasingly prevalent variants of COVID-19 and the absence of any effective treatment. In this scenario, it is necessary to maintain the existing restrictions on mobility and economic activities. The destruction of the productive fabric, which is more severe than in the baseline scenario, results in somewhat smaller growth in the long term.

In the upside scenario, economic recovery picks up speed as a result of developments in health, enabling an eradication of further outbreaks and allowing the pandemic to be left behind in just a few months. Pre-pandemic activity levels are recovered during 2021. Long-term growth dynamics are somewhat better than in the baseline scenario.

The main projected variables considered for the three main scenarios are as follows:

%	Spain					United Kingdom				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
GDP growth										
Baseline scenario	5.8	6.0	3.0	2.3	1.6	7.0	4.9	1.4	1.4	1.4
Upside scenario	9.8	8.0	2.5	1.9	1.6	8.3	7.5	1.8	1.6	1.6
Downside scenario	2.3	1.7	2.0	1.8	1.6	2.4	-4.1	1.3	1.4	1.4
Unemployment rate										
Baseline scenario	16.7	15.5	14.6	13.6	12.9	5.3	5.9	5.1	4.5	4.5
Upside scenario	14.7	13.0	12.5	11.8	11.1	5.0	4.2	3.8	3.8	3.8
Downside scenario	19.6	20.0	18.7	18.0	16.8	5.7	7.1	6.3	5.3	5.0
House price growth (*)										
Baseline scenario	0.0	3.5	3.5	3.5	3.0	0.9	-2.4	1.1	4.7	3.6
Upside scenario	6.0	5.3	4.0	3.5	3.5	3.2	1.7	2.5	2.5	2.4
Downside scenario	-3.5	0.0	2.0	3.0	3.0	-1.3	-9.0	4.1	5.0	3.6

(*) For Spain, the price variation at year-end is calculated and, for the UK, the average price variation over the year is calculated.

No significant changes in relation to the estimates made at the end of 2020 have occurred during the first half of 2021, other than those indicated in these condensed interim consolidated financial statements.

c) Comparability

The information presented in these condensed interim consolidated financial statements corresponding to 2020 is provided solely and exclusively for the purposes of comparison with the information related to the six-month period ended 30 June 2021 (except for the consolidated balance sheet, which is presented as at 31 December 2020).

d) Seasonality of the Group's transactions

Given the activities engaged in by the Group's companies, their transactions are not cyclical or seasonal in nature. Consequently, these explanatory notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2021 do not contain specific disclosures in this regard.

e) Materiality

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

Note 2 – Banco Sabadell Group

Schedule I to the consolidated annual financial statements for the year ended 31 December 2020 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 2021.

Changes in the scope of consolidation in the first half of 2021

There have been no material changes in the scope of consolidation in the first half of 2021.

Other corporate operations occurring in the first half of 2021

- On 29 April 2021, Banco Sabadell and the ALD Automotive group entered into a long-term strategic partnership to offer vehicle leasing products, which will allow Banco Sabadell to improve its customer value proposition for mobility solutions, with a larger and more innovative range of vehicle leasing products.

  The agreement includes the sale of 100% of the share capital of Bansabadell Renting, S.L.U. for an amount of 59 million euros. The closing of the transaction, which is subject to obtaining the relevant authorisations, is expected to take place in the last quarter of 2021. The transaction is expected to add 10 basis points to the fully-loaded CET1 ratio (see Notes 11 and 14).

- On 4 June 2021, having obtained the relevant authorisations and after meeting all the conditions that needed to be met prior to closing the transaction, Banco Sabadell has sold its institutional depositary business to BNP Paribas Securities Services S.C.A., Sucursal en España (BP2S) for 115 million euros.

  The agreement envisages additional collections after closing, subject to the achievement of certain objectives linked to the volume of the assets deposited with BP2S and revenues from the deposit fees on these assets.

  The transaction will generate net profit of 75 million euros, of which 58 million euros have been recognised in the consolidated income statement for the period ended 30 June 2021 (82 million euros before tax, recognised under the heading "Gains or (-) losses on derecognition of non-financial assets, net"), increasing the CET1 ratio by 7 basis points, with the remaining 17 million euros to accrue over the coming years (see Note 29).

Other material disclosures

Asset Protection Scheme

As a result of the acquisition of Banco CAM on 1 June 2012, the Asset Protection Scheme (hereinafter, "APS") envisaged in the protocol on financial support measures for the restructuring of Banco CAM came into force with retroactive effect from 31 July 2011. Under the scheme, which covers a specified portfolio of assets that had a gross value of 24,644 million euros as at 31 July 2011, the Deposit Guarantee Fund (hereinafter, "DGF") bears 80% of the losses on the portfolio for a period of ten years, once impairment allowances in respect of those assets, which amounted to 3,882 million euros as at the aforementioned date, have been fully applied.

The portfolio of assets protected by the APS on the date it entered into force (31 July 2011) breaks down as follows:

Million euro

	On individual balance sheet		On Group balance sheet	
	Balance	Provision	Balance	Provision
Loans and advances	21,711	2,912	19,117	2,263
Of which: amount drawn	*21,091*	-	*18,460*	-
Of which: guarantees and contingent liabilities	*620*	-	*657*	-
Real estate assets	2,380	558	4,663	1,096
Investments in joint ventures and associates	193	52	504	163
Write-offs	360	360	360	360
Total	**24,644**	**3,882**	**24,644**	**3,882**

Movements in the balance drawn from the customer lending portfolio protected by the APS from its entry into force until 30 June 2021 were as follows:

Million euro	
Balance as at 31 July 2011	**18,460**
Acquisition of real estate assets	(7,893)
Collections and subrogation	(7,428)
Increase in write-offs	(1,879)
Credit drawdowns	165
Balance as at 30 June 2021	**1,425**

Movements in the balance of the real estate asset portfolio protected by the APS from its entry into force until 30 June 2021 were as follows:

Million euro	
Balance as at 31 July 2011	**4,663**
Acquisition of real estate assets	6,003
Sales of real estate assets	(10,466)
Balance as at 30 June 2021	**200**

The portfolio of assets protected by the APS as at 30 June 2021 and 31 December 2020 breaks down as follows:

Million euro	30/06/2021		31/12/2020	
	Balance	Provision	Balance	Provision
Loans and advances, guarantees and contingent liabilities	1,430	76	1,509	87
Of which, amount drawn not classified as Stage 3	*1,252*	*6*	*1,327*	*18*
Of which, amount drawn classified as Stage 3	*173*	*69*	*176*	*69*
Of which: commitments and guarantees not classified as Stage 3	*2*	-	*3*	-
Of which: commitments and guarantees classified as Stage 3	*3*	*1*	*3*	-
Real estate exposures	109	47	102	43
Non-current assets held for sale for which a transfer agreement has been reached	93	57	403	267
Of which: loans and advances	*2*	*2*	*194*	*133*
Of which: real estate exposure	*91*	*55*	*209*	*134*
Investments in joint ventures and associates	39	27	39	27
Write-offs	322	322	529	529
Total	**1,993**	**529**	**2,582**	**953**

The NPL ratio and NPL coverage ratio are indicated below, together with the lending volume for construction and real estate development:

%	30/06/2021
NPL ratio	12.34
NPL coverage ratio	42.84

Million euro	On Group balance sheet		*Of which, Stage 3*	
	Balance	Provision	*Balance*	*Provision*
Loans and advances - amount drawn	1,425	75	*173*	*69*
Of which, lending to construction and real estate development sector (business in Spain)	*203*	*30*	*67*	*30*
Total	**1,425**	**75**	***173***	**69**

The criteria for recording and presenting assets guaranteed by the APS are described in Note 2 to the 2020 consolidated annual financial statements. For all of the losses that have been recognised in the accounts (those deriving from loan loss provisions, loan reductions, impairment allowances for real estate assets and losses on the disposal of these assets), the Group keeps an account receivable classified in the "Financial assets at amortised cost – Loans and advances - Customers" heading of the income statement, in order to reflect the right of collection from the DGF as a result of its guarantee, and to offset the impact that the losses on assets covered by the APS have on the income statement. The balance of this account as at 30 June 2021 amounted to 241 million euros (1,761 million euros as at 31 December 2020).

Note 3 – Shareholder remuneration and earnings per share

No dividends have been paid out during the six-month period ended 30 June 2021.

Due to the COVID-19 crisis, the ECB recommended that financial institutions should not pay or enter into irrevocable commitments to pay dividends until 30 September 2021. The ECB has also announced that there will be no further extensions of this recommendation.

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:

	30/06/2021	30/06/2020
Profit or loss attributable to owners of the parent (thousand euro)	220,343	145,414
Adjustment: Remuneration of other equity instruments (thousand euro)	(45,096)	(36,602)
Profit or (-) loss after tax from discontinued operations (thousand euro)	-	-
Adjusted net profit attributable to the owners of the parent company (thousand euros)	175,247	108,812
Weighted average number of ordinary shares outstanding (*)	5,583,915,390	5,590,394,517
Conversion undertaken of convertible debt and other equity instruments	-	-
Adjusted weighted average number of ordinary shares outstanding	5,583,915,390	5,590,394,517
Earnings per share (euro)	0.03	0.02
Basic earnings per share adjusted for mandatory convertible bonds (euro)	0.03	0.02
Diluted earnings per share (euro)	0.03	0.02

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

As at 30 June 2021 and 2020, 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 – Financial risk management

Note 4 “Financial risk management” in the consolidated annual financial statements for 2020 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 2021 in relation to financial risk management are provided here below.

4.1 Credit risk

Credit risk exposure

With regard to credit risk, COVID-19 and the severe health crisis have continued to have an impact on economic activity during the first half of 2021, although to a lesser extent than in 2020. For this reason, the Group has continued to meet the liquidity needs of both businesses, by extending certain products such as the ICO COVID-19 guarantee line, and also those of individuals, by extending the length of payment holidays, acting within the corresponding legislative provisions and upon the debtors’ request (see Note 1 for further details).

The table below shows the breakdown, by headings of the consolidated balance sheet and off-balance sheet exposures, of the Group’s maximum gross credit risk exposure as at 30 June 2021 and 31 December 2020, without deducting collateral or credit enhancements received in order to ensure the fulfilment of payment obligations, broken down by portfolios and according to the nature of the financial instruments:

Thousand euro

Maximum credit risk exposure	Note	30/06/2021	31/12/2020
Financial assets held for trading		**542,581**	**314,241**
Equity instruments	9	3,491	1,115
Debt securities	8	539,090	313,126
Non-trading financial assets mandatorily at fair value through profit or loss		**122,584**	**114,198**
Equity instruments	9	18,416	12,516
Debt securities	8	104,168	101,682
Financial assets at fair value through other comprehensive income		**7,049,335**	**6,825,501**
Equity instruments	9	339,504	318,563
Debt securities	8	6,709,831	6,506,938
Financial assets at amortised cost		**180,616,764**	**177,571,171**
Debt securities	8	19,045,356	18,091,366
Loans and advances	10	161,571,408	159,479,805
Derivatives		**2,217,508**	**2,914,145**
Total risk, broken down by financial assets		**190,548,772**	**187,739,256**
Loan commitments provided	20	29,097,653	29,295,155
Financial guarantees provided	20	2,030,859	2,035,638
Other commitments provided	20	7,505,813	7,594,720
Total off-balance sheet exposures		**38,634,325**	**38,925,513**
Total maximum credit risk exposure		**229,183,097**	**226,664,769**

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

The values of the guarantees received to ensure collection, as at 30 June 2021 and 2020 year-end, are as follows:

Thousand euro

	30/06/2021	31/12/2020
Value of collateral	94,696,729	91,329,442
Of which: securing Stage 2 loans	*7,116,114*	*6,552,027*
Of which: securing Stage 3 loans	*2,292,958*	*2,054,278*
Value of other guarantees	18,241,218	16,514,989
Of which: securing Stage 2 loans	2,633,289	*2,045,347*
Of which: securing Stage 3 loans	460,258	*416,685*
Total value of guarantees received	**112,937,947**	**107,844,431**

Credit quality of financial assets

The breakdown of total exposures, rated based on the various internal rating levels, as at 30 June 2021 and 31 December 2020 is set out in detail below:

Million euro

Breakdown of exposure by rating	Loans assigned rating/score				
	30/06/2021				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	13,048	145	-	-	13,193
A	5,663	133	-	-	5,796
BBB	68,675	161	-	-	68,836
BB	32,022	942	-	*1*	32,964
B	44,706	3,049	1	*66*	47,756
Rest	3,664	7,625	5,468	*102*	16,756
No rating/score assigned	2,425	62	47	-	2,535
Total gross amount	**170,202**	**12,118**	**5,516**	**169**	**187,836**
Impairment allowances	**(405)**	**(511)**	**(2,263)**	***(2)***	**(3,179)**
Total net amount	**169,797**	**11,607**	**3,254**	***167***	**184,657**

Million euro

Breakdown of exposure by rating	Loans assigned rating/score				
	31/12/2020				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	15,044	280	-	-	15,324
A	5,310	28	-	-	5,338
BBB	66,998	157	-	*1*	67,155
BB	28,988	1,115	-	*1*	30,103
B	45,181	3,932	-	*89*	49,113
Rest	2,821	5,707	5,294	*83*	13,822
No rating/score assigned	3,206	62	26	-	3,294
Total gross amount	**167,548**	**11,281**	**5,320**	***174***	**184,149**
Impairment allowances	**(448)**	**(465)**	**(2,170)**	***(3)***	**(3,083)**
Total net amount	**167,100**	**10,816**	**3,150**	***171***	**181,066**

The breakdown of total off-balance sheet exposures, rated based on the various internal rating levels, as at 30 June 2021 and 31 December 2020 is as follows:

Million euro

Breakdown of exposure by rating	Loans assigned rating/score 30/06/2021				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	950	45	-	-	994
A	1,528	1	-	-	1,529
BBB	6,332	26	-	-	6,358
BB	9,665	51	-	-	9,717
B	16,778	630	2	*23*	17,410
Rest	256	580	555	*1*	1,391
No rating/score assigned	443	793	-	-	1,236
Total gross amount	**35,952**	**2,125**	**557**	***24***	**38,634**
Impairment allowances	**(67)**	**(21)**	**(111)**	**-**	**(199)**
Total net amount	**35,885**	**2,104**	**446**	***24***	**38,435**

Million euro

Breakdown of exposure by rating	Loans assigned rating/score 31/12/2020				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	944	36	-	-	981
A	823	-	-	-	823
BBB	7,288	18	-	-	7,306
BB	9,188	83	-	-	9,270
B	17,309	688	-	*12*	17,997
Rest	235	553	587	*1*	1,375
No rating/score assigned	352	821	-	-	1,174
Total gross amount	**36,139**	**2,200**	**587**	**14**	**38,926**
Impairment allowances	**(72)**	**(22)**	**(102)**	**-**	**(196)**
Total net amount	**36,067**	**2,178**	**485**	**14**	**38,730**

Further details on the credit rating and credit scoring models are included in section 4.4.2.2 of the 2020 consolidated annual financial statements.

Assets classified as stage 3 have increased by 187 million euros in the first half of 2021. However, the Group's NPL ratio has fallen during this period due to the increase in lending volumes, as shown in the table below:

%

	30/06/2021	31/12/2020
NPL ratio (*)	3.58	3.60
NPL (stage 3) coverage ratio, with total provisions (*)	56.35	56.45

(*) The NPL ratio ex-TSB stands at 4.23% and the NPL (stage 3) coverage ratio, with total provisions stands at 57.98% (4.28% and 56.37%, respectively, in 2020).

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

%	Proforma 2T21 (*)	2T21	Proforma 2020 (*)	2020
Real estate development and construction	8.67	8.62	8.14	8.10
Non-real estate construction	12.98	12.97	13.28	13.26
Corporates	2.16	2.16	2.20	2.20
SMEs and self-employed	6.39	6.35	6.75	6.72
Individuals with 1st mortgage guarantee	3.24	2.45	3.27	2.36
Group NPL ratio	**4.23**	**3.58**	**4.28**	**3.60**

(*) 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 forborne (refinanced and restructured) transactions is included in Schedule V.

4.2 Liquidity risk

Assessment of liquidity needs and funding policy

Despite lingering uncertainty associated with COVID-19 and customers' increased funding needs, the Bank's liquidity position has remained high and become even more solid during the first half of 2021.

During the first half of 2021 the customer funding gap generated at the Group level has been positive, standing at 310 million euros, mainly as customer funds outgrew lending volumes.

In the first half of 2021, Banco Sabadell's medium- and long-term maturities in the wholesale market amounted to 604 million euros (excluding securitisations), and it has carried out three wholesale market issues amounting to a value of 1,500 million euros. In particular, it carried out one issue of subordinated Tier 2 bonds for a value of 500 million euros maturing in 10.25 years with an early repayment option in favour of Banco Sabadell in year 5, carried out on 15 January 2021, one issue of preferred securities contingently convertible into the Bank's ordinary shares (Additional Tier 1) for 500 million euros at a fixed rate of 5.75%, carried out on 15 March 2021, and one green 7 non-call 6 year issue of senior non-preferred debt for a value of 500 million euros, carried out on 16 June 2021.

In the second half of 2021, Banco Sabadell has scheduled maturities of medium- and long-term wholesale debt amounting to 1,508 million euros (not including partial and total amortisations derived from securitisations placed in the market).

In terms of asset securitisations, Banco Sabadell carried out an early call of the fund TDA 14 (off-balance sheet securitisation fund), on account of its reaching the clean-up call date. It also carried out an early call of the fund IM Sabadell PYME 10 in February, as this fund had been fully retained.

TSB, for its part, exercised an early amortisation option, on 6 May, of a 385 million pound issuance of subordinated Tier 2 bonds and, on 22 June 2021, it carried out a new covered bonds issuance of 500 million pounds maturing after 7 years.

As at 30 June 2021, the balance drawn from the facility held with the Bank of Spain for monetary policy operations with the European Central Bank stood at 32,000 million euros (27,978 million euros as at 31 December 2020), corresponding to the TLTRO III (Targeted Longer Term Refinancing Operations) liquidity auctions, having borrowed 5,000 million euros in March 2021.

In 2017 and 2018, TSB accessed the Term Funding Scheme (TFS), which was announced and launched by the Bank of England (BoE) in August 2016, through which it made liquidity drawdowns until February 2018. The amount drawn under this programme, following the February and March repayments (100 million pounds and 800 million pounds, respectively) and after the early repayment of 250 million pounds, also in March, was 1,915 million pounds as at 30 June 2021, which will mature between 2021 and 2022. Like the European Central Bank, the Bank of England has also launched a package of measures to drive lending in the current climate. These include the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), from which TSB borrowed 100 million pounds in April and a further 250 million pounds in June.

Capital markets

The Group keeps and regularly renews a number of funding programmes in capital markets in order to diversify its different available sources of funding. Specifically with regard to short-term funding, the Institution has a corporate commercial paper programme registered with the CNMV, and with regard to medium- and long-term funding, the Institution 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 2021, as indicated previously, Banco Sabadell has carried out three issuances in the wholesale market for a value of 1,500 million euros.

The details of funding in capital markets, by type of product, as at 30 June 2021 and 31 December 2020 are shown below:

Million euro

	30/06/2021	31/12/2020
Outstanding nominal balance	**21,821**	**20,788**
Covered Bonds	11,236	10,862
Of which: TSB	*2,039*	*1,390*
Commercial paper and ECP	4	-
Senior debt	4,327	4,621
Senior non-preferred debt	1,951	1,451
Subordinated debt and preference shares	3,460	2,888
Of which: TSB	-	*428*
Securitisation bonds	840	953
Of which: TSB	-	-
Other	3	13

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

Million euro

	3Q21	4Q21	2022	2023	2024	2025	2026	>2026	Balance
Covered bonds (*)	-	1,508	1,722	1,388	2,724	836	390	2,668	11,236
Senior debt	-	-	25	1,473	729	1,600	-	500	4,327
Senior non-preferred debt	-	-	-	-	951	500	-	500	1,951
Subordinated Debt and Preferred Securities	-	-	-	-	-	-	495	2,965	3,460
Other medium/long term financial instruments	-	-	-	-	3	-	-	-	3
Total	**-**	**1,508**	**1,747**	**2,861**	**4,407**	**2,936**	**885**	**6,633**	**20,977**

(*) Collateralised issues.

Liquid assets

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

Million euro

	30/06/2021	31/12/2020
Cash(*) + Net Interbank Position	40,369	29,560
Funds available in Bank of Spain facility	3,220	7,728
ECB eligible assets not pledged in facility	747	3,387
Other non-ECB eligible marketable assets (**)	4,757	3,710
Memorandum item:		
Balance drawn from Bank of Spain facility(***)	*32,000*	*27,978*
Balance drawn from Bank of England Term Funding Scheme (****)	*2,640*	*3,409*
Total Liquid Assets Available	49,093	44,385

(*) 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 32 billion euros of TLTRO III in June 2021, while in December 2020 it included 27 billion euros of TLTRO III and the drawdown of 1.2 billion dollars, with a 3-week maturity, from the ECB.

(****) Includes 1,915 million pounds borrowed under the Term Funding Scheme (TFS) and 350 million pounds borrowed under the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME).

With respect to 2020, the Group's first line of liquidity increased in the first six months of the year by 4,708 million euros. Of particular note are the increase in the issuance of own-name securities and other non-marketable securities pledged in the Bank of Spain facility, the increase in the medium- and long-term wholesale issuance volume, as well as the positive funding gap generated by a greater increase of funds than lending. The balance of central bank reserves and the net interbank position increased by 10,809 million euros in the first half of 2021, mainly due to the additional withdrawal of 5,000 million euros from TLTRO III and the increase in net repo funding. There is also a volume of ECB-eligible liquid assets, whose balance has decreased by 7,148 million euros during the six-month period ended 30 June 2021, also primarily due to the additional TLTRO III drawdown and the increase of the net repo funding position, while available non-ECB-eligible assets have increased by 1,047 million euros.

In the case of TSB, the first line of liquidity as at 30 June 2021 comprised 3,447 million euros of liquid assets (2,718 million euros as at 31 December 2020), mainly gilts, and a surplus of reserves in the Bank of England amounting to 3,079 million euros (5,084 million euros as at 31 December 2020).

In addition to the first line of liquidity, a buffer is maintained comprising mortgage loans and loans to general governments eligible as collateral for mortgage covered bonds and public sector covered bonds, respectively, which as at 30 June 2021 contributed a cash value of 8,726 million euros in terms of the capacity to issue new own-name covered bonds eligible as collateral in return for access to the ECB facility (9,791 million euros as at 2020 year-end). As at 30 June 2021, available liquidity amounted to 57,819 million euros in cash equivalent, corresponding to the amount of the first line of liquidity plus the Institution's issuing capacity of mortgage covered bonds and public sector covered bonds as at that date, adjusted by the average haircut applied by the ECB to covered bonds (54,176 million euros in cash equivalent as at 31 December 2020).

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 in the set of Liquidity Management Units (UGLs, for their acronym in Spanish).

In terms of the LCR, since 1 January 2018, the regulatory required minimum LCR has been 100%, a level which is 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 252% and 148%, respectively, in June 2021. At the Group level, the LCR has consistently been well above 100%, remaining stable over time and ending the second quarter of 2021 at 220%.

In terms of the NSFR, the regulatory minimum requirement, effective from June 2021, is 100%, a level that is 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 133% and 147%, respectively, in June 2021. The Group-level ratio ended the second quarter of 2021 at 136% (best estimate as at the date of publication of the report).

4.3. Market risk

Trading activity

Market risk in trading activities is measured using the VaR (Value at Risk) and Stressed VaR methodologies. This allows 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 level for the first half of 2021 and the full year 2020 was as follows:

Million euro

	30/06/2021			31/12/2020		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	1.01	1.86	0.64	1.42	2.71	0.60
Currency risk-trading	1.12	3.13	0.03	0.46	3.22	0.01
Equities	0.16	0.22	0.11	0.19	0.23	0.08
Credit spread	0.33	0.62	0.19	1.10	2.14	0.20
Aggregate VaR	**2.62**	**5.37**	**1.15**	**3.17**	**5.05**	**1.26**

In the first half of 2021, trading VaR figures have dropped slightly, mainly due to the smaller credit spread exposure, even though this was offset by the greater forex exposure and by the reduced volatility of market prices as the impact generated by COVID-19 in the first half of 2020 was left behind.

Structural interest rate risk

The COVID-19 crisis has resulted in a series of elements that can alter the structure of the Group's balance sheet and have an impact on net interest income and/or the economic value of equity, both in absolute terms and in relation to sensitivity, reflected in measurements of structural interest rate risk (also known as Interest Rate Risk in the Banking Book or "IRRBB").

Specifically, the impact on the Bank's customer lending positions that date back to the previous year is still in evidence today, due to, on one hand, the measures put in place by the Spanish Government, including ICO guarantees and payment holidays of principal and interest on loans, as well as, on the other hand, because of the credit facilities granted by the Bank to its customers to help them cope with financial difficulties stemming from the crisis. On the liabilities side, TLTRO III borrowing increased by 5 billion euros to 32 billion euros.

TSB has borrowed a further 350 million pounds from the Bank of England through the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), created as a mechanism to fund SMEs in the United Kingdom.

With regard to interest rates, the marginal deposit rate of the European Central Bank (ECB) has been maintained at -50bp and the BoE base rate has been maintained at 10bp. Interbank rates in euros have been maintained, while longer-term swap rates have increased by between 7bp for 2-year tenors and 50bp for 30-year tenors. Interbank rates in USD, on the other hand, have dropped slightly and those in GBP have increased (-10bp and +10bp for 12-month tenors, respectively), while longer-term swap rates have increased in both currencies (+48bp and +70bp for 10-year tenors, respectively).

In other respects, the Group pays close attention to possible changes in customer behaviour caused by the COVID-19 crisis that could continue over time, in order to keep the behavioural assumptions used to measure and manage IRRBB in line with expectations. This concerns customer behaviour related to non-maturing items (changes in the stability of demand deposits) and items with an expected maturity that may be different to the contractually established maturity (due to early repayment of loans, early termination of term deposits or recovery time and balance of non-performing exposures).

The Group's balance sheet management has enabled it to keep its IRRBB metrics within the risk appetite, taking into consideration the structural changes outlined previously as well as interest rate variations.

Structural foreign exchange risk

The most prominent permanent investments in foreign currencies are denominated in US dollars, pounds sterling and Mexican pesos.

The Group has been keeping capital buffers in order minimise the sensitivity of its capital ratios to any adverse movements in the exchange rate of these currencies against the euro. To this end, it monitors the performance of its cross-border business, as well as 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 1,108 million as at 31 December 2020 to 1,139 million as at 30 June 2021. In relation to this position, as at 30 June 2021, a buffer of 20% of total investment is maintained.

In terms of permanent investments in Mexican pesos, the capital buffer has gone from 9,003 million Mexican pesos as at 31 December 2020 (of a total exposure of 14,651 million Mexican pesos) to 9,753 million Mexican pesos as at 30 June 2021 (of a total exposure of 14,767 million Mexican pesos), representing 66% of total investment.

As regards permanent investments in pounds sterling, the capital buffer has remained stable at 213 million pounds sterling during the first half of 2021 (total exposure has gone from 1,760 million pounds sterling as at 31 December 2020 to 1,810 million pounds sterling as at 30 June 2021), representing 12% of the total investment made (excluding intangibles).

Currency hedges are continuously revised 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 2021, which amounted to 2,884 million euros, including 1,861 million euros of permanent equity holdings in pounds sterling, 765 million euros of permanent equity holdings in US dollars and 213 million euros of 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 2021, the sensitivity of the equity exposures to a 1.90% exchange rate depreciation against the euro of the main currencies to which the Bank is exposed would amount to 55 million euros, of which 65% correspond to the pound sterling, 27% to the US dollar and 7% to the Mexican peso. This potential depreciation is in line with the historical quarterly volatility of recent years.

4.4. *Brexit*

The Group continues to monitor developments and consequences of Brexit. Since the Brexit deals came into effect on 1 January 2021, it has focused its attention on the difficulties that certain sectors have experienced when attempting to continue trade relations between the UK and the EU and on how companies have been adapting to the new trade arrangements. It is difficult to distinguish between the impacts caused by Brexit, the impacts caused by the restrictions put in place due to the pandemic and the impacts arising from the complications observed in global supply chains once demand began to pick up once more. Another aspect that has attracted attention in recent months is the implementation of the Northern Ireland Protocol, which has fuelled tensions between the UK and the EU. Lastly, the grace period for border checks on goods crossing between Great Britain and Northern Ireland has been extended until the end of September. While this has prevented tensions from rising further, a more stable and long-lasting solution still needs to be found.

With regard to financial services, the UK has shown unease over the delays in signing the Memorandum of Understanding (MoU) that it agreed with the EU at the end of March. In any event, whatever the outcome in terms of the MoU, the UK has indicated that it will work on the assumption that no equivalence deal will be reached. The UK has therefore brought forward the publication, for consultation purposes, of proposals regarding the regulation of financial services, using the new regulatory freedoms proffered by Brexit. On the other hand, news of financial service activity moving from the UK to the EU and the US continues to trickle through. The SSM has expressed concern over the fragmentation of markets in Europe caused by Brexit.

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 2020.

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, through Royal Decree-Law 7/2021, of 27 April, has partially transposed the CRD-V Directive, which has been in force since 28 June 2021. In addition, as part of the transposition of CRD-V, the Bank of Spain published a consultation, in place until 21 June, to amend Circulars 2/2016 and 2/2014.

The health crisis caused by COVID-19 has resulted in competent institutions in Europe temporarily lowering liquidity, capital and operational requirements applicable to banks, to ensure that they can continue carrying out their role of providing funding to the real economy.

In particular, the European Commission, the European Central Bank and the EBA have 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-19.

This guidance includes the European Central Bank (ECB) announcement, released on 18 June 2021, that the euro area credit institutions directly supervised by it may continue to exclude certain central bank exposures from the leverage ratio, given the continuing exceptional macroeconomic circumstances due to the coronavirus (COVID-19) pandemic. As a result, the leverage ratio relief originally authorised in September 2020, which was due to end on 27 June 2021, will be extended until 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 23 November 2020, Banco Sabadell received an Operational Letter from the European Central Bank concerning the minimum prudential requirements applicable to the institution for 2021 as a result of the Supervisory Review and Evaluation Process (SREP), and in which it informed Banco Sabadell that the requirements for 2020 would be maintained. At a consolidated level, Banco Sabadell is required to keep a phase-in Common Equity Tier 1 (CET1) ratio of at least 9.50% and a phase-in Total Capital ratio of at least 13%. These ratios include the minimum required by Pillar 1 (4.50%) and Pillar 2R (2.25%), the capital conservation buffer (2.50%) and the requirement applicable due to the Bank's status as an 'other systemically important institution' (0.25%).

From 12 March 2020, part of Pillar 2R can be met using AT1 (18.75%) and Tier 2 (25%) instruments; therefore, on a consolidated basis, the minimum phase-in Common Equity Tier 1 (CET1) capital that Banco Sabadell is required to maintain under the new framework is 8.52%.

Additionally (and this is also included in SREP requirements), the Group must meet the requirement resulting from the calculation of the specific counter-cyclical capital buffer which, as at 30 June 2021, stands at 0% as a consequence of the measures taken to deal with the COVID-19 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 countercyclical 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 expects to maintain the 0% rate until December 2021, so that any subsequent increase in the countercyclical buffer would not take effect until December 2022 at the earliest.

As at 30 June 2021, the Group's phase-in CET1 ratio stands at 12.3%, 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 2021 and 31 December 2020:

Thousand euro

	30/06/2021	31/12/2020	Year-on-year change (%)
Capital	703,371	703,371	-
Reserves	12,391,915	12,277,741	0.93
Convertible bonds	-	-	-
Minority interests	9,700	8,778	10.50
Deductions	(3,137,404)	(3,101,980)	1.14
CET1 resources	**9,967,581**	**9,887,909**	**0.81**
CET1 (%)	12.3	12.6	(2.32)
Preference shares, convertible bonds and deductions	1,653,611	1,153,414	43.37
Additional Tier 1 resources	**1,653,611**	**1,153,414**	**-**
AT1 (%)	2.0	1.5	36.12
Tier 1 resources	**11,621,192**	**11,041,323**	**5.25**
Tier 1 (%)	14.3	14.0	2.49
Tier 2 resources	**2,040,218**	**1,666,928**	**22.39**
Tier 2 (%)	2.5	2.1	19.96
Capital base	**13,661,410**	**12,708,251**	**7.50**
Minimum capital requirement	6,479,087	6,302,302	2.81
Capital surplus	**7,182,324**	**6,405,949**	**12.12**
Total capital ratio (%)	**16.9**	**16.1**	**4.77**
Risk weighted assets (RWAs)	**80,988,583**	**78,778,773**	**2.81**

Common Equity Tier 1 (CET1) capital accounts for 73% of eligible capital. Deductions are mainly comprised of intangible assets, goodwill and deferred tax assets. They also include valuation adjustments.

In addition, the impact of applying Regulation 2020/873 from June 2020 onwards in the context of COVID-19 should also be taken into account. This regulation extends the transitional arrangements designed to mitigate the impact of IFRS 9 by two years, allowing institutions to fully add back to their Common Equity Tier 1 capital any increase in new expected credit loss provisions that they recognise in 2020 and 2021 for their financial assets that are not credit-impaired.

Tier 1 under Basel III is mainly composed of preferred securities and represents 12% of total capital.

Tier 2 capital provides 15% of the BIS or solvency ratio and is essentially made up of subordinated debt.

In the first half of 2021, the calculation of own funds took into consideration: the issuance of 500 million euros of subordinated debentures (Obligaciones Subordinadas I/2021), which qualify as Tier 2 instruments as from January 2021, the issuance of preferred securities (Participaciones Preferentes I/2021) in March for 500 million euros, which qualifies as additional Tier 1 capital, and the amortisation of the TSB issuance of subordinated debentures in March for 443 million euros by exercising an early amortisation option.

In terms of risk-weighted assets, it is worth noting the entry into force of the rest of the CRR-II regulation of 28 June, where the main changes concern the new framework for calculating exposure under the standardised approach for derivative exposures (SA-CCR) and the changes to the weighting applicable to exposures consisting of units in collective investment undertakings.

In fully-loaded terms, all of these actions 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 2021 of 12.0% and a total capital ratio of 16.6%.

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, which had a phase-in ratio of 5.40% on the reference date.

The leverage ratio as at 30 June 2021 and 31 December 2020 is shown below:

Thousand euro

	30/06/2021	31/12/2020
Tier 1 capital	11,621,192	11,041,323
Exposure	215,128,197	211,203,595
Leverage ratio	**5.40%**	**5.23%**

In the first half of 2021 the leverage ratio increased by 17 bps relative to the ratio as at 31 December 2020, mainly due to exposure to balance sheet growth and the exchange rate effect.

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 "Information for shareholders and investors / Financial information".

MREL

In December 2020, Banco Sabadell received a communication regarding the decision made concerning the minimum requirement for own funds and eligible liabilities (MREL) and the subordination requirement applicable to the Institution on a consolidated basis.

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

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

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

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

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

The table below sets out details of the Group's MREL as at 30 June 2021 and 31 December 2020:

	30/06/2021	31/12/2020
CET1 phase-in	12.3%	12.6%
AT1 phase-in	2.0%	1.5%
Tier 2 phase-in	2.5%	2.1%
Senior non-preferred	2.4%	1.8%
Senior preferred	5.7%	6.8%
	25.0%	**24.8%**

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 2020 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 accompanying consolidated balance sheets, as at 30 June 2021 and 31 December 2020, and their corresponding fair values is shown below:

Thousand euro

		30/06/2021		31/12/2020	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Assets:					
Cash, cash balances at central banks and other demand deposits	7	46,910,036	46,910,036	35,184,902	35,184,902
Financial assets held for trading		2,262,660	2,262,660	2,678,836	2,678,836
Non-trading financial assets mandatorily at fair value through profit or loss	8, 9	122,584	122,584	114,198	114,198
Financial assets at fair value through other comprehensive income	8, 9	6,900,276	6,900,276	6,676,801	6,676,801
Financial assets at amortised cost	8, 10	177,438,228	184,010,401	174,488,258	181,743,524
Derivatives – Hedge accounting		497,429	497,429	549,550	549,550
Fair value changes of the hedged items in portfolio hedge of interest rate risk		214,406	214,406	458,849	458,849
Total assets		**234,345,619**	**240,917,792**	**220,151,394**	**227,406,660**

Thousand euro

		30/06/2021		31/12/2020	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities:					
Financial liabilities held for trading		1,639,215	1,639,215	2,653,849	2,653,849
Financial liabilities measured at amortised cost	15, 16, 17	233,255,996	233,487,417	217,390,766	218,442,668
Derivatives – Hedge accounting		609,913	609,913	782,657	782,657
Fair value changes of the hedged items in portfolio hedge of interest rate risk		205,827	205,827	371,642	371,642
Total liabilities		**235,710,951**	**235,942,372**	**221,198,914**	**222,250,816**

In relation to financial instruments whose book value 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 book value, as these are mainly short-term balances.

– The fair value of the headings "Financial assets at amortised cost" and "Financial liabilities measured 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 these financial assets 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 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 table shows the main financial instruments recognised at fair value in the accompanying consolidated balance sheets, broken down according to the valuation method used to estimate their fair value:

Thousand euro

		30/06/2021			
	Note	Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		509,913	1,752,396	351	2,262,660
Derivatives		-	1,720,079	-	1,720,079
Equity instruments	9	3,491	-	-	3,491
Debt securities	8	506,422	32,317	351	539,090
Loans and advances – Customers		-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss		27,002	33,226	62,356	122,584
Equity instruments	9	18,375	41	-	18,416
Debt securities	8	8,627	33,185	62,356	104,168
Loans and advances		-	-	-	-
Financial assets at fair value through other comprehensive income		6,594,480	147,756	158,040	6,900,276
Equity instruments	9	8,884	94,318	87,393	190,595
Debt securities	8	6,585,596	53,438	70,647	6,709,681
Loans and advances		-	-	-	-
Derivatives – Hedge accounting		-	497,429	-	497,429
Total assets		**7,131,395**	**2,430,807**	**220,747**	**9,782,949**

Thousand euro

		30/06/2021			
	Note	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		35,144	1,604,071	-	1,639,215
Derivatives		-	1,604,071	-	1,604,071
Short positions		35,144	-	-	35,144
Deposits with credit institutions		-	-	-	-
Derivatives – Hedge accounting		-	609,913	-	609,913
Total liabilities		**35,144**	**2,213,984**	**-**	**2,249,128**

Thousand euro

	Note	31/12/2020 Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		275,021	2,398,827	4,988	2,678,836
Derivatives		-	2,364,595	-	2,364,595
Equity instruments	9	290	825	-	1,115
Debt securities	8	274,731	33,407	4,988	313,126
Loans and advances – Customers		-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss		22,048	36,025	56,125	114,198
Equity instruments		12,481	35	-	12,516
Debt securities	8	9,567	35,990	56,125	101,682
Loans and advances		-	-	-	-
Financial assets at fair value through other comprehensive income		6,407,496	169,812	99,493	6,676,801
Equity instruments	9	5,914	80,715	83,354	169,983
Debt securities	8	6,401,582	89,097	16,139	6,506,818
Loans and advances		-	-	-	-
Derivatives – Hedge accounting		-	549,550	-	549,550
Total assets		**6,704,565**	**3,154,214**	**160,606**	**10,019,385**

Thousand euro

	Note	31/12/2020 Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		215,930	2,437,919	-	2,653,849
Derivatives		-	2,437,919	-	2,437,919
Short positions		215,930	-	-	215,930
Deposits with credit institutions		-	-	-	-
Financial liabilities designated at fair value through profit or loss		-	-	-	-
Derivatives – Hedge accounting		-	782,657	-	782,657
Total liabilities		**215,930**	**3,220,576**	**-**	**3,436,506**

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

Thousand euro

	Assets	Liabilities
Balance as at 31 December 2020	**160,606**	**-**
Valuation adjustments recognised in profit and loss (*)	5,991	-
Valuation adjustments not recognised in profit and loss	2,456	-
Purchases, sales and write-offs	(6,357)	-
Net additions/removals in Level 3	51,703	-
Exchange differences and other	6,348	-
Balance as at 30 June 2021	**220,747**	**-**

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

Income from sales of financial instruments classified as Level 3, recognised in the consolidated income statement for the six-month period ended 30 June 2021, was not material.

Details of financial instruments that were transferred between different valuation levels in the first half of 2021 and in 2020 are as follows:

Thousand euro

	30/06/2021					
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	826	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,166	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	50,537	-	-	-	-
Derivatives	-	-	-	-	-	-
Liabilities:						
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Derivatives – Hedge accounting	-	-	-	-	-	-
Total	**826**	**51,703**	**-**	**-**	**-**	**-**

Thousand euro

	31/12/2020					
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	6,197	4,988	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	26,240	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	834	-	-	420	1,792
Derivatives						
Liabilities:	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Derivatives – Hedge accounting						
Total	**32,437**	**5,822**	**-**	**-**	**420**	**1,792**

Transfers from Level 1 to Level 3 are due to the fact that the markets in which these instruments (asset-backed securities) are traded are no longer considered as active markets; therefore, their valuation is now calculated using valuation techniques in which one of the main significant inputs (illiquidity discount) is based on unobservable data.

As at 30 June 2021 and 31 December 2020, 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 2021 and 31 December 2020, 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 2020 consolidated annual financial statements.

In the first half of 2021 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 consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
By nature:		
Cash	630,019	749,608
Cash balances at central banks	45,117,322	33,842,492
Other demand deposits	1,162,695	592,802
Total	**46,910,036**	**35,184,902**

The increase in the first half of 2021 of the 'Cash balances at central banks' item is mainly due to the Bank's participation in the TLTRO III liquidity auctions (see Note 4).

Note 8 – Debt securities

Debt securities reported in the consolidated balance sheets as at 30 June 2021 and 31 December 2020 are analysed below:

Thousand euro

	30/06/2021	31/12/2020
By heading:		
Financial assets held for trading	539,090	313,126
Non-trading financial assets mandatorily at fair value through profit or loss	104,168	101,682
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	6,709,681	6,506,818
Financial assets at amortised cost	19,045,174	18,091,189
Total	**26,398,113**	**25,012,815**
By nature:		
Central banks	-	-
General governments	24,714,438	22,132,663
Credit institutions	1,131,202	1,435,817
Other sectors	426,769	1,106,251
Stage 3 assets	73	73
Impairment allowances	(332)	(297)
Other valuation adjustments (interest, fees and commissions, other)	125,963	338,308
Total	**26,398,113**	**25,012,815**

In May 2021, the Group decided to sell debt instruments which had a book value of 3,734,926 thousand euros and which were recognised on the consolidated balance sheet under the heading “Financial assets at amortised cost”, by arranging forward sale contracts to be settled in the third quarter of 2021. These sales were carried out as part of a series of actions undertaken to improve the Group’s future profitability while preserving its solvency, including the possibility that a restructuring of business in Spain may be agreed in the second half of 2021. The Group considered that these sales, while not speculative in nature, do not fit into any of the categories that the regulations consider consistent with the business model under which these assets are managed (hold to collect contractual cash flows). For this reason, as a prudential measure, the Bank decided to refrain from classifying debt securities it acquires as “Financial assets at amortised cost” on the balance sheet, until the conditions allowing debt instruments to be reclassified under this heading are met, which is not expected to occur until the beginning of 2022.

Impairment allowances recognised as at 30 June 2021 as a result of the recoverability analysis of debt securities were not material.

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 consolidated balance sheets as at 30 June 2021 and 31 December 2020 are analysed below:

Thousand euro

	30/06/2021	31/12/2020
By heading:		
Financial assets held for trading	3,491	1,115
Non-trading financial assets mandatorily at fair value through profit or loss	18,416	12,516
Financial assets at fair value through other comprehensive income	190,595	169,983
Total	**212,502**	**183,614**
By nature:		
Resident sector	161,214	146,872
Credit institutions	6,759	5,081
Other	154,455	141,791
Non-resident sector	20,095	16,569
Credit institutions	-	-
Other	20,095	16,569
Participations in investment vehicles	31,193	20,173
Total	**212,502**	**183,614**

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 consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
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	3,532,862	7,213,593
Total	**3,532,862**	**7,213,593**
By nature:		
Deposits with agreed maturity	1,235,746	1,629,195
Repos	1,938,142	5,424,127
Hybrid financial assets	-	-
Other	357,744	159,126
Stage 3 assets	5	5
Impairment allowances	(953)	(1,424)
Other valuation adjustments (interest, fees and commissions, other)	2,178	2,564
Total	**3,532,862**	**7,213,593**

Customers

The breakdown of the heading “Loans and advances – Customers” (General governments and Other sectors) of the consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
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	154,860,192	149,183,476
Total	**154,860,192**	**149,183,476**
By nature:		
Overdrafts, etc.	3,501,007	4,833,182
Commercial loans	5,439,362	4,991,095
Finance leases	2,175,674	2,230,500
Secured loans	91,576,382	87,270,583
Repos	-	63,494
Other term loans	49,823,019	47,552,905
Stage 3 assets	5,516,231	5,319,869
Impairment allowances	(3,177,401)	(3,081,312)
Other valuation adjustments (interest, fees and commissions, other)	5,918	3,160
Total	**154,860,192**	**149,183,476**
By sector:		
General governments	9,152,222	10,087,458
Other sectors	143,363,222	136,854,301
Stage 3 assets	5,516,231	5,319,869
Impairment allowances	(3,177,401)	(3,081,312)
Other valuation adjustments (interest, fees and commissions, other)	5,918	3,160
Total	**154,860,192**	**149,183,476**

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 2021 and 31 December 2020 is as follows:

Thousand euro

Stage 1	30/06/2021	31/12/2020
Debt securities	26,272,411	24,670,232
Loans and advances	143,929,493	142,878,089
Customers	140,398,030	135,666,359
Central banks and Credit institutions	3,531,463	7,211,729
Total *stage 1*	**170,201,904**	**167,548,321**
By sector:		
General governments	33,860,020	32,193,319
Central banks and Credit institutions	4,662,664	8,647,547
Other private sectors	131,679,220	126,707,455
Total *stage 1*	**170,201,904**	**167,548,321**

Stage 2	30/06/2021	31/12/2020
Debt securities	-	4,500
Loans and advances	12,117,582	11,276,120
Customers	12,117,413	11,275,402
Central banks and Credit institutions	169	718
Total *stage 2*	**12,117,582**	**11,280,620**
By sector:		
General governments	6,641	26,803
Central banks and Credit institutions	169	718
Other private sectors	12,110,772	11,253,099
Total *stage 2*	**12,117,582**	**11,280,620**

Stage 3	30/06/2021	31/12/2020
Debt securities	73	73
Loans and advances	5,516,236	5,319,874
Customers	5,516,231	5,319,869
Central banks and Credit institutions	5	5
Total *stage 3*	**5,516,309**	**5,319,947**
By sector:		
General governments	9,410	10,231
Central banks and Credit institutions	5	5
Other private sectors	5,506,894	5,309,711
Total *stage 3*	**5,516,309**	**5,319,947**

Total *stages*	**187,835,795**	**184,148,888**

Movements of gross values, excluding valuation adjustments, of assets subject to impairment by the Group during the six-month period ended 30 June 2021 were as follows:

Thousand euro

	Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
Balance as at 31 December 2020	**167,548,321**	**11,280,620**	**5,319,947**	***174,204***	**184,148,888**
Transfers between impairment stages	(2,057,963)	1,245,918	812,045	-	-
Stage 1	*2,822,200*	*(2,770,068)*	*(52,132)*	-	-
Stage 2	*(4,735,624)*	*4,943,947*	*(208,323)*	-	-
Stage 3	*(144,539)*	*(927,961)*	*1,072,500*	-	-
Increases	27,598,191	570,234	166,805	*2,804*	28,335,230
Decreases	(25,031,619)	(1,174,464)	(570,927)	*(15,546)*	(26,777,010)
Transfers to write-offs	-	-	(242,725)	-	(242,725)
Adjustments for exchange differences	2,144,974	195,274	31,164	*7,499*	2,371,412
Balance as at 30 June 2021	**170,201,904**	**12,117,582**	**5,516,309**	***168,961***	**187,835,795**

Movements of impaired financial assets derecognised due to the remote likelihood of their recovery during the six-month period ended 30 June 2021 were as follows:

Thousand euro

Balance as at 31 December 2020	**5,191,132**
Additions	**317,806**
Use of accumulated impairment balance	227,608
Directly recognised on income statement	25,929
Contractually payable interests	64,269
Other items	-
Disposals	**(115,764)**
Collections of principal in cash from counterparties	(37,509)
Collections of interest in cash from counterparties	(1,167)
Debt forgiveness	(8,566)
Referrals	-
Forbearance	-
Sales	(66,244)
Foreclosure of tangible assets	(1,467)
Other items	(811)
Exchange differences	**20,491**
Balance as at 30 June 2021	**5,413,665**

Allowances

The following table shows the impairment allowances of financial assets broken down by consolidated balance sheet heading as at 30 June 2021 and 31 December 2020:

Thousand euro

Stage 1	30/06/2021	31/12/2020
Debt securities	332	296
Loans and advances	404,673	447,796
Central banks and Credit institutions	943	1,032
Customers	403,730	446,763
Total stage 1	**405,005**	**448,092**
Stage 2		
Debt securities	-	-
Loans and advances	510,913	465,067
Central banks and Credit institutions	8	-
Customers	510,905	465,067
Total stage 2	**510,913**	**465,067**
Stage 3		
Debt securities	-	-
Loans and advances	2,262,768	2,169,874
Central banks and Credit institutions	2	392
Customers	2,262,766	2,169,482
Total stage 3	**2,262,768**	**2,169,874**
Total stages	**3,178,686**	**3,083,032**

The movement of impairment allowances allocated by the Group to cover credit risk during the six-month period ended 30 June 2021 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 2020	**11,540**	**590,283**	**448,092**	**453,527**	**1,579,591**	**3,083,033**
Movements reflected in impairment gains/(losses) (*)	**3,072**	**40,989**	**(31,764)**	**81,274**	**324,462**	**418,033**
Increases due to origination	-	-	113,258	-	-	113,258
Changes due to credit risk variance	1,638	33,049	(112,122)	36,483	337,164	296,212
Changes in calculation approach	-	-	-	-	-	-
Other movements	1,434	7,940	(32,900)	44,791	(12,702)	8,563
Movements not reflected in impairment gains/(losses)	**6,697**	**(103,218)**	**(16,558)**	**(53,313)**	**(179,236)**	**(345,628)**
Transfers between impairment stages	7,056	(15,829)	(4,705)	(53,259)	66,737	-
Stage 1	*(2)*	-	*57,370*	*(47,212)*	*(10,156)*	-
Stage 2	*7,929*	-	*(58,415)*	*72,494*	*(22,008)*	-
Stage 3	*(871)*	*(15,829)*	*(3,660)*	*(78,541)*	*98,901*	-
Utilisation of allocated provisions	(359)	(87,389)	(11,797)	(16)	(233,117)	(332,678)
Other movements (**)	-	-	(56)	(38)	(12,856)	(12,950)
Adjustments for exchange differences	**-**	**7,085**	**5,235**	**8,080**	**2,848**	**23,248**
Balance as at 30 June 2021	**21,309**	**535,139**	**405,005**	**489,568**	**1,727,665**	**3,178,686**

(*) 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 contra account 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 Group's expected losses to any changes, *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:

	Change in the variable (*)	Impact on expected loss
Deviation of GDP growth	- 100 pb	6.1%
	+ 100 pb	-4.7%
Deviation in unemployment rate	+ 350 pb	9.9%
	- 350 pb	-7.9%
Changes in housing prices	- 300 pb	7.1%
	+ 300 pb	-5.5%

(*) In Spain, changes in macroeconomic variables reflect the impacts, in absolute values, on the macroeconomic scenario in this country. In all other regions, changes in variables proportionate to those in Spain are applied to the macroeconomic scenario of each region.

Note 11 – Tangible assets

The composition of this heading in the consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021				31/12/2020			
	Cost	Depreciation and amortisation	Impairment	Net value	Cost	Depreciation and amortisation	Impairment	Net value
Property, plant and equipment	**4,166,346**	**(1,655,823)**	**(7,557)**	**2,502,966**	**4,636,930**	**(1,767,492)**	**(17,151)**	**2,852,287**
For own use (*):	4,161,014	(1,653,343)	(7,557)	2,500,114	4,278,181	(1,682,036)	(17,143)	2,579,002
Computer equipment and related facilities	668,848	(450,343)	-	218,505	643,025	(423,776)	-	219,249
Furniture, vehicles and other facilities	1,083,635	(623,727)	-	459,908	1,154,022	(660,514)	-	493,508
Buildings	2,323,990	(576,025)	(7,557)	1,740,408	2,384,730	(582,115)	(17,143)	1,785,472
Work in progress	9,334	(1)	-	9,333	9,522	(2)	-	9,520
Other	75,207	(3,247)	-	71,960	86,882	(15,629)	-	71,253
Leased out under operating leases	5,332	(2,480)	-	2,852	358,749	(85,456)	(8)	273,285
Investment properties	**514,894**	**(54,896)**	**(54,049)**	**405,949**	**429,367**	**(38,610)**	**(42,665)**	**348,092**
Buildings	514,894	(54,896)	(54,049)	405,949	429,367	(38,610)	(42,665)	348,092
Rural property, plots and sites	-	-	-	-	-	-	-	-
Total	**4,681,240**	**(1,710,719)**	**(61,606)**	**2,908,915**	**5,066,297**	**(1,806,102)**	**(59,816)**	**3,200,379**

(*) As at 30 June 2021, the cost of property, plant and equipment for own use includes right-of-use assets relating to the leased properties in which the Group acts as lessee amounting to 1,326,736 thousand euros, of which 275,928 thousand euros have been depreciated at that date (1,231,842 thousand euros as at 31 December 2020, of which 224,115 thousand euros have been depreciated as at that date).

The reduction of the balance of property, plant and equipment for own use leased out under operating leases essentially corresponds to the reclassification of vehicles leased under an operating lease belonging to the subsidiary Bansabadell Renting, S.L.U. that the Group agreed to sell to the ALD Automotive group in the first half of 2021, which were reclassified to the heading "Non-current assets and disposal groups classified as held for sale" of the consolidated balance sheet (see Notes 2 and 14).

Note 12 – Intangible assets

The composition of this heading as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
Goodwill:	**1,026,457**	**1,026,105**
Banco Urquijo	473,837	473,837
Grupo Banco Guipuzcoano	285,345	285,345
From acquisition of Banco BMN Penedés assets	245,364	245,364
Rest	21,911	21,559
Other intangible assets:	**1,541,759**	**1,569,978**
With a finite useful life:	1,541,759	1,569,978
Private Banking Business, Miami	9,875	11,332
Contractual relations with TSB customers and brand	103,693	118,873
Computer applications	1,426,873	1,438,427
Other	1,318	1,346
Total	**2,568,216**	**2,596,083**

As set forth in the regulatory framework of reference, Banco Sabadell has carried out an analysis to evaluate the existence of any potential impairment of its goodwill.

Since the first half of 2020, Banco Sabadell Group has been monitoring the Group's total goodwill across the ensemble of Cash-Generating Units (UGEs, for their acronym in Spanish) that make up the Banking Business Spain operating segment, rather than doing so individually for each UGE.

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.

To calculate the terminal value, 2026 has been taken as the reference year, using a perpetual growth rate of 1.6%. A discount rate of 9.2% has been used, a figure arrived at using the CAPM (Capital Asset Pricing Model) approach.

The key variables on which the financial projections are based are: growth in the buy-sell spread (determined by expected trading volumes and interest rates) and changes in other items on the income statement and solvency levels.

The recoverable value obtained is higher than the book value; therefore, no impairment has taken place.

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

This analysis has consisted of adjusting the following:

- Discount rate +/- 0.5%.
- Growth rate in perpetuity +/- 0.5%.
- Minimum capital requirement +/-0.5%.
- NIM/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 value obtained is greater than the book value.

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 perpetual growth rate of 1.7%. A discount rate of 9.0% has been used, a figure arrived at using the CAPM approach. The evaluation did not reveal the need to recognise any impairment in the value of these assets.

The impairment of goodwill and UGEs is calculated taking into account the central macroeconomic scenario described in Note 1 of these condensed interim consolidated financial statements.

Note 13 – Other assets

The composition of the "Other assets" heading as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
Insurance contracts linked to pensions	132,892	133,757
Inventories	187,834	194,264
Rest of other assets	1,170,466	580,335
Accruals	457,911	289,458
Other assets	712,555	290,877
Total	**1,491,192**	**908,356**

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

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

The composition of these headings in the consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
Assets	**2,027,420**	**1,874,727**
Cash, cash balances at central banks and other demand deposits	2	-
Loans and advances	611,887	848,927
Credit institutions	-	-
Customers	611,887	848,927
Of which: portfolio sale agreements	*569,150*	*848,927*
Of which: loans and advances of Bansabadell Renting, S.L.U	*42,737*	-
Debt securities	-	-
Equity instruments	-	-
Real estate exposure	929,985	1,004,859
Tangible assets for own use	57,789	53,074
Investment properties	-	-
Foreclosed assets	872,196	951,785
Leased out under operating leases	261,039	9,141
Rest of other assets	224,507	11,800
Impairment allowances	**(670,191)**	**(899,187)**
Non-current assets and disposal groups classified as held for sale	**1,357,229**	**975,540**
Liabilities		
Financial liabilities measured at amortised cost	8,881	-
Tax liabilities	56,702	-
Liabilities under insurance or reinsurance contracts	-	-
Rest	4,566	-
Liabilities included in disposal groups classified as held for sale	**70,149**	-

The increase during the first half of 2021 of amounts under the headings “Non-current assets and disposal groups classified as held for sale” – particularly of the balances recorded under “Leased out under operating leases” in the table above – and “Liabilities included in disposal groups classified as held for sale”, is mainly due to the reclassification to these headings of the net assets of the subsidiary Bansabadell Renting, S.L.U. (see Notes 2 and 11).

In the first six-month period of 2021, the Bank closed the transfer of a loan portfolio, agreed on 21 December 2020, which was recorded under this heading of the consolidated balance sheet as at 31 December 2020. As at 30 June 2021, the balance of loans and advances recorded as “Non-current assets and disposal groups classified as held for sale” corresponds to the transfer of a loan portfolio agreed on 30 December 2020 and to loans and advances granted by the subsidiary Bansabadell Renting, S.L.U. These loans and advances have been reclassified at their net book value until the closing of these transactions is completed once the corresponding authorisations are obtained and the relevant conditions are met.

The gross value and impairment allowances of loans included in the aforementioned portfolio, grouped according to their credit risk and intended purpose, are shown below:

Thousand euro

	Gross amount	Allowances	Net value
Portfolio of loans for which a sale agreement has been reached	**569,150**	**(413,487)**	**155,663**
Loans and advances previously classified in Stage 3	**567,935**	**(412,605)**	**155,330**
Real estate development and construction	1,817	(1,515)	302
Non-real estate construction	-	-	-
Corporates	-	-	-
SMEs and self-employed	13,284	(9,866)	3,418
Individuals	552,834	(401,224)	151,610
Loans and advances previously classified in Stage 2	**381**	**(282)**	**99**
Real estate development and construction	-	-	-
Non-real estate construction	-	-	-
Corporates	-	-	-
SMEs and self-employed	-	-	-
Individuals	381	(282)	99
Loans and advances previously classified in Stage 1	**834**	**(600)**	**234**
Real estate development and construction	-	-	-
Non-real estate construction	-	-	-
Corporates	-	-	-
SMEs and self-employed	-	-	-
Individuals	834	(600)	234
Total	**569,150**	**(413,487)**	**155,663**

Note 15 – Deposits in central banks and credit institutions

The breakdown of the deposits in central banks and credit institutions heading in the consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
By heading:		
Financial liabilities measured at amortised cost	47,492,572	41,964,732
Total	**47,492,572**	**41,964,732**
By nature:		
Demand deposits	496,037	375,755
Deposits with agreed maturity	37,479,399	34,535,298
Repurchase agreements	9,376,423	6,789,993
Deposits redeemable at notice	-	-
Hybrid financial liabilities	50,000	73,200
Other accounts	87,090	185,472
Valuation adjustments	3,623	5,014
Total	**47,492,572**	**41,964,732**

Note 16 – Customer deposits

The breakdown of customer deposits in the consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
By heading:		
Financial liabilities measured at amortised cost	158,211,947	151,269,710
Total	**158,211,947**	**151,269,710**
By nature:		
Demand deposits	140,027,535	130,294,703
Deposits with agreed maturity	15,808,885	18,906,351
Hybrid financial liabilities	1,836,395	1,898,153
Repurchase agreements	423,712	13,022
Valuation adjustments	115,420	157,481
Total	**158,211,947**	**151,269,710**
By sector:		
General governments	7,017,061	6,456,561
Other sectors	151,079,466	144,655,668
Other valuation adjustments (interest, fees and commissions, other)	115,420	157,481
Total	**158,211,947**	**151,269,710**

Note 17 – Debt securities in issue

The breakdown of the balance of debt securities issued by the Group by type of issuance and recognised on the consolidated balance sheets as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021	31/12/2020
Straight bonds/debentures	7,028,536	6,822,802
Straight bonds	6,923,451	6,717,715
Structured bonds	105,085	105,087
State guaranteed straight bonds	-	-
Commercial paper	424,476	374,317
Covered bonds	8,066,000	8,041,000
Covered Bonds (TSB)	2,039,508	1,390,387
Asset-backed bonds	767,900	874,049
Subordinated marketable debt securities	3,445,713	2,873,239
Subordinated liabilities	1,795,713	1,723,239
Preference shares	1,650,000	1,150,000
Valuation and other adjustments	5,606	37,604
Total	**21,777,739**	**20,413,398**

On 2 March 2021, Banco Sabadell approved an issue of preferred securities contingently convertible into newly issued ordinary shares of Banco Sabadell, for a nominal amount of 500 million euros.

These preferred securities are perpetual, although they may be converted into newly issued Banco Sabadell shares, if either Banco Sabadell or its consolidated group has a Common Equity Tier 1 (CET1) ratio lower than 5.125%, calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, of 26 June, on prudential requirements for credit institutions and investment firms.

Schedule IV shows the breakdown of issues carried out by the Group in the first half of 2021.

Note 18 – Provisions and contingent liabilities

Movements in the six-month period ended 30 June 2021 in the "Provisions" heading of the 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 2020	99,690	3,971	114,097	195,879	569,875	983,512
Scope additions / exclusions	-	-	-	-	-	-
Interest and similar charges - pension commitments	447	55	-	-	-	502
Allowances charged to income statement - staff expenses (b)	866	484	-	-	-	1,350
Allowances not charged to income statement	-	-	-	-	-	-
Allowances charged to income statement - provisions	2	-	20,588	776	27,707	49,073
Allocation of provisions	2	-	21,964	90,893	27,707	140,566
Reversal of provisions	-	-	(1,376)	(90,117)	-	(91,493)
Actuarial losses / (gains)	-	-	-	-	-	-
Exchange differences	185	48	-	2,303	6,693	9,229
Utilisations:	(3,923)	(1,889)	(14,668)	-	(373,287)	(393,767)
Net contributions by the sponsor	56	-	-	-	-	56
Pension payments	(3,979)	(1,889)	-	-	-	(5,868)
Other	-	-	(14,668)	-	(373,287)	(387,955)
Other movements	2,797	37	-	483	18,439	21,756
Balance as at 30 June 2021	100,064	2,706	120,017	199,441	249,427	671,655

(c) See Note 26.

The reduction of the balance of "Other provisions" in the first half of 2021 mainly corresponds to contractual obligations undertaken by the Group in the previous financial year in connection with the voluntary redundancy plan in Spain and branch and staff reduction expenses at TSB.

Note 19 – Own funds

Share capital as at the end of the first half of 2021

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 2021

No changes in share capital have taken place in the first half of 2021.

Note 20 – Off-balance sheet exposures

The composition of off-balance sheet exposures as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

Commitments and guarantees given	Note	30/06/2021	31/12/2020
Loan commitments provided		**29,097,653**	**29,295,155**
Of which, amount classified as Stage 2		*1,604,700*	*1,584,252*
Of which, amount classified as Stage 3		*108,692*	*128,512*
Can be drawn by third parties		29,097,653	29,295,155
By credit institutions		66	78
By general governments		1,399,564	1,472,415
By other resident sectors		16,065,212	16,470,386
By non-residents		11,632,811	11,352,276
Amount recognised within liabilities on the balance sheet	18	87,718	88,562
Financial guarantees provided (*)		**2,030,859**	**2,035,638**
Of which, amount classified as Stage 2		*119,333*	*136,415*
Of which, amount classified as Stage 3		*111,566*	*108,143*
Amount recognised within liabilities on the balance sheet (**)	18	41,703	38,605
Other commitments provided		**7,505,813**	**7,594,720**
Of which, amount classified as Stage 2		*400,635*	*479,396*
Of which, amount classified as Stage 3		*337,843*	*349,677*
Other guarantees given		7,328,220	7,237,127
Assets earmarked for third-party obligations		-	-
Irrevocable letter of credit		904,696	760,160
Additional settlement guarantee		20,000	20,000
Other guarantees and sureties given		6,403,524	6,456,967
Other contingent risks		-	-
Other commitments provided		177,593	357,593
Financial asset forward purchase commitments		2,787	204,692
Conventional financial asset purchase contracts		10,508	171
Capital subscribed but not paid up		1,939	1,939
Underwriting and subscription commitments		-	-
Other loan commitments given		162,359	150,791
Amount recognised within liabilities on the balance sheet	18	70,020	68,712
Total		**38,634,325**	**38,925,513**

(*) Includes 61,106 thousand euros and 73,548 thousand euros as at 30 June 2021 and 31 December 2020, respectively, relating to financial guarantees given in relation to construction and real estate development.

(**) Includes 4,320 thousand euros and 3,909 thousand euros as at 30 June 2021 and 31 December 2020, 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 2021 amounted to 449,409 thousand euros (456,941 thousand euros as at 31 December 2020).

Credit risk allowances corresponding to guarantees given as at 30 June 2021 and 31 December 2020, broken down by the method used to determine such allowances and the credit risk of off-balance sheet exposures, are as follows:

Thousand euro

	30/06/2021	31/12/2020
Specific individually measured allowances:	**83,229**	**82,961**
Stage 2	922	934
Stage 3	82,307	82,027
Specific collectively measured allowances:	**28,181**	**24,355**
Stage 1	8,021	7,651
Stage 2	4,593	5,539
Stage 3	15,159	10,667
Allowances for country risk	408	498
Total	**111,410**	**107,316**

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 2021 and 2020, as well as returns and average costs of the various components which comprise the total investment and funds, is as follows:

Thousand euro

	30/06/2021						
	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)**
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.

Thousand euro

	30/06/2020						
	1st quarter			2nd quarter			TOTAL
	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)	
Return on the investment	**220,337,733**	**2.09**	**1,143,474**	**222,558,306**	**1.83**	**1,013,548**	**2,157,022**
Cash and cash equivalents (*)	26,254,634	0.19	12,589	28,340,676	0.10	6,985	**19,574**
Loans and advances	142,034,120	2.80	988,433	143,837,623	2.52	899,910	**1,888,343**
Fixed-income portfolio (**)	27,498,622	1.16	79,200	26,549,681	0.96	63,359	**142,559**
Equity portfolio	1,000,487	-	-	1,038,194	-	-	**-**
Tangible and intangible assets	5,475,464	-	-	5,411,995	-	-	**-**
Rest of other assets	18,074,406	1.41	63,252	17,380,137	1.00	43,294	**106,546**
Cost of resources	**220,337,733**	**(0.47)**	**(258,988)**	**222,558,306**	**(0.35)**	**(193,507)**	**(452,495)**
Credit institutions	22,792,000	(0.14)	(7,687)	23,720,351	0.08	4,841	**(2,846)**
Customer deposits (***)	149,636,087	(0.22)	(82,390)	151,934,692	(0.16)	(60,571)	**(142,961)**
Capital markets	25,329,889	(1.33)	(83,523)	24,211,144	(1.28)	(77,177)	**(160,700)**
Other liabilities	9,671,576	(3.55)	(85,388)	9,953,190	(2.45)	(60,600)	**(145,988)**
Own funds	12,908,181	-	-	12,738,929	-	-	**-**
Net interest income		**884,486**			**820,041**		**1,704,527**
Average total assets		**220,337,733**			**222,558,306**		**221,448,020**
Ratio (margin/ATA)		**1.62**			**1.48**		**1.55**

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

(**) Includes 613 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 21,085 thousand euros, while the cost of funds comprises interest income amounting to 52,568 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 due to the reduction in the customer spread and the lower returns on the fixed-income portfolio due to asset rotations. As a result, net interest margin as a percentage of average total assets was 1.41% in the first half of 2021 (1.55% in the first half of 2020).

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 2021 and 2020 were as follows:

Thousand euro

	30/06/2021	30/06/2020
Fees from risk transactions	**133,307**	**127,251**
Lending operations	83,620	75,954
Sureties and other guarantees	49,687	51,297
Service fees	**411,000**	**369,884**
Payment cards	106,553	97,609
Payment orders	35,338	27,998
Securities	33,355	36,290
Sight accounts	145,836	114,079
Rest	89,918	93,908
Asset management and marketing fees	**165,139**	**176,097**
Mutual funds	55,650	72,843
Sale of pension funds and insurance products	98,079	92,191
Asset management	11,410	11,063
Total	**709,446**	**673,232**
Memorandum item		
Fee and commission income	789,065	761,028
Fee and commission expenses	(79,619)	(87,796)
Fees and commissions (net)	**709,446**	**673,232**

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

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	30/06/2021	30/06/2020
By heading:		
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	14,356	181,517
Financial assets at fair value through other comprehensive income	11,893	37,752
Financial assets at amortised cost	414	143,754
Financial liabilities measured at amortised cost	2,049	11
Gains or (-) losses on financial assets and liabilities held for trading, net	(79,543)	178,381
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	6,208	(31,387)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or (-) losses from hedge accounting, net	(908)	4,290
Total	**(59,887)**	**332,801**
By type of financial instrument:		
Net gain/(loss) on debt securities	19,001	120,912
Net gain/(loss) other equity instruments	637	130
Net gain/(loss) on derivatives	(81,988)	213,268
Net gain/(loss) on other items (*)	2,463	(1,509)
Total	**(59,887)**	**332,801**

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

Throughout the first half of 2021, 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 private sector entities, generating profit of 11,893 thousand euros.

Meanwhile, the “Net gain/(loss) on derivatives” heading in the table above includes, mainly, 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 results obtained from these derivatives are recognised under the heading “Gains or (-) losses on financial assets and liabilities held for trading, net” of the 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 consolidated income statement.

Note 24 – Other operating income

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	30/06/2021	30/06/2020
Income from use of investment properties	13,373	14,047
Sales and other income from the provision of non-financial services	5,995	8,580
Other operating income	63,749	100,926
Total	**83,117**	**123,553**

The income recognised in “Other operating income” basically corresponds to income from Group entities engaging in non-financial activities (mostly operating leases).

Note 25 – Other operating expenses

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	30/06/2021	30/06/2020
Contribution to deposit guarantee schemes	(6,215)	(5,871)
Banco Sabadell	(41)	(52)
TSB	(474)	700
BS IBM México	(5,700)	(6,519)
Contribution to resolution fund	(87,977)	(78,388)
Other items	(110,895)	(125,654)
Total	**(205,087)**	**(209,913)**

The "Other items" subheading in the above table mostly includes expenses relating to non-financial activities.

Note 26 – Administrative expenses

Staff expenses

Staff expenses recognised in the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 were as follows:

Thousand euro

	Note	30/06/2021	30/06/2020
Payrolls and bonuses for active staff		(553,771)	(595,510)
Social Security payments		(118,240)	(125,983)
Contributions to defined benefit pension plans	18	(1,350)	(1,456)
Contributions to defined contribution pension plans		(34,423)	(34,301)
Other staff expenses		(46,050)	(40,549)
Total		**(753,834)**	**(797,799)**

The average workforce of the Bank and Group in the six-month periods ended 30 June 2021 and 2020 is detailed below:

Number of employees

	Bank		Group	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Average of employees	**14,062**	**15,375**	**21,846**	**24,334**
Men	6,606	7,436	9,678	10,767
Women	7,456	7,939	12,168	13,567

As at 30 June 2021 and 2020, the breakdown of the Group workforce by category and sex is as follows:

Number of employees

	30/06/2021			30/06/2020		
	Men	Women	Total	Men	Women	Total
Management staff	489	186	675	536	185	721
Technical staff	8,193	9,451	17,644	9,390	10,460	19,850
Administrative staff	733	2,043	2,776	806	2,829	3,635
Total	**9,415**	**11,680**	**21,095**	**10,732**	**13,474**	**24,206**

The change in the Group's workforce, both on average and as at 30 June 2021, mainly corresponds to the voluntary redundancy plan undertaken in the first quarter of 2021 in Spain and the reduction in TSB's workforce due to adjustment to business needs.

Other administrative expenses

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	30/06/2021	30/06/2020
Property, plant and equipment	(33,631)	(42,748)
Information technology	(207,530)	(178,235)
Communication	(15,603)	(20,197)
Publicity	(42,628)	(39,611)
Subcontracted administrative services	(65,757)	(89,107)
Contributions and taxes	(66,741)	(66,694)
Technical reports	(13,409)	(13,308)
Security services and fund transfers	(7,608)	(9,085)
Entertainment expenses and staff travel expenses	(2,462)	(4,998)
Membership fees	(2,587)	(2,901)
Other expenses	(38,916)	(41,836)
Total	**(496,872)**	**(508,720)**

The cost-to-income ratio stood at 53.73% as at 30 June 2021 (53.65% as at 30 June 2020).

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

Number of branches

	30/06/2021	30/06/2020
Branches	**1,918**	**2,271**
Spain	1,588	1,728
Outside Spain	330	543

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

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	Note	30/06/2021	30/06/2020
Financial assets at fair value through other comprehensive income		561	660
Debt securities		561	660
Other equity instruments		-	-
Financial assets at amortised cost	10	(504,517)	(882,159)
Debt securities		66	(3)
Loans and advances		(504,583)	(882,156)
Total		**(503,956)**	**(881,499)**

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

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	30/06/2021	30/06/2020
Property, plant and equipment	(25,824)	67
Investment properties	10,464	(1,015)
Goodwill and other intangible assets	-	-
Inventories	(23,521)	2,964
Total	**(38,881)**	**2,016**

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

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	30/06/2021	30/06/2020
Property, plant and equipment	(7,850)	(673)
Investment properties	1	1,313
Intangible assets	(2,241)	(568)
Interests (*)	7,553	454
Other capital instruments	-	-
Other items	82,743	-
Total	**80,206**	**526**

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

"Other items" mainly corresponds to profit obtained from the sale of the institutional depositary business (see Note 2).

Note 30 – Gains or (-) losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The composition of this heading of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

Thousand euro

	30/06/2021	30/06/2020
Property, plant and equipment for own use and foreclosed	(29,452)	(95,197)
Gains/losses on sales	(21,826)	13,580
Impairment/Reversal	(7,626)	(108,777)
Investment properties	543	124
Intangible assets	-	-
Interests (*)	9	300,124
Other capital instruments	-	-
Other items	(6,362)	(23,454)
Total	**(35,262)**	**181,597**

(*) 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 sale costs.

Note 31 – Segment reporting

Segmentation criteria

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

The criteria that Banco Sabadell Group uses for its segment reporting are:

- Three geographical regions: Banking Business in Spain, United Kingdom and Mexico.
- 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 region and then broken down based on the customers to which each segment is aimed.

Segmentation by geographical region

Following the segmentation defined in the 2020 annual financial statements, the information is arranged as follows:

– **Banking Business Spain**, which includes the thee customer-centric business units:

- Retail customers
- Businesses
- Corporate & Investment Banking

– **Banking Business United Kingdom:**

The TSB franchise includes retail banking business conducted in the United Kingdom, which includes current and savings accounts, personal loans, credit cards and mortgages.

– **Banking Business Mexico:**

Offers Corporate Banking and Commercial Banking financial services.

As regards the basis of presentation and approach used, the information presented herein for each business unit is based on the individual accounting records of each Group company, after all consolidation disposals and adjustments have been made, and on analytical accounting of income and expenses where particular business lines are split across one or more legal entities, which allows income and expenses to be allocated to each customer in line with the business line to which they are assigned.

Each business unit is treated as an independent business. They each bear their own direct costs, on the basis of general and analytical accounting, as well as the indirect costs arising from the provision of specialised products, services or systems.

Capital is allocated in such a way that each business unit is allocated capital equivalent to the minimum regulatory capital requirements for risk-weighted assets. This regulatory minimum requirement depends on the body responsible for supervising each business.

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

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
Net banking revenues	**1,801**	**538**	**57**	**2,395**
Net trading income and exchange differences	22	7	(1)	28
Equity-accounted affiliates 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**
ROE (profit / average shareholders' equity)	3.2%	2.9%	1.8%	3.1%
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

	30/06/2021 (*)			
	Banking Business Spain	Banking Business UK	Banking Business Mexico	Total Group
Assets	**195,172**	**50,233**	**4,715**	**250,120**
Gross performing loans to customers	108,042	40,959	3,514	152,515
Non-performing real estate assets (net)	859	-	-	859
Liabilities	**185,748**	**47,604**	**4,095**	**237,447**
On-balance sheet customer funds	113,776	41,416	2,153	157,345
Wholesale Funding Capital Markets	19,188	2,914	-	22,101
Allocated capital	**9,423**	**2,629**	**620**	**12,673**
Off-balance sheet customer funds	**40,736**	**-**	**-**	**40,736**

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

Million euro

	30/06/2020 (*)			
	Banking Business Spain	Banking Business UK	Banking Business Mexico	Total Group
Net interest income	**1,202**	**442**	**61**	**1,705**
Fees and commissions (net)	626	43	4	673
Net banking revenues	**1,828**	**485**	**65**	**2,378**
Net trading income and exchange differences	133	19	3	155
Equity-accounted affiliates and dividends	14	-	-	14
Other operating income/expense	(93)	13	(6)	(86)
Gross income	**1,881**	**517**	**62**	**2,461**
Operating expenses and depreciation and amortisation	(1,026)	(499)	(36)	(1,562)
Pre-provisions income	**855**	**18**	**26**	**899**
Provisions and impairments	(958)	(121)	(11)	(1,090)
Capital gains on asset sales and other revenue	275	1	-	276
Profit/(loss) before tax	**173**	**(102)**	**15**	**85**
Corporation tax	31	31	(3)	59
Profit or loss attributed to minority interests	(1)	-	-	(1)
Profit attributable to the Group	**205**	**(71)**	**12**	**145**
ROE (profit / average shareholders' equity)	3.7%	-	3.8%	2.0%
Cost-to-income (general administrative expenses / gross income)	45.4%	81.3%	52.0%	53.7%
NPL ratio	4.7%	1.6%	0.8%	4.0%
NPL (stage 3) coverage ratio, with total provisions	55.6%	51.9%	132.5%	55.6%
Employees	16,570	7,133	503	24,206
Domestic and foreign branches	1,753	503	15	2,271

(*) Exchange rates used in the income statement: GBP 0.87 (average), MXN 23.87 (average), USD 1.10 (average) and MAD 10.89 (average)

Million euro

	31/12/2020 (*)			
	Banking Business Spain	Banking Business UK	Banking Business Mexico	Total Group
Assets	**183,896**	**47,284**	**4,584**	**235,763**
Gross performing loans to customers	106,237	36,977	3,574	146,878
Non-performing real estate assets (net)	871	-	-	871
Liabilities	**174,676**	**44,673**	**3,923**	**223,272**
On-balance sheet customer funds	110,572	38,213	1,993	150,778
Wholesale Funding Capital Markets	18,332	2,319	-	20,651
Allocated capital	**9,220**	**2,611**	**661**	**12,492**
Off-balance sheet customer funds	**38,064**	**-**	**-**	**38,064**

(*) Exchange rates used in the balance sheet: GBP 0.8990, MXN 24.416, USD 1.2271 and MAD 10.882.

Core revenue generated by each business unit as at 30 June 2021 and 2020 is as follows:

Thousand euro

	Consolidated			
	Income from ordinary activities (*)		Profit/(loss) before tax	
SEGMENTS	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Banking Business Spain	2,172,175	2,681,213	262,575	172,728
Banking Business UK	578,873	615,748	31,152	(102,243)
Banking Business Mexico	111,427	151,562	3,862	14,996
Total	**2,862,475**	**3,448,523**	**297,589**	**85,481**

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

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

The distribution of interest income by region for the period between 1 January and 30 June 2021, and the comparison with the same period of the preceding year, is as follows:

Thousand euro

	Breakdown of interest income by geography			
	Individual		Consolidated	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
National market	1,306,429	1,401,032	1,319,556	1,418,972
International market	107,321	139,172	729,561	811,703
European Union	20,894	18,362	20,894	18,362
Euro zone	20,894	18,362	20,894	18,362
Non Euro zone	-	-	-	-
Other	86,427	120,810	708,667	793,341
Total	**1,413,750**	**1,540,204**	**2,049,117**	**2,230,675**

Note 32 – Deferred tax assets and liabilities

The sources of the deferred tax assets and liabilities recognised in the consolidated balance sheet as at 30 June 2021 and 31 December 2020 are as follows:

Thousand euro

Deferred tax assets	30/06/2021	31/12/2020
Monetisable	**5,040,776**	**5,058,733**
Due to credit impairment	3,340,391	3,358,141
Due to real estate asset impairment	1,574,465	1,574,672
Due to pension funds	125,920	125,920
Non-monetisable	**1,094,105**	**1,066,199**
Tax credits for losses carried forward	**498,958**	**483,831**
Deductions not applied	**27,830**	**35,975**
Total	**6,661,669**	**6,644,738**

Deferred tax liabilities	30/06/2021	31/12/2020
Property restatements	56,275	56,677
Adjustments to value of wholesale debt issuances arising in business combinations	16,125	19,871
Other financial asset value adjustments	6,299	34,666
Other	55,241	55,303
Total	**133,940**	**166,517**

According to the information available as at the date of authorisation of these interim financial statements, and the forecasts taken from the Group's business plan for the coming years, the Group estimates that it will generate sufficient taxable income to offset tax loss carry-forwards and non-monetisable tax assets when these can be deducted on the basis of current tax regulations, and that it will be able to generate this within a maximum 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

During the first half of 2021, no material transactions have taken place with the Group's related parties as defined in Order EHA/3050/2004. Those that did take place were in the normal course of the company's business and were performed at market prices.

Details of the balances held with related parties as at 30 June 2021 and 31 December 2020, as well as the impact of related party transactions on the income statements for the six-month periods ended 30 June 2021 and 2020, are shown below:

Thousand euro

	30/06/2021					31/12/2020
	Joint control or signif. influence (in B.Sab)	Associates	Key personnel	Other related parties (*)	Total	Total
Assets:						
Customer lending and other financial assets	-	158,233	4,379	210,168	**372,780**	**329,540**
Liabilities:						
Customer deposits and other financial liabilities	-	342,674	6,966	31,111	**380,751**	**527,333**
Off-balance sheet exposures:						
Financial guarantees provided	-	311	-	1,606	**1,917**	**672**
Loan commitments given	-	1,655	463	39,749	**41,867**	**40,896**
Other commitments provided	-	6,749	-	817	**7,566**	**7,566**
	30/06/2021					30/06/2020
Income statement:						
Interest and similar income	-	1,333	12	703	**2,048**	**1,893**
Interest and similar charges	-	(36)	(1)	-	**(37)**	**(42)**
Return on capital instruments	-	-	-	-	**-**	**-**
Fees and commissions (net)	-	71,940	32	168	**72,140**	**66,583**
Other operating income/expense	-	6,814	-	-	**6,814**	**7,969**

(*) 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 2021 and 2020 is shown below:

Thousand euro

	30/06/2021	30/06/2020
Type of remuneration		
Remuneration for membership of the Board and/or Board Committees	1,614	1,101
Wages	1,704	2,554
Variable remuneration in cash	381	-
Share-based remuneration schemes	430	-
Other items	56	63
Subtotal ordinary remuneration	**4,185**	**3,718**
Severance pay	1,849	-
Long-term savings schemes	4,443	-
Total	**10,477**	**3,718**

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 2021 corresponds to 50% of theoretical short-term variable remuneration for the financial year 2021, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise. The remuneration corresponding to 2020 does not include any variable remuneration amounts as the executive directors waived their entitlement to it.

With regard to the remuneration for 2021, this includes extraordinary amounts in respect of compensation, amounting to 1,849 thousand euros, as well as extraordinary contributions to long-term savings schemes, which amount to 4,443 thousand euros and which correspond 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 1,174 thousand euros as at 30 June 2021, of which 988 thousand euros corresponded to loans and advances and 186 thousand euros related to guarantees and documentary credits (1,961 thousand euros as at 30 June 2020, consisting of 1,765 thousand euros in loans and advances and 196 thousand euros in guarantees and documentary credits). Liabilities amounted to 5,456 thousand euros as at 30 June 2021 (7,265 thousand euros as at 30 June 2020).

In accordance with that set forth in Circular 1/2020, of 6 October, of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV), remuneration amounts received by 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 2021 and 2020, are set out below:

Thousand euro

	30/06/2021	30/06/2020
Ordinary remuneration	2,788	2,549
Severance pay	5,340	-
Total	**8,128**	**2,549**

The amounts include the remuneration of members of Senior Management during the period they have held this status.

The remuneration for 2021 includes variable remuneration amounts as at 30 June 2021 corresponding to 50% of theoretical short-term variable remuneration for the financial year 2021, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise. The remuneration corresponding to 2020 does not include any variable remuneration amounts as Senior Management members waived their entitlement to it.

Additionally, for the period corresponding to 2021, extraordinary amounts in respect of compensation amount to 5,340 thousand euros and correspond to pre-existing legal or contractual obligations.

Note 35 – Subsequent events

On 15 July 2021, Banco Sabadell and Mora Banc Grup, S.A. ("MoraBanc") entered into an agreement whereby MoraBanc undertakes to acquire, subject to obtaining the relevant regulatory approvals, the entire stake held by Banco Sabadell at BancSabadell d'Andorra, S.A. (namely, 51.61% taking into account the treasury stock) for an amount of approximately 67 million euros. The final amount will be set upon verification of certain financial figures as of 30 June 2021. The transaction is expected to close in the final quarter of 2021.

The transaction is not expected to have a significant impact on the Group's income statement and is expected to contribute 7 basis points to the fully-loaded Common Equity Tier 1 (CET1) ratio. As at 30 June 2021, the assets and liabilities contributed by the BancSabadell d'Andorra, S.A. subgroup to the consolidated balance sheet amounted to approximately 1,033 and 952 million euros, respectively. These assets and liabilities will be reclassified into "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" until the closing of this transaction.

There have been no other events worthy of mention subsequent to 30 June 2021.

Schedule I – Changes in the scope of consolidation

Newly consolidated companies in the first half of 2021:

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
Parque Eólico Casa Vieja S. L.	Associate	15/04/2021	267	-	50%	50%	Indirect	Equity method	a
Parque Eólico Villaumbrales S. L.	Associate	15/04/2021	267	-	50%	50%	Indirect	Equity method	a
Parque Eólico Perales S.L.	Associate	15/04/2021	267	-	50%	50%	Indirect	Equity method	a
Parque Eólico Los Pedrejones S.L.	Associate	15/04/2021	267	-	50%	50%	Indirect	Equity method	a
Aurica Capital Desarrollo, S.G.E.I.C., S.A.	Associate	6/05/2021	252	-	20%	20%	Direct	Equity method	b
Total newly consolidated subsidiaries			0						
Total newly consolidated associates			1.320						

(a) Acquisition or incorporation of associates

(b) Change in consolidation method.

Companies no longer consolidated in the first half of 2021:

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
Verum Inmobiliaria Urbanismo y Promoción, S.A.	Subsidiary	5/14/2021	97%	-	(2)	Indirect	Full consolidation	a
Guipuzcoano Valores, S.A. en Liquidación	Subsidiary	2/8/2021	100%	-	(37)	Direct	Full consolidation	a
Tierras Vega Alta del Segura, S.L. en Liquidación	Subsidiary	1/19/2021	100%	-	-	Indirect	Full consolidation	a
Gestión de Proyectos Urbanísticos del Mediterráneo, S.L.U. en Liquidación	Subsidiary	1/19/2021	100%	-	-	Indirect	Full consolidation	a
Caminsa Urbanismo, S.A.U. en Liquidación	Subsidiary	1/20/2021	100%	-	-	Indirect	Full consolidation	a
Mercurio Alicante Sociedad de Arrendamientos 1, S.L.	Subsidiary	6/2/2021	100%	-	(31)	Direct	Full consolidation	a
Aurica Capital Desarrollo, S.G.E.I.C., S.A.	Subsidiary	5/6/2021	80%	20%	(99)	Direct	Full consolidation	b
Other					7,731			
Total					**7,562**			

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

(b) Change in consolidation method.

Schedule II – Financial statements of Banco Sabadell

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

The Bank's balance sheets as at 30 June 2021 and 31 December 2020 are shown below, together with the income statements, the statements of changes in equity and the cash flow statements, corresponding to the six-month periods ended 30 June 2021 and 2020.

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2021 and 31 December 2020

Thousand euro

Assets	**30/06/2021**	**31/12/2020**
Cash, cash balances at central banks and other demand deposits	**42,336,419**	**28,723,571**
Financial assets held for trading	**2,017,531**	**2,434,831**
Derivatives	1,507,790	2,147,113
Equity instruments	-	-
Debt securities	509,741	287,718
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or pledged as security with sale or pledging rights	*172,345*	*15,792*
Non-trading financial assets mandatorily at fair value through profit or loss	**81,457**	**70,236**
Equity instruments	18,416	12,516
Debt securities	63,041	57,720
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	**5,809,523**	**5,066,571**
Equity instruments	62,885	56,126
Debt securities	5,746,638	5,010,445
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or pledged as security with sale or pledging rights	*1,873,542*	*1,091,719*
Financial assets at amortised cost	**134,864,913**	**137,243,172**
Debt securities	16,101,310	16,171,219
Loans and advances	118,763,603	121,071,953
Central banks	-	-
Credit institutions	5,075,833	8,845,708
Customers	113,687,770	112,226,245
Memorandum item: loaned or pledged as security with sale or pledging rights	*6,994,300*	*4,950,813*
Derivatives – Hedge accounting	**292,234**	**393,702**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**198,384**	**369,688**
Investments in subsidiaries, joint ventures and associates	**5,386,822**	**5,557,864**
Subsidiaries	5,266,145	5,231,504
Joint ventures	-	-
Associates	120,677	326,360
Tangible assets	**1,982,231**	**2,049,405**
Property, plant and equipment	1,914,948	1,980,720
For own use	1,914,948	1,980,720
Leased out under operating leases	-	-
Investment properties	67,283	68,685
Of which: leased out under operating leases	*67,283*	*68,524*
Memorandum item: acquired through finance leases	*884,324*	*893,375*
Intangible assets	**77,392**	**102,101**
Goodwill	49,171	73,378
Other intangible assets	28,221	28,723
Tax assets	**5,249,377**	**5,534,245**
Current tax assets	134,460	430,106
Deferred tax assets	5,114,917	5,104,139
Other assets	**949,765**	**424,291**
Insurance contracts linked to pensions	132,892	133,757
Inventories	-	-
Rest of other assets	816,873	290,534
Non-current assets and disposal groups classified as held for sale	**1,039,928**	**939,343**
TOTAL ASSETS	200,285,976	188,909,020

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2021 and 31 December 2020

Thousand euro

Liabilities	**30/06/2021**	**31/12/2020**
Financial liabilities held for trading	**1,432,683**	**2,316,140**
Derivatives	1,397,539	2,100,210
Short positions	35,144	215,930
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Memorandum item: subordinated liabilities	-	-
Financial liabilities at amortised cost	**185,719,037**	**172,930,575**
Deposits	160,862,369	151,240,358
Central banks	32,151,496	28,467,532
Credit institutions	12,023,123	9,451,176
Customers	116,687,750	113,321,650
Debt securities issued	19,555,326	18,218,817
Other financial liabilities	5,301,342	3,471,400
Memorandum item: subordinated liabilities	*3,483,073*	*2,487,926*
Derivatives – Hedge accounting	**467,527**	**521,384**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**165,839**	**241,550**
Provisions	**747,972**	**1,024,950**
Pensions and other post employment defined benefit obligations	93,816	94,463
Other long term employee benefits	312	1,228
Pending legal issues and tax litigation	120,010	114,089
Commitments and guarantees given	416,958	421,572
Other provisions	116,876	393,598
Tax liabilities	**187,602**	**144,609**
Current tax liabilities	103,940	26,451
Deferred tax liabilities	83,662	118,158
Share capital repayable on demand	**-**	**-**
Other liabilities	**426,114**	**633,390**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**189,146,774**	**177,812,598**

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2021 and 31 December 2020

Thousand euro

Equity	30/06/2021	31/12/2020
Shareholders' equity	**11,285,264**	**11,140,285**
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	8,787	8,755
Retained earnings	4,484,425	4,402,722
Revaluation reserves	-	-
Other reserves	(1,961,091)	(1,930,114)
(-) Treasury shares	(34,092)	(37,457)
Profit or loss for the period	184,637	93,781
(-) Interim dividends	-	-
Accumulated other comprehensive income	**(146,062)**	**(43,863)**
Items that will not be reclassifie.d to profit or loss	(72,899)	(83,433)
Actuarial gains or (-) losses on defined benefit pension plans	173	173
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	(73,072)	(83,606)
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	(73,163)	39,570
Hedge of net investments in foreign operations [effective portion]	7,639	13,392
Foreign currency translation	(278)	(29,673)
Hedging derivatives. Cash flow hedges reserve [effective portion]	(56,814)	70,959
Fair value changes of debt instruments measured at fair value through other comprehensive income	(23,710)	(15,108)
Hedging instruments [not designated elements]	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**11,139,202**	**11,096,422**
TOTAL EQUITY AND TOTAL LIABIITIES	**200,285,976**	**188,909,020**

Memorandum item: off-balance sheet exposures		
Loan commitments given	**22,631,633**	**23,214,810**
Financial guarantees provided	**5,059,991**	**2,404,071**
Other commitments provided	**7,537,780**	**7,617,470**

Income statements of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	30/06/2021	30/06/2020
Interest income	1,413,750	1,540,204
Financial assets at fair value through other comprehensive income	22,383	22,067
Financial assets at amortised cost	1,195,516	1,354,144
Other interest income	195,851	163,993
(Interest expenses)	(321,248)	(402,161)
(Expenses on share capital repayable on demand)	-	-
Net interest income	**1,092,502**	**1,138,043**
Dividend income	64,759	28,388
Fee and commission income	688,591	625,690
(Fee and commission expenses)	(65,112)	(60,757)
Gains or (-) losses on financial assets and liabilities, net	(57,868)	320,488
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	7,761	161,559
Financial assets at amortised cost	458	143,790
Other financial assets and liabilities	7,303	17,769
Gains or (-) losses on financial assets and liabilities held for trading, net	(71,874)	188,845
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortised cost	-	-
Other gains or (-) losses	(71,874)	188,845
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	6,185	(31,350)
Reclassification of financial assets from fair value through other comprehensive income	-	(694)
Reclassification of financial assets from amortised cost	-	-
Other gains or (-) losses	6,185	(30,656)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or (-) losses from hedge accounting, net	60	1,434
Exchange differences [gain or (-) loss], net	84,706	(170,086)
Other operating income	28,455	30,656
(Other operating expenses)	(114,315)	(119,354)
Gross income	**1,721,718**	**1,793,068**

Thousand euro

	30/06/2021	30/06/2020
(Administrative expenses)	(877,497)	(884,872)
(Staff expenses)	(511,810)	(553,774)
(Other administrative expenses)	(365,687)	(331,098)
(Depreciation and amortisation)	(116,522)	(123,597)
(Provisions or (-) reversal of provisions)	(53,925)	(77,835)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	(468,327)	(782,988)
(Financial assets at fair value through other comprehensive income)	566	674
(Financial assets at amortised cost)	(468,893)	(783,662)
Profit/(loss) on operating activities	**205,447**	**(76,224)**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)	18,488	14,300
(Impairment or (-) reversal of impairment on non-financial assets)	(23,333)	(241)
(Tangible assets)	(23,333)	(241)
(Intangible assets)	-	-
(Other)	-	-
Gains or (-) losses on derecognition of non-financial assets, net	83,336	(2,036)
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	(33,807)	237,893
Profit or (-) loss before tax from continuing operations	**250,131**	**173,692**
(Tax expense or (-) income related to profit or loss from continuing operations)	(65,494)	39,469
Profit or (-) loss after tax from continuing operations	**184,637**	**213,161**
Profit or (-) loss after tax from discontinued operations	-	-
Profit or loss for the period	**184,637**	**213,161**
Earnings per share (euro)	**0.02**	**0.03**
Basic (in euro)	0.02	0.03
Diluted (in euro)	0.02	0.03

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

Statements of recognised income and expenses

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	30/06/2021	30/06/2020
Profit or loss for the period	**184,637**	**213,161**
Other comprehensive income	**(102,199)**	**(12,180)**
Items that will not be reclassified to profit or loss	10,535	(16,742)
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	6,738	(18,570)
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	3,797	1,828
Items that may be reclassified to profit or loss	(112,734)	4,562
Hedge of net investments in foreign operations [effective portion]	(5,752)	(572)
Valuation gains or (-) losses taken to equity	(5,752)	(572)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	29,393	2,300
Translation gains or (-) losses taken to equity	29,393	2,300
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	(156,113)	47,955
Valuation gains or (-) losses taken to equity	(151,084)	132,159
Transferred to profit or loss	(5,029)	(84,204)
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	(11,110)	(44,829)
Valuation gains or (-) losses taken to equity	(5,856)	(27,072)
Transferred to profit or loss	(5,254)	(17,757)
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	30,848	(292)
Total comprehensive income for the period	**82,438**	**200,981**

The statement of recognised income and expense and the statement of total changes in equity of Banco Sabadell make up the statement of changes in equity.

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

Statements of total changes in equity

For the six-month periods ended 30 June 2021 and 2020

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**
Opening 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**

The statement of recognised income and expense and the statement of total changes in equity make up the statement of changes in equity.

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

Statements of total changes in equity

For the six-month periods ended 30 June 2021 and 2020

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**
Opening balance 31/12/2019	**703,371**	**7,899,227**	**-**	**17,077**	**3,481,494**	**-**	**(1,776,853)**	**(8,503)**	**1,053,267**	**(110,817)**	**58,244**	**11,316,507**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	**-**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	**-**
Opening balance 01/01/2019	**703,371**	**7,899,227**	**-**	**17,077**	**3,481,494**	**-**	**(1,776,853)**	**(8,503)**	**1,053,267**	**(110,817)**	**58,244**	**11,316,507**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	213,161	-	(12,180)	**200,981**
Other changes in equity	-	-	-	(9,486)	924,204	-	(119,600)	(32,835)	(1,053,267)	110,817	-	**(180,167)**
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)	-	-	-	-	(112,539)	-	-	-	-	-	-	**(112,539)**
Purchase of treasury shares	-	-	-	-	-	-	-	(97,455)	-	-	-	**(97,455)**
Sale or cancellation of treasury shares	-	-	-	-	-	-	(958)	64,620	-	-	-	**63,662**
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	**-**
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfers among components of equity	-	-	-	-	942,450	-	-	-	(1,053,267)	110,817	-	**-**
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	**-**
Share based payments	-	-	-	3,019	-	-	-	-	-	-	-	**3,019**
Other increase or (-) decrease in equity	-	-	-	(12,505)	94,293	-	(118,642)	-	-	-	-	**(36,854)**
Closing balance 30/06/2020	**703,371**	**7,899,227**	**-**	**7,591**	**4,405,698**	**-**	**(1,896,453)**	**(41,338)**	**213,161**	**-**	**46,064**	**11,337,321**

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

For the six-month periods ended 30 June 2021 and 2020

Thousand euro

	30/06/2021	30/06/2020
Cash flows from operating activities	**12,550,243**	**12,859,101**
Profit or loss for the period	184,637	213,161
Adjustments to obtain cash flows from operating activities	742,500	691,819
Depreciation and amortisation	116,522	123,597
Other adjustments	625,978	568,222
Net increase/decrease in operating assets	1,535,269	47,678
Financial assets held for trading	417,300	(828,481)
Non-trading financial assets mandatorily at fair value through profit or loss	(11,220)	16,550
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(740,454)	993,221
Financial assets at amortised cost	1,909,366	(52,681)
Other operating assets	(39,723)	(80,931)
Net increase/decrease in operating liabilities	9,861,788	11,786,733
Financial liabilities held for trading	(883,457)	807,493
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	11,788,463	10,824,264
Other operating liabilities	(1,043,218)	154,976
Income tax receipts or payments	226,049	119,710
Cash flows from investment activities	**146,998**	**254,843**
Payments	(66,888)	(86,708)
Tangible assets	(61,887)	(74,341)
Intangible assets	(4,675)	(5,190)
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	(326)	(7,177)
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investment activities	-	-
Collections	213,886	341,551
Tangible assets	3,918	1,512
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	58,907	4,546
Other business units	9,128	25,003
Non-current assets and liabilities classified as held for sale	141,933	310,490
Other collections related to investment activities	-	-
Cash flows from financing activities	**915,842**	**(354,755)**
Payments	(123,906)	(718,417)
Dividends	-	(112,539)
Subordinated liabilities	-	(424,600)
Amortisation of own equity instruments	-	-
Acquisition of own equity instruments	(35,338)	(97,455)
Other payments related to financing activities	(88,568)	(83,823)
Collections	1,039,748	363,662
Subordinated liabilities	1,000,000	300,000
Issuance of own equity instruments	-	-
Disposal of own equity instruments	39,748	63,662
Other collections related to financing activities	-	-
Effect of exchange rate fluctuations	**(235)**	**90,270**
Net increase (decrease) in cash and cash equivalents	**13,612,848**	**12,849,459**
Cash and cash equivalents at the beginning of the period	**28,723,571**	**8,792,496**
Cash and equivalents at the end of the period	**42,336,419**	**21,641,955**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash	509,726	538,724
Cash equivalents in central banks	41,332,423	20,929,837
Other demand deposits	494,270	173,394
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 as follows, without taking into account the guarantee provided by the DGF.

a) Asset-side transactions

Details of the aggregate nominal values of mortgage lending portfolio as at 30 June 2021 and 31 December 2020 used as collateral for issues, their eligibility and the extent to which they qualify as such 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)	30/06/2021	31/12/2020
Total mortgage loan and credit portfolio	**50,798,758**	**50,756,669**
Participation mortgages issued	**1,658,067**	**1,918,951**
Of which: Loans held on balance sheet	*1,624,367*	*1,875,011*
Mortgage transfer certificates	**5,717,048**	**6,087,432**
Of which: Loans held on balance sheet	*5,486,461*	*5,855,389*
Mortgage loans pledged as security for financing received	-	-
Loans backing issues of mortgage bonds and covered bonds	**43,423,643**	**42,750,286**
Ineligible loans	9,725,500	10,169,340
Fulfil eligibility requirements except for limit under Article 5.1 of Royal Decree 716/2009	9,301,643	9,603,831
Rest	423,857	565,509
Eligible loans	33,698,143	32,580,946
Non-qualifying portions	70,941	91,307
Qualifying portions	33,627,202	32,489,639
Loans covering mortgage bond issues	-	-
Loans eligible as coverage for covered bond issues	33,627,202	32,489,639
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	30/06/2021		31/12/2020	
	Total	*Of which: Eligible loans*	Total	*Of which: Eligible loans*
Loans backing issues of mortgage bonds and covered bonds	**43,423,643**	***33,698,143***	**42,750,286**	***32,580,946***
Origin of operations	**43,423,643**	***33,698,143***	**42,750,286**	***32,580,946***
Originated by the institution	42,821,893	*33,242,386*	42,183,959	*32,174,163*
Subrogated from other entities	290,008	*254,144*	269,499	*233,253*
Rest	311,742	*201,613*	296,828	*173,530*
Currency	**43,423,643**	***33,698,143***	**42,750,286**	***32,580,946***
Euro	43,371,223	*33,653,707*	42,695,243	*32,535,432*
Other currencies	52,420	*44,436*	55,043	*45,514*
Payment status	**43,423,643**	***33,698,143***	**42,750,286**	***32,580,946***
Satisfactory payment	39,253,962	*31,335,194*	38,634,588	*30,360,821*
Other situations	4,169,681	*2,362,949*	4,115,698	*2,220,125*
Average residual maturity	**43,423,643**	***33,698,143***	**42,750,286**	***32,580,946***
Up to 10 years	9,999,521	*8,289,035*	9,951,936	*8,286,771*
10 to 20 years	17,051,957	*13,805,613*	16,848,912	*13,429,613*
20 to 30 years	15,575,558	*11,255,854*	14,764,169	*10,498,681*
More than 30 years	796,607	*347,641*	1,185,269	*365,881*
Interest rate	**43,423,643**	***33,698,143***	**42,750,287**	***32,580,946***
Fixed	19,610,330	*15,841,958*	17,799,195	*14,337,428*
Variable	23,813,313	*17,856,185*	24,951,092	*18,243,518*
Mixed	-	-	-	-
Borrowers	**43,423,643**	***33,698,143***	**42,750,287**	***32,580,946***
Legal entities and individual entrepreneurs	11,913,023	*8,649,222*	12,077,615	*8,481,935*
Of which: Real estate developments	*2,185,743*	*1,215,313*	*2,426,325*	*1,223,926*
Other individuals and NPISHs	31,510,620	*25,048,921*	30,672,672	*24,099,011*
Type of guarantee	**43,423,643**	***33,698,143***	**42,750,287**	***32,580,946***
Assets /finished buildings	42,672,821	*33,207,705*	41,869,228	*32,013,323*
Residential	*35,078,378*	*27,623,030*	*34,365,662*	*26,602,780*
Of which: Subsidised housing	*1,415,749*	*1,149,244*	*1,460,161*	*1,185,576*
Commercial	*7,393,110*	*5,450,003*	*7,300,429*	*5,258,460*
Other	*201,333*	*134,672*	*203,137*	*152,083*
Assets/ buildings under construction	139,085	*128,087*	193,026	*174,259*
Residential	*122,431*	*113,807*	*153,794*	*138,421*
Of which: Subsidised housing	*51*	*51*	*137*	*137*
Commercial	*16,505*	*14,131*	*38,991*	*35,598*
Other	*149*	*149*	*241*	*240*
Land	611,737	*362,351*	688,033	*393,364*
Developed	*105,347*	*49,866*	*127,609*	*52,908*
Rest	*506,390*	*312,485*	*560,424*	*340,456*

The nominal values of available funds (i.e. undrawn commitments) within the total mortgage lending portfolio were as follows:

Thousand euro

Undrawn balances (nominal value). Total mortgage loans and credit backing the issue of mortgage bonds and covered bonds		
	30/06/2021	31/12/2020
Potentially eligible	1,006,512	1,067,752
Ineligible	1,943,201	2,040,402

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 is given hereafter:

Thousand euro

LTV ratio by type of security. Eligible loans for the issue of mortgage bonds and covered bonds		
	30/06/2021	31/12/2020
Secured on residential property	**27,744,723**	**26,756,164**
Of which LTV <= 40%	*7,888,466*	*7,774,941*
Of which LTV 40%-60%	*9,775,631*	*9,511,514*
Of which LTV 60%-80%	*10,080,626*	*9,469,709*
Of which LTV > 80%	-	-
Secured on other property	**5,953,420**	**5,824,782**
Of which LTV <= 40%	*3,664,204*	*3,488,807*
Of which LTV 40%-60%	*2,289,216*	*2,335,975*
Of which LTV > 60%	-	-

Movements during the first half of 2021 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 2020	**32,580,946**	**10,169,340**
Derecognised during the year	**(2,500,503)**	**(1,593,910)**
Terminations at maturity	(1,425,758)	(313,779)
Early terminations	(932,563)	(516,887)
Subrogations by other entities	(27,353)	-
Rest	(114,829)	(763,244)
Additions during the year	**3,617,700**	**1,150,070**
Originated by the institution	2,356,081	1,108,973
Subrogations by other entities	36,251	1,069
Rest	1,225,368	40,028
Balance as at 30 June 2021	**33,698,143**	**9,725,500**

b) Liability-side transactions

Information on issues carried out and secured with Banco Sabadell's mortgage lending 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	30/06/2021	31/12/2020
Covered bonds issued	**18,253,854**	**16,653,854**
Of which: Not reflected under liabilities on the balance sheet	*9,057,000*	*7,182,000*
Debt securities. Issued through public offering	**5,450,000**	**5,450,000**
Time to maturity up to one year	1,350,000	1,350,000
Time to maturity from one to two years	-	-
Time to maturity from two to three years	2,000,000	1,000,000
Time to maturity from three to five years	1,100,000	2,100,000
Time to maturity from five to ten years	1,000,000	1,000,000
Time to maturity more than ten years	-	-
Debt securities. Other issues	**11,673,000**	**9,773,000**
Time to maturity up to one year	3,150,000	3,000,000
Time to maturity from one to two years	695,000	1,695,000
Time to maturity from two to three years	688,000	338,000
Time to maturity from three to five years	5,750,000	4,350,000
Time to maturity from five to ten years	1,390,000	390,000
Time to maturity more than ten years	-	-
Deposits	**1,130,854**	**1,430,854**
Time to maturity up to one year	300,000	300,000
Time to maturity from one to two years	394,444	694,444
Time to maturity from two to three years	100,000	100,000
Time to maturity from three to five years	336,410	336,410
Time to maturity from five to ten years	-	-
Time to maturity more than ten years	-	-

	30/06/2021		31/12/2020	
	Nominal value (thousand euro)	Average residual maturity (years)	Nominal value (thousand euro)	Average residual maturity (years)
Mortgage transfer certificates	**5,717,048**	**21**	**6,087,432**	**21**
Issued through public offering	-	-	-	-
Other issues	5,717,048	21	6,087,432	21
Participation mortgages	**1,658,067**	**12**	**1,918,951**	**12**
Issued through public offering	-	-	-	-
Other issues	1,658,067	12	1,918,951	12

Banco de Sabadell's over-collateralisation ratio (the nominal value of the full mortgage lending portfolio backing the issuance of mortgage bonds and mortgage covered bonds, divided by the nominal value of issued mortgage covered bonds) stood at 238% as at 30 June 2021.

The policies and procedures aimed at guaranteeing compliance with the regulations governing the mortgage market are described in Schedule III to the 2020 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 2020 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. 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 2021 are as follows:

Million euro

Issuer	Type of issuance	Date of issue	Amount 30/06/2021	Interest rate ruling as at 30/06/2021	Maturity date	Issue currency	Target of offering
Banco de Sabadell, S.A.	Subordinated bonds	15/01/2021	500	2.50%	15/04/2031	Euro	Institutional
Banco de Sabadell, S.A.	Preference Shares	15/03/2021	500	5.75%	Perpetual	Euro	Institutional
Banco de Sabadell, S.A.	Senior Non-Preferred debentures	16/06/2021	500	0.88%	16/06/2028	Euro	Institutional
TSB Bank plc	Covered Bonds	22/06/2021	500	SONIA + 0,37%	22/06/2028	GBP	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 2021 and 31 December 2020, respectively, is as follows:

Thousand euro

	30/06/2021								
				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	**9,172,802**	**34,987**	**554,664**	**15,354**	**12,086**	**-**	**991**	**561,220**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,012,098**	**198,487**	**347,467**	**390,895**	**134,330**	**14,338**	**1,057**	**5,334**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**60,933,349**	**14,145,047**	**5,739,146**	**7,782,017**	**4,735,236**	**2,829,656**	**1,684,646**	**2,852,638**
Construction and real estate development (including	3,074,798	1,983,092	367,307	968,238	540,275	328,219	234,759	278,908
Civil engineering construction	848,602	34,574	40,939	27,592	14,794	3,330	4,039	25,758
Other purposes	57,009,949	12,127,381	5,330,900	6,786,187	4,180,167	2,498,107	1,445,848	2,547,972
Large enterprises	25,285,760	1,969,447	1,725,997	1,988,714	413,607	316,642	295,611	680,870
SMES and individual entrepreneurs	31,724,189	10,157,934	3,604,903	4,797,473	3,766,560	2,181,465	1,150,237	1,867,102
Rest of households	**83,308,326**	**75,189,351**	**1,231,694**	**15,554,586**	**22,078,117**	**26,037,417**	**8,879,990**	**3,870,935**
Home loans	74,357,895	73,899,218	332,772	14,733,411	21,446,092	25,684,228	8,705,524	3,662,735
For consumption	5,237,869	53,909	600,991	179,361	231,338	112,908	68,305	62,988
Other purposes	3,712,562	1,236,224	297,931	641,814	400,687	240,281	106,161	145,212
TOTAL	**154,426,575**	**89,567,872**	**7,872,971**	**23,742,852**	**26,959,769**	**28,881,411**	**10,566,684**	**7,290,127**
MEMORANDUM ITEM Forbearance (refinanced and restructured loans)	5,692,571	3,071,629	434,903	892,667	879,384	734,244	435,394	564,843

Thousand euro

	31/12/2020								
				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	**10,117,502**	**37,367**	**1,195**	**16,791**	**13,547**	**449**	**-**	**7,775**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,026,650**	**200,685**	**343,959**	**391,825**	**147,582**	**2,513**	**1,042**	**1,682**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**59,195,501**	**14,252,188**	**5,925,953**	**7,487,468**	**5,230,205**	**2,753,867**	**1,991,429**	**2,715,172**
Construction and real estate development (including	3,225,295	2,133,149	363,967	821,140	741,075	469,467	276,798	188,636
Civil engineering construction	864,217	34,541	47,841	27,048	14,647	2,734	3,400	34,553
Other purposes	55,105,989	12,084,498	5,514,145	6,639,280	4,474,483	2,281,666	1,711,231	2,491,983
Large enterprises	24,318,504	2,039,938	1,858,595	1,901,801	504,081	324,836	415,900	751,915
SMES and individual entrepreneurs	30,787,485	10,044,560	3,655,550	4,737,479	3,970,402	1,956,830	1,295,331	1,740,068
Rest of households	**77,989,598**	**70,324,572**	**984,767**	**15,063,405**	**20,698,838**	**23,929,365**	**7,933,957**	**3,683,774**
Home loans	69,488,848	69,015,248	32,602	14,145,483	20,096,602	23,567,589	7,772,722	3,465,454
For consumption	5,199,956	55,329	575,512	158,939	211,889	105,013	56,647	98,353
Other purposes	3,300,794	1,253,995	376,653	758,983	390,347	256,763	104,588	119,967
TOTAL	**148,329,251**	**84,814,812**	**7,255,874**	**22,959,489**	**26,090,172**	**26,686,194**	**9,926,428**	**6,408,403**
MEMORANDUM ITEM Forbearance (refinanced and restructured loans)	4,211,651	2,511,856	225,603	582,300	718,600	583,768	410,712	442,080

Refinancing and restructuring transactions

Information on refinanced and restructured transactions as at 30 June 2021 and 31 December 2020 is shown below. The Group's refinancing policy and strategy is described in Note 4 on "Financial risk management" to the 2020 consolidated annual financial statements.

Thousand euro

	30/06/2021						
	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)***	**Rest of households**	**TOTAL**
TOTAL							
Not secured with collateral							
Number of transactions	-	13	101	38,046	749	68,197	**106,357**
Gross carrying amount	-	9,139	23,242	2,724,113	*150,989*	355,016	**3,111,510**
Secured with collateral							
Number of transactions	-	2	16	10,110	*2,473*	15,215	**25,343**
Gross carrying amount	-	755	3,594	2,359,633	*190,406*	1,478,290	**3,842,272**
Impairment allowances	**-**	**1,055**	**11,948**	**951,268**	***78,979***	**296,941**	**1,261,212**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	-	*11*	*54*	*16,086*	*345*	*44,535*	***60,686***
Gross carrying amount	-	*8,241*	*13,752*	*1,018,491*	*65,333*	*213,975*	***1,254,459***
Secured with collateral							
Number of transactions	-	*1*	*5*	*5,454*	*1,296*	*10,177*	***15,637***
Gross carrying amount	-	*139*	*461*	*869,511*	*80,603*	*835,622*	***1,705,734***
Impairment allowances	**-**	***1,055***	***11,905***	***787,170***	***70,663***	***253,341***	***1,053,470***
TOTAL							
Number of transactions	-	15	117	48,156	*3,222*	83,412	**131,700**
Gross amount	-	9,894	26,836	5,083,746	*341,395*	1,833,306	**6,953,782**
Impairment allowances	-	1,055	11,948	951,268	*78,979*	296,941	**1,261,212**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	**-**

Thousand euro

	31/12/2020						
	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)*	Rest of households	TOTAL
TOTAL							
Not secured with collateral							
Number of transactions	-	14	78	27,484	*537*	53,083	**80,659**
Gross carrying amount	-	13,615	5,520	1,797,259	*166,133*	347,615	**2,164,009**
Secured with collateral							
Number of transactions	-	4	20	9,513	*1,434*	15,511	**25,048**
Gross carrying amount	-	1,188	13,854	1,730,287	*142,435*	1,428,279	**3,173,608**
Impairment allowances	**-**	1,104	11,939	864,030	*84,100*	257,531	**1,134,604**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	-	*12*	*42*	*13,451*	*289*	*32,807*	***46,312***
Gross carrying amount	-	*8,593*	*699*	*936,595*	*72,557*	*197,421*	***1,143,308***
Secured with collateral							
Number of transactions	-	*3*	*13*	*4,633*	*268*	*10,321*	***14,970***
Gross carrying amount	-	*271*	*13,647*	*769,606*	*63,498*	*780,523*	***1,564,047***
Impairment allowances	**-**	*1,104*	*11,756*	*729,115*	*71,097*	*215,213*	***957,188***
TOTAL							
Number of transactions	-	18	98	36,997	*1,971*	68,594	**105,707**
Gross amount	-	14,803	19,374	3,527,546	*308,568*	1,775,894	**5,337,617**
Impairment allowances	-	1,104	11,939	864,030	*84,100*	257,531	**1,134,604**
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 refinanced and restructured transactions, broken down into collateral and other guarantees, as at 30 June 2021 and 31 December 2020, is as follows:

Thousand euro

Guarantees received	30/06/2021	31/12/2020
Value of collateral	3,410,431	2,742,754
Of which: securing Stage 3 loans	*1,355,188*	*1,223,896*
Value of other guarantees	1,186,870	702,241
Of which: securing Stage 3 loans	*299,273*	*282,816*
Total value of guarantees received	**4,597,301**	**3,444,995**

Movements in the balance of refinanced and restructured transactions during the first half of 2021 are as follows:

Thousand euro

	30/06/2021
Opening balance	**5,337,617**
(+) Forbearance (refinancing and restructuring) in the period	2,316,884
Memorandum item: impact recognised on the income statement for the period	*116,813*
(-) Debt amortisations	(406,484)
(-) Foreclosures	(5,338)
(-) Derecognised from the balance sheet (reclassified as write-offs)	(65,214)
(+)/(-) Other changes (*)	(223,683)
Balance at the end of the year	**6,953,782**

(*) 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 forbearance, have been classified as stage 3 during the period:

Thousand euro	30/06/2021	31/12/2020
General governments	-	-
Other legal entities and individual entrepreneurs	115,742	185,514
Of which: Lending for construction and real estate development	*11,914*	*16,906*
Other natural persons	78,875	208,074
TOTAL	194,617	393,588

The average probability of default (PD) on current refinanced and restructured transactions, broken down by activity, as at 30 June 2021 and 31 December 2020 is as follows:

%	30/06/2021	31/12/2020
General governments (*)	-	-
Other legal entities and individual entrepreneurs	13	8
Of which: Lending for construction and real estate development	*13*	*9*
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.

The increase in the PD of legal entities is due to the implementation of a margin of conservatism (MoC) in this portfolio as at March 2021.

Concentration risk

Geographical exposure

Global

The breakdown of risk concentration, by activity and at a global level, as at 30 June 2021 and 31 December 2020 is as follows:

Thousand euro

	30/06/2021				
	TOTAL	Spain	Rest of European Union	Americas	Rest of the world
Central banks and Credit institutions	**51,740,839**	**42,550,198**	**2,484,281**	**1,788,986**	**4,917,374**
General governments	**34,059,969**	**25,455,979**	**3,977,059**	**1,456,998**	**3,169,933**
Central governments	25,094,632	17,481,560	3,971,995	499,889	3,141,188
Rest	8,965,337	7,974,419	5,064	957,109	28,745
Other financial corporations and individual entrepreneurs	**3,119,029**	**1,271,554**	**893,111**	**495,758**	**458,606**
Non-financial corporations and individual entrepreneurs	**63,747,865**	**48,587,213**	**3,927,514**	**8,205,056**	**3,028,082**
Construction and real estate development	3,135,884	2,645,141	11,214	263,796	215,733
Civil engineering construction	934,374	892,600	19,467	674	21,633
Other purposes	59,677,607	45,049,472	3,896,833	7,940,586	2,790,716
Large enterprises	27,299,024	15,282,235	3,250,913	6,936,344	1,829,532
SMEs and individual entrepreneurs	32,378,583	29,767,237	645,920	1,004,242	961,184
Rest of households	**83,456,923**	**39,455,902**	**897,385**	**414,189**	**42,689,447**
Home loans	74,390,818	32,833,208	868,141	207,267	40,482,202
For consumption	5,237,869	3,230,603	7,708	5,336	1,994,222
Other purposes	3,828,236	3,392,091	21,536	201,586	213,023
TOTAL	**236,124,625**	**157,320,846**	**12,179,350**	**12,360,987**	**54,263,442**

Thousand euro

	31/12/2020				
	TOTAL	Spain	Rest of European Union	Americas	Rest of the world
Central banks and Credit institutions	**44,185,857**	**29,420,936**	**4,917,055**	**1,516,600**	**8,331,266**
General governments	**32,730,612**	**25,586,932**	**3,846,229**	**1,242,360**	**2,055,091**
Central governments	24,976,083	18,620,808	3,835,065	495,085	2,025,125
Rest	7,754,529	6,966,124	11,164	747,275	29,966
Other financial corporations and individual entrepreneurs	**4,091,799**	**1,838,198**	**1,207,143**	**562,420**	**484,038**
Non-financial corporations and individual entrepreneurs	**62,377,945**	**47,376,248**	**4,218,718**	**8,200,957**	**2,582,022**
Construction and real estate development	3,298,822	2,834,328	6,997	264,304	193,193
Civil engineering construction	948,975	888,596	21,662	10,042	28,675
Other purposes	58,130,148	43,653,324	4,190,059	7,926,611	2,360,154
Large enterprises	26,736,168	14,873,770	3,546,002	6,906,457	1,409,939
SMEs and individual entrepreneurs	31,393,980	28,779,554	644,057	1,020,154	950,215
Rest of households	**78,372,221**	**38,312,557**	**927,035**	**501,945**	**38,630,684**
Home loans	69,704,167	32,161,472	819,070	208,093	36,515,532
For consumption	5,199,966	3,282,539	8,061	4,939	1,904,427
Other purposes	3,468,088	2,868,546	99,904	288,913	210,725
TOTAL	**221,758,434**	**142,534,871**	**15,116,180**	**12,024,282**	**52,083,101**

By autonomous communities

The breakdown of risk concentration, by activity and at the level of Spanish autonomous communities, as at 30 June 2021 and 31 December 2020, respectively, is as follows:

Thousand euro

		30/06/2021								
		AUTONOMOUS COMMUNITIES								
	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla y León	Catalonia
Central banks and Credit institutions	**42,550,198**	**1,226**	**2**	**1**	**20,182**	**2**	**502,296**	**1**	**-**	**211,244**
General governments	**25,455,979**	**368,283**	**20,398**	**336,474**	**332,828**	**170,859**	**7,372**	**143,708**	**607,274**	**908,106**
Central governments	17,481,560	-	-	-	-	-	-	-	-	-
Rest	7,974,419	368,283	20,398	336,474	332,828	170,859	7,372	143,708	607,274	908,106
Other financial corporations and individual entrepreneurs	**1,271,554**	**5,139**	**2,229**	**2,547**	**1,288**	**1,008**	**320**	**889**	**15,371**	**517,712**
Non-financial corporations and individual entrepreneurs	**48,587,213**	**2,509,607**	**1,009,594**	**1,454,139**	**2,327,092**	**1,362,475**	**228,588**	**661,598**	**1,148,293**	**14,215,285**
Construction and real estate	2,645,141	106,386	40,856	50,207	94,606	27,299	14,118	15,179	28,204	655,790
Civil engineering construction	892,600	30,315	8,560	22,017	7,652	2,462	4,754	5,382	15,397	160,950
Other purposes	45,049,472	2,372,906	960,178	1,381,915	2,224,834	1,332,714	209,716	641,037	1,104,692	13,398,545
Large enterprises	15,282,235	544,877	317,341	205,393	1,013,053	348,067	86,096	162,966	234,059	4,190,534
SMEs and individual entrepreneurs	29,767,237	1,828,029	642,837	1,176,522	1,211,781	984,647	123,620	478,071	870,633	9,208,011
Rest of households	**39,455,902**	**2,749,018**	**532,643**	**1,218,915**	**1,424,884**	**598,369**	**110,391**	**500,287**	**782,857**	**15,259,522**
Home loans	32,833,208	2,254,096	449,533	933,063	1,254,853	422,672	91,653	401,578	609,404	12,948,157
For consumption	3,230,603	333,206	43,393	89,290	85,722	148,814	8,216	63,402	84,782	1,008,534
Other purposes	3,392,091	161,716	39,717	196,562	84,309	26,883	10,522	35,307	88,671	1,302,831
TOTAL	**157,320,846**	**5,633,273**	**1,564,866**	**3,012,076**	**4,106,274**	**2,132,713**	**848,967**	**1,306,483**	**2,553,795**	**31,111,869**

Thousand euro

	30/06/2021								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and Credit institutions	**-**	**3,605**	**41,447,308**	**9**	**180**	**126,661**	**237,481**	**-**	**-**
General governments	**124,048**	**466,728**	**2,531,319**	**69,244**	**290,666**	**598,601**	**855,784**	**110,112**	**32,615**
Central governments	-	-	-	-	-	-	-	-	-
Rest	124,048	466,728	2,531,319	69,244	290,666	598,601	855,784	110,112	32,615
Other financial corporations and individual entrepreneurs	**86**	**4,550**	**667,999**	**3,011**	**540**	**28,644**	**20,132**	**89**	**-**
Non-financial corporations and individual entrepreneurs	**172,354**	**2,299,234**	**12,171,352**	**1,158,679**	**576,299**	**4,887,977**	**2,191,804**	**194,024**	**18,819**
Construction and real estate	2,066	61,544	1,252,413	38,026	20,303	147,525	79,734	10,371	514
Civil engineering construction	2,380	58,340	433,607	10,475	2,838	58,678	67,597	1,190	6
Other purposes	167,908	2,179,350	10,485,332	1,110,178	553,158	4,681,774	2,044,473	182,463	18,299
Large enterprises	19,420	701,581	4,684,904	241,936	216,657	1,387,870	876,158	50,875	448
SMEs and individual entrepreneurs	148,488	1,477,769	5,800,428	868,242	336,501	3,293,904	1,168,315	131,588	17,851
Rest of households	**139,575**	**888,055**	**5,178,767**	**2,088,348**	**172,680**	**6,399,072**	**1,254,258**	**83,934**	**74,327**
Home loans	102,129	643,415	4,276,168	1,741,816	133,114	5,348,327	1,093,991	59,349	69,890
For consumption	28,511	132,957	515,616	147,404	14,099	439,741	69,937	14,798	2,181
Other purposes	8,935	111,683	386,983	199,128	25,467	611,004	90,330	9,787	2,256
TOTAL	**436,063**	**3,662,172**	**61,996,745**	**3,319,291**	**1,040,365**	**12,040,955**	**4,559,459**	**388,159**	**125,761**

Thousand euro

	31/12/2020									
		AUTONOMOUS COMMUNITIES								
	TOTAL	Andalusia	Aragón	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla y León	Catalonia
Central banks and Credit institutions	**29,420,936**	**4,598**	**993**	**1**	**6,074**	**2**	**617,150**	**2**	**3**	**212,048**
General governments	**25,586,932**	**380,489**	**21,587**	**330,312**	**248,961**	**150,713**	**33,214**	**9,717**	**553,752**	**1,051,831**
Central governments	18,620,808	-	-	-	-	-	-	-	-	-
Rest	6,966,124	380,489	21,587	330,312	248,961	150,713	33,214	9,717	553,752	1,051,831
Other financial corporations and individual entrepreneurs	**1,838,198**	**5,004**	**2,465**	**2,019**	**2,462**	**820**	**343**	**619**	**11,946**	**453,208**
Non-financial corporations and individual entrepreneurs	**47,376,248**	**2,382,035**	**936,636**	**1,431,427**	**2,357,582**	**1,349,760**	**225,878**	**600,582**	**1,077,727**	**13,732,232**
Construction and real estate	2,834,328	124,291	40,290	60,513	91,105	29,161	12,387	18,660	28,684	654,353
Civil engineering construction	888,596	29,629	9,548	16,756	8,876	2,476	4,427	4,927	13,931	186,360
Other purposes	43,653,324	2,228,115	886,798	1,354,158	2,257,601	1,318,123	209,064	576,995	1,035,112	12,891,519
Large enterprises	14,873,770	514,509	267,324	211,558	1,069,219	325,161	85,436	153,827	226,559	4,042,935
SMEs and individual entrepreneurs	28,779,554	1,713,606	619,474	1,142,600	1,188,382	992,962	123,628	423,168	808,553	8,848,584
Rest of households	**38,312,557**	**2,682,667**	**511,530**	**1,172,830**	**1,392,281**	**591,397**	**106,171**	**500,511**	**764,662**	**14,719,983**
Home loans	32,161,472	2,212,757	430,222	932,081	1,226,686	417,738	89,760	403,838	598,153	12,569,748
For consumption	3,282,539	322,301	43,904	91,289	89,420	149,524	7,611	62,097	85,029	1,032,314
Other purposes	2,868,546	147,609	37,404	149,460	76,175	24,135	8,800	34,576	81,480	1,117,921
TOTAL	**142,534,871**	**5,454,793**	**1,473,211**	**2,936,589**	**4,007,360**	**2,092,692**	**982,756**	**1,111,431**	**2,408,090**	**30,169,302**

Thousand euro

	31/12/2020								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and Credit institutions	**-**	**2,822**	**27,987,038**	**3**	**180**	**183,709**	**406,313**	**-**	**-**
General governments	**94,267**	**323,727**	**1,936,240**	**42,329**	**291,466**	**692,996**	**691,704**	**78,151**	**34,668**
Central governments	-	-	-	-	-	-	-	-	-
Rest	94,267	323,727	1,936,240	42,329	291,466	692,996	691,704	78,151	34,668
Other financial corporations and individual entrepreneurs	**121**	**4,628**	**1,300,197**	**2,928**	**633**	**30,025**	**20,681**	**99**	**-**
Non-financial corporations and individual entrepreneurs	**127,200**	**2,222,322**	**12,237,925**	**1,086,692**	**550,895**	**4,575,097**	**2,261,729**	**202,443**	**18,086**
Construction and real estate	1,838	60,853	1,398,386	38,359	21,677	159,377	81,831	12,207	356
Civil engineering construction	2,325	60,171	427,546	10,155	2,468	48,827	58,863	1,254	57
Other purposes	123,037	2,101,298	10,411,993	1,038,178	526,750	4,366,893	2,121,035	188,982	17,673
Large enterprises	17,071	635,883	4,655,580	209,291	195,585	1,242,267	964,218	56,638	709
SMEs and individual entrepreneurs	105,966	1,465,415	5,756,413	828,887	331,165	3,124,626	1,156,817	132,344	16,964
Rest of households	**134,837**	**832,278**	**5,057,519**	**2,026,821**	**171,367**	**6,295,414**	**1,196,673**	**83,366**	**72,250**
Home loans	98,729	612,786	4,144,488	1,735,126	129,863	5,391,483	1,040,818	59,129	68,067
For consumption	28,663	129,891	545,091	143,836	17,644	442,613	74,317	14,868	2,127
Other purposes	7,445	89,601	367,940	147,859	23,860	461,318	81,538	9,369	2,056
TOTAL	**356,425**	**3,385,777**	**48,518,919**	**3,158,773**	**1,014,541**	**11,777,241**	**4,577,100**	**364,059**	**125,004**

Sovereign risk exposure

Sovereign risk exposures, broken down by type of financial instrument, as at 30 June 2021 and 31 December 2020, are as follows:

Thousand euro

	30/06/2021											
	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	141,255	(12,566)	-	3,685,452	12,441,292	10,589,794	-	17,163	(9)	26,862,381	-	75.8%
Italy	46,707	-	-	-	2,766,656	5,058	-	-	-	2,818,421	-	7.9%
United States	-	-	2,598	781,999	237,502	-	-	-	-	1,022,099	-	2.9%
United Kingdom	-	-	-	1,379,163	1,605,067	11	-	-	-	2,984,241	-	8.4%
Portugal	4,961	(9,000)	-	-	916,625	747	-	-	-	913,333	-	2.6%
Mexico	-	-	-	329,808	99,573	4	-	-	-	429,385	-	1.2%
Rest of the world	237,687	-	-	108,065	38,634	38,071	-	-	-	422,457	-	1.2%
Total	**430,610**	**(21,566)**	**2,598**	**6,284,487**	**18,105,349**	**10,633,685**	**-**	**17,163**	**(9)**	**35,452,317**	**-**	**100.0%**

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

(**) Includes those available under credit transactions and other contingent risks (1,429 million euros at 30 June 2021).

Thousand euro

	31/12/2020											
	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	61,869	(98,627)	-	3,418,696	11,974,783	11,591,514	-	23,390	(13)	26,971,612	-	79.1%
Italy	5,013	-	-	-	2,792,307	-	-	-	-	2,797,320	-	8.2%
United States	-	-	2,516	509,136	300,555	159	-	-	-	812,366	-	2.4%
United Kingdom	-	-	-	1,336,434	617,616	11	-	-	-	1,954,061	-	5.7%
Portugal	5	-	-	-	925,500	-	-	-	-	925,505	-	2.7%
Mexico	-	-	-	328,974	101,017	-	-	-	-	429,991	-	1.3%
Rest of the world	3,940	-	-	109,619	38,565	61,210	-	-	-	213,334	-	0.6%
Total	**70,827**	**(98,627)**	**2,516**	**5,702,859**	**16,750,343**	**11,652,894**	**-**	**23,390**	**(13)**	**34,104,189**	**-**	**100.0%**

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

(**) Includes those available under credit transactions and other contingent risks (1,492 million euros as at 31 December 2020).

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

	30/06/2021		
	Gross carrying amount	Excess value of the collateral	Impairment allowances
Lending for construction and real estate development (including land) (business in Spain)	2,914	683	138
Of which: risks classified as Stage 3	*222*	*98*	*109*

Million euro

	31/12/2020		
	Gross carrying amount	Excess value of the collateral	Impairment allowances
Lending for construction and real estate development (including land) (business in Spain)	3,099	766	161
Of which: risks classified as Stage 3	*228*	*107*	*117*

Million euro

Memorandum item	Gross carrying amount 30/06/2021	Gross carrying amount 31/12/2020
Write-offs (*)	9	44

Million euro

Memorandum item	Amount 30/06/2021	Amount 31/12/2020
Loans to customers, excluding General Governments (business in Spain) (carrying amount)	90,864	88,196
Total assets (total business) (carrying amount)	250,120	235,763
Allowances and provisions for exposures classed as Stage 2 or Stage 1 (total operations)	1,004	1,007

(*) 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 booked by credit institutions (business in Spain) is as follows:

Million euro

	Gross carrying amount 30/06/2021	Gross carrying amount 31/12/2020
Not secured with real estate	**736**	**719**
Secured with real estate	**2,178**	**2,380**
Buildings and other finished constructions	846	883
Housing	602	630
Rest	243	253
Buildings and other construction in progress	1,098	1,234
Housing	1,036	1,165
Rest	62	69
Land	234	262
Consolidated urban land	197	225
Other land	37	37
TOTAL	**2,914**	**3,099**

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	30/06/2021	31/12/2020
Value of collateral	2,328	2,425
Of which: securing Stage 3 loans	103	*94*
Value of other guarantees	557	328
Of which: securing Stage 3 loans	12	*10*
Total value of guarantees received	**2,885**	**2,753**

The breakdown of loans to households for house purchase corresponding to transactions booked by credit institutions (business in Spain) is as follows:

Million euro

	30/06/2021	
	Gross carrying amount	*Of which: Stage 3 exposures*
Lending for house purchase	**34,654**	*833*
Not secured with real estate	507	*42*
Secured with real estate	34,147	*791*

Million euro

	31/12/2020	
	Gross carrying amount	*Of which: Stage 3 exposures*
Lending for house purchase	**33,953**	***819***
Not secured with real estate	475	*41*
Secured with real estate	33,478	*778*

The tables below show mortgage loans granted to households for house purchase, broken down by the loan-to-value ratio (total book value of the loan divided by the last available valuation of the property) of transactions booked by credit institutions (business in Spain):

Million euro

	30/06/2021	
	Gross amount	*Of which: Stage 3 exposures*
LTV ranges	**34,147**	***791***
LTV <= 40%	6,305	*91*
40% < LTV <= 60%	8,886	*137*
60% < LTV <= 80%	11,219	*175*
80% < LTV <= 100%	4,509	*145*
LTV > 100%	3,228	*241*

Million euro

	31/12/2020	
	Gross amount	*Of which: Stage 3 exposures*
LTV ranges	**33,478**	***778***
LTV <= 40%	6,103	*87*
40% < LTV <= 60%	8,709	*131*
60% < LTV <= 80%	10,733	*160*
80% < LTV <= 100%	4,475	*165*
LTV > 100%	3,459	*236*

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

Million euro

	30/06/2021			
	Gross carrying amount	Allowances	*Gross amount (*)*	*Allowances (*)*
Real estate assets acquired through lending for construction and real estate development	**687**	**207**	***705***	***260***
Finished buildings	647	192	*651*	*234*
Housing	417	117	*408*	*140*
Rest	230	75	*243*	*94*
Buildings under construction	6	2	*7*	*4*
Housing	6	2	*7*	*4*
Rest	-	0	*0*	*0*
Land	33	13	*47*	*22*
Building land	19	7	*28*	*12*
Other land	14	6	*19*	*10*
Real estate assets acquired through mortgage lending to households for house purchase	**597**	**163**	***638***	***239***
Rest of real estate assets foreclosed or received in lieu of debt	**26**	**6**	***28***	***12***
Capital instruments foreclosed or received in lieu of debt	**15**	-	-	-
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	**1,325**	**376**	***1,370***	***511***

(*) 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

	31/12/2020			
	Gross carrying amount	Allowances	*Gross amount (*)*	*Allowances (*)*
Real estate assets acquired through lending for construction and real estate development	**747**	**240**	***713***	***259***
Finished buildings	690	214	*654*	*230*
Housing	439	125	*413*	*137*
Rest	251	89	*241*	*93*
Buildings under construction	12	5	*8*	*4*
Housing	11	5	*7*	*4*
Rest	-	-	-	-
Land	44	21	*51*	*25*
Building land	25	11	*31*	*14*
Other land	19	10	*20*	*11*
Real estate assets acquired through mortgage lending to households for house purchase	**629**	**180**	***632***	***231***
Rest of real estate assets foreclosed or received in lieu of debt	**28**	**7**	***29***	***12***
Capital instruments foreclosed or received in lieu of debt	**14**	-	-	-
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	1,418	427	1,373	502

(*) 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 2021 and 31 December 2020 is shown below:

Million euro

	30/06/2021		
	Gross amount	Allowances	Net carrying value
Total real estate portfolio in the national territory (in books)	**1,310**	**376**	**934**
Performing real estate (*)	(15)	-	(15)
Total operations outside the national territory and others	24	9	15
Provision allocated in original loan	222	222	-
Risk transferred in portfolio sales	(171)	(96)	(75)
Total non-performing real estate	**1,370**	**511**	**859**

(*) Performing real estate refers to assets classified as investment property with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment, on which a profit is expected to be realised.

Million euro

	2020		
	Gross amount	Allowances	Net carrying value
Total real estate portfolio in the national territory (in books)	**1,404**	**427**	**977**
Performing real estate (*)	(16)	(2)	(14)
Total operations outside the national territory and others	22	7	15
Provision allocated in original loan	242	242	-
Risk transferred in portfolio sales	(279)	(172)	(107)
Total non-performing real estate	**1,373**	**502**	**871**

(*) Performing real estate refers to assets classified as investment property with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment, on which a profit is expected to be realised.

As part of its general policy on risks and, in particular, its policy on the construction and real estate development sector, the Group has a series of specific policies in place for mitigating risks (see Schedule VI "Other risk information" to the 2020 consolidated annual financial statements).

Loans and advances subject to statutory (legislative) and sector (non-legislative) moratoria and financing granted subject to government guarantee schemes

Below is certain information as at 30 June 2021 and 31 December 2020 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

	30/06/2021						
	Gross carrying amount	Performing	*Of which: exposures with forbearance measures*	*Of which: Instruments with significant increase in credit risk*	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	**1,160,246**	**1,025,746**	***112,677***	***379,958***	**134,500 (*)**	***100,492***	***129,583***
Of which: Households	*853,002*	*728,060*	*92,755*	*322,783*	*124,942*	*97,418*	*120,466*
Of which: Collateralised by residential immovable property	*737,134*	*631,336*	*74,782*	*281,887*	*105,798*	*80,752*	*101,883*
Of which: Non-financial corporations	*307,128*	*297,570*	*19,922*	*57,117*	*9,558*	*3,074*	*9,117*
Of which: Small and Medium-sized Enterprises	*234,803*	*225,247*	*19,921*	*37,383*	*9,556*	*3,074*	*9,116*
Of which: Collateralised by commercial immovable property	*160,296*	*150,899*	*18,936*	*54,625*	*9,397*	*2,983*	*9,025*

(*) Of which 104 million euro correspond to stage 3 transactions.

Thousand euro

	30/06/2021						
	Accumulated impairment, accumulated negative changes in fair value due to credit risk	**Performing**	***Of which: exposures with forbearance measures***	***Of which: Instruments with significant increase in credit risk since initial recognition but***	**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	**(38,495)**	**(20,723)**	**(9,740)**	**(18,696)**	**(17,773)**	***(11,600)***	***(12,470)***
Of which: Households	*(27,469)*	*(14,394)*	*(4,929)*	*(13,079)*	*(13,075)*	*(11,440)*	*(12,165)*
Of which: Collateralised by residential immovable property	*(17,757)*	*(8,759)*	*(3,272)*	*(8,398)*	*(8,998)*	*(7,992)*	*(8,597)*
Of which: Non-financial corporations	*(11,026)*	*(6,328)*	*(4,812)*	*(5,616)*	*(4,698)*	*(159)*	*(305)*
Of which: Small and Medium-sized Enterprises	*(10,720)*	*(6,022)*	*(4,812)*	*(5,364)*	*(4,698)*	*(159)*	*(305)*
Of which: Collateralised by commercial immovable property	*(5,880)*	*(5,568)*	*(4,744)*	*(5,530)*	*(312)*	*(142)*	*(288)*

Thousand euro

	31/12/2020						
	Gross carrying amount	**Performing**	***Of which: exposures with forbearance measures***	***Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (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	**3,197,211**	**2,865,616**	***189,727***	***1,275,154***	**331.595 (*)**	***257,008***	***307,688***
Of which: Households	*2,863,089*	*2,536,220*	*181,770*	*1,226,601*	*326,869*	*256,373*	*306,906*
Of which: Collateralised by residential immovable property	*2,604,776*	*2,317,591*	*161,727*	*1,139,159*	*287,185*	*220,552*	*269,379*
Of which: Non-financial corporations	*334,107*	*329,381*	*7,957*	*48,553*	*4,726*	*636*	*782*
Of which: Small and Medium-sized Enterprises	*227,431*	*222,706*	*7,957*	*26,687*	*4,726*	*636*	*782*
Of which: Collateralised by commercial immovable property	*183,349*	*182,628*	*6,918*	*46,762*	*721*	*574*	*721*

(*) Of which 289 million correspond to stage 3 transactions

Thousand euro

	31/12/2020						
	Accumulated impairment, accumulated negative changes in fair value due to credit risk	**Performing**	***Of which: exposures with forbearance measures***	***Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (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	**(76,531)**	**(42,223)**	**(14,198)**	**(36,258)**	**(34,308)**	***(29,896)***	***(31,057)***
Of which: Households	*(68,361)*	*(36,007)*	*(11,158)*	*(31,758)*	*(32,354)*	*(29,847)*	*(30,949)*
Of which: Collateralised by residential immovable property	*(53,894)*	*(27,182)*	*(9,254)*	*(24,068)*	*(26,712)*	*(24,942)*	*(25,910)*
Of which: Non-financial corporations	*(8,169)*	*(6,215)*	*(3,040)*	*(4,500)*	*(1,954)*	*(49)*	*(107)*
Of which: Small and Medium-sized Enterprises	*(7,636)*	*(5,681)*	*(3,040)*	*(4,275)*	*(1,954)*	*(49)*	*(107)*
Of which: Collateralised by commercial immovable property	*(4,955)*	*(4,864)*	*(2,950)*	*(4,338)*	*(91)*	*(33)*	*(91)*

	30/06/2021							
				Residual maturity of moratoria				
	Gross carrying amount	**Of which: legislative moratoria**	**Of which: expired**	**<= 3 months**	**> 3 months <= 6 months**	**> 6 months <= 9 months**	**> 9 months <= 12 months**	**> 1 year**
Loans and advances subject to moratorium (granted)	9,379,430	6,282,295	8,219,184	670,802	251,882	99,256	46,393	91,913
Of which: Households	*8,995,616*	*6,030,388*	*8,142,614*	*512,245*	*244,843*	*38,958*	*46,295*	*10,661*
Of which: Collateralised by residential immovable property	*8,284,618*	*5,744,798*	*7,547,484*	*432,492*	*222,234*	*31,800*	*40,312*	*10,296*
Of which: Non-financial corporations	*383,684*	*251,778*	*76,556*	*158,442*	*7,039*	*60,297*	*98*	*81,252*
Of which: Small and Medium-sized Enterprises	*297,671*	*200,840*	*62,868*	*117,967*	*7,036*	*28,450*	*98*	*81,252*
Of which: Collateralised by commercial immovable property	*215,838*	*215,487*	*55,542*	*142,105*	*598*	*2,123*	-	*15,470*

	31/12/2020							
				Residual maturity of moratoria				
	Gross carrying amount	**Of which: legislative moratoria**	**Of which: expired**	**<= 3 months**	**> 3 months <= 6 months**	**> 6 months <= 9 months**	**> 9 months <= 12 months**	**> 1 year**
Loans and advances subject to moratorium (granted)	9,195,082	6,296,696	5,997,872	1,569,324	1,286,121	332,826	8,939	-
Of which: Households	*8,834,333*	*6,075,190*	*5,971,244*	*1,520,515*	*1,134,637*	*202,710*	*5,228*	-
Of which: Collateralised by residential immovable property	*8,118,259*	*5,792,984*	*5,513,482*	*1,370,350*	*1,045,157*	*184,732*	*4,539*	-
Of which: Non-financial corporations	*360,734*	*221,491*	*26,627*	*48,794*	*151,484*	*130,116*	*3,714*	-
Of which: Small and Medium-sized Enterprises	*248,083*	*177,384*	*20,652*	*48,794*	*86,588*	*88,337*	*3,713*	-
Of which: Collateralised by commercial immovable property	*194,538*	*194,211*	*11,190*	*43,635*	*24,080*	*115,516*	*117*	-

Thousand euro

	30/06/2021		
	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	**9,833,664**	**762,717**	**7,571,675**
Of which: Households	1,081,884		
Of which: Collateralised by residential immovable property	-		
Of which: Non-financial corporations	8,748,260	714,675	6,694,841
Of which: Small and Medium-sized Enterprises	*6,511,015*		
Of which: Collateralised by commercial immovable property	*17,863*		

Thousand euro

	31/12/2020		
	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	**8,679,922**	**216,875**	**6,163,719**
Of which: Households	942,257	-	-
Of which: Collateralised by residential immovable property	-	-	-
Of which: Non-financial corporations	7,734,462	193,912	5,953,889
Of which: Small and Medium-sized Enterprises	*5,687,668*	-	-
Of which: Collateralised by commercial immovable property	*7,921*	-	-

Consolidated Directors’ Report for the first six months of 2021

The interim consolidated Directors’ Report is prepared with the sole purpose of explaining the significant events and changes that occurred in the six-month period, without duplicating the information published previously 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 2020 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.

CONTENTS

1. BANCO SABADELL GROUP

1.1 Mission and values

Banco Sabadell helps people and companies bring their projects to life, anticipating their needs and taking care to ensure that they make the best economic decisions. It does this through socially and environmentally responsible management.

This is Banco Sabadell's fundamental purpose: 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 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. Strategic Plan 2021-2023

In May, Banco Sabadell unveiled its new Strategic Plan for 2021-2023, which is based on three main pillars:

The first pillar is its position of strength and leadership with Spanish companies, with a market penetration of 40%. The goal is to consolidate its position and increase its business volume efficiently, while maintaining its current high profitability.

To this end, it will focus on the specialisation of its branch network, being by the side of Spanish companies as they expand abroad, as well as on its vertical specialisation programme by sector, which is already underway. It will also rely on the capabilities of the Corporate Banking unit to provide specialised responses to SMEs, and it will take advantage of the opportunities of the credit multiplier effect that will result from the European Recovery Fund.

The second key pillar of the Strategic Plan will be a complete transformation of the retail banking strategy, with a fully digital business model for consumer loans, payment methods and current accounts. The sale of mortgages, savings, investment and insurance products will have a mixed distribution model, via remote channels together with the personal support of specialised managers at the branches.

This reformulation of the model is based on customers' changing consumer habits and the strength of Banco Sabadell's branch network. Thus, by combining personalised service with 100% digital access to the product offering, the Bank will provide a differential value proposition, responding to current demand and accessing a greater number of customers in this segment.

Lastly, the third pillar on which the plan will be based is the UK subsidiary TSB. TSB will base its growth on mortgages, to the detriment of consumer and SME loans. The UK mortgage market is currently growing at a good pace and TSB's business capabilities, supported by an IT platform valued by real estate brokers and a call centre recognised by customers, should enable it to increase its market share over the next two and a half years. This favourable business momentum of the UK bank will enable it to achieve ROTE of over 6% in 2023.

In addition to the three key pillars, the Strategic Plan includes the main lines of action for the rest of the Group's business lines. The Corporate Banking division will maintain its structure by customer units to manage relations with large corporations. Its cross-cutting divisions for specialised products will support and reinforce Business Banking.

As regards foreign branches and the subsidiary in Mexico, the Bank will focus its efforts on optimising its use of capital. This will lead to a reduction of around 20% in lending to large international corporations in order to focus on the most profitable customers and those that allow more efficient risk management.

As regards the objectives set for 2023, net interest income is expected to perform positively, supported by the growth of volumes, a lower cost of wholesale funding and a greater contribution from TSB. This will be partially offset by the TLTRO III repayment and the smaller contribution of the fixed-income portfolio. Fees and commissions are also expected to grow over the planning horizon. The main levers to achieve this objective will be as follows: greater economic activity, the greater contribution from the insurance business due to higher premiums linked to the origination of mortgage loans, growth of specialised financial products for the SME market and, lastly, efforts will be made to increase the profitability of customers with no established relationship.

In terms of costs, the Institution will continue its efforts to contain and reduce costs arising from the transformation of the business model, process automation and streamlining. Banco Sabadell expects to reach a cost base of 2.9 billion euros in 2023, after executing an efficiency plan in Spain and the UK. Furthermore, the new phase of the efficiency plan in Spain is scheduled to begin in the third quarter of 2021.

In a forward-looking scenario (2021-2023) still affected by the COVID-19 environment, the Group expects to maintain the NPL ratio and the coverage ratio at similar levels to the current ones, although it envisages a reduction in its credit cost of risk to 45 basis points for the Group as a whole. Following the end of the various financial support measures for both individuals and companies taken as a result of COVID-19, defaults are expected to peak in 2022.

At the same time, it should be noted that Banco Sabadell has a comfortable liquidity situation, which will enable it to repay its TLTRO borrowings without needing to issue significant volumes of wholesale debt.

Thus, at the end of the plan, the Bank expects to achieve a return on tangible equity (ROTE) of more than 6%. As regards solvency, the fully-loaded CET1 capital ratio is expected to remain above 12%, even after absorbing the regulatory impacts from Basel IV, expected for 2023.

In essence, it is a strategic plan that is implemented in a relatively short period of time and sets realistic goals based on Banco Sabadell's strengths. With it, the Bank will lay a solid foundation that will enable it to further increase the profitability and value of its franchise.

1.3. Banco Sabadell's share and shareholders

Share price performance

Banco Sabadell's share price closed at 0.57 euros per share on 30 June 2021, consolidating the upward trend of the share price during the first half of this year, with a revaluation in cumulative terms of 62.2%. In relative terms, the share price revaluation has been much more pronounced than the average of its peers in Spain, which appreciated by +26.9%, than the European banking sector benchmark (STOXX Europe 600 Banks) which was up by +23.8%, and also higher than the general indices such as the Eurostoxx-50, with +14.4% growth, and the IBEX-35, which posted growth of +9.3% in the first six months of the year.

The beginning of the year was marked by a more upbeat tone in the financial markets in view of the progress in vaccinations against COVID-19 and following the approval of the fiscal stimulus package in the United States and higher inflation expectations in the medium term. Meanwhile, however, there were growing concerns about the negative impact on the economy of the new lockdown measures to contain potential further waves of coronavirus, in addition to the new variant of COVID-19 identified in the United Kingdom and the delay in the rate of vaccinations in certain European Union countries.

However, the last months of the half-year were marked by favourable macroeconomic developments, with the publication of positive economic data and PMI business confidence indicators of the main developed economies pointing to more dynamic activity in the rest of the year.

Shareholding structure

The total number of shares as at 30 June 2021 amounted to 5,626,964,701, distributed among 235,053 shareholders.

53% of the shareholding structure corresponds to minority shareholders and the remaining 47% to institutional shareholders as at 30 June 2021.

1.4. Organisational structure

At its meeting on 29 January 2021, the Board of Directors appointed Leopoldo Alvear Trenor as Chief Financial Officer, who has obtained the corresponding regulatory authorisation.

On 18 March 2021, the Board of Directors approved a new organisational structure to execute Banco Sabadell's new strategic plan. The Bank is structured into three main business units in Spain: Retail Banking, headed by Miquel Montes Güell; Business Banking and Network, headed by Carlos Ventura Santamans; and Corporate Banking, headed by José Nieto de la Cierva. Each unit will be responsible for its income statement (income, expenses, provisions and capital consumption). In this new organisational structure, Gonzalo Barettino Coloma has been appointed as Secretary General and Marc Armengol Dulcet as Director of Operations and Technology, both of whom have obtained the corresponding regulatory authorisations.

1.5. Corporate governance

Banco Sabadell has a solid corporate governance structure that ensures effective and prudent management of the Bank. 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 and the Group's policies, is published on the corporate website www.grupobancosabadell.com (see section on the website "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 2020, which, in accordance with Article 49 of the Spanish Commercial Code, forms part of the Directors' Report for the 2020 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.

Annual General Meeting 2021

The Annual General Meeting held on 26 March 2021, on its second call, approved all the items on the agenda, including the annual financial statements and the management of the Company for the financial year 2020 and, as regards appointments, the ratification and appointment of César González-Bueno Mayer as Chief Executive Officer and Alicia Reyes Revuelta as Independent Director, as well as the re-election as members of the Board of Directors of Anthony Frank Elliott Ball and Manuel Valls Morató as Independent Directors.

Furthermore, the Annual General Meeting approved an amendment to the Articles of Association for which the corresponding regulatory authorisation has been obtained. The purpose of this amendment was to adapt the Articles of Association to reflect the new corporate governance scheme and to comply with the revision of the CNMV's Good Governance Code for Listed Companies, of June 2020. Information regarding the Annual General Meeting 2021 is published on the corporate website www.grupobancosabadell.com (see section on the website "Shareholders and Investors - Shareholders' General Meeting").

Composition of the Board of Directors

At the Board of Directors' meeting held on 18 March 2021, César González-Bueno Mayer accepted the position of Chief Executive Officer, once the corresponding regulatory authorisations had been obtained. His appointment as Chief Executive Officer was ratified by the Board of Directors following his ratification and appointment as CEO by the Annual General Meeting of 26 March 2021.

Within the framework of the new corporate governance scheme reflected in the amendment of the Articles of Association approved at the Annual General Meeting, the Board of Directors, at its meeting held on 26 March 2021, following the Annual General Meeting, took cognisance of the status of the Chairman, Josep Oliu Creus, as "Other External" Director, in accordance with the Spanish Capital Companies Act, as well as the status of Director María José García Beato as "Other External" Director, in accordance with the Spanish Capital Companies Act, effective from 31 March 2021. The Board of Directors also appointed Gonzalo Barettino Coloma as Deputy Secretary of the Board of Directors.

Board Committees

Following the amendment of the Articles of Association, a Strategy and Sustainability Committee and a Delegated Credit Committee were set up. In addition, the powers of the Audit and Control Committee were enhanced and the Appointments Committee was given additional powers in the area of corporate governance, and is now known as the Appointments and Corporate Governance Committee.

In addition to the creation of the new Board committees, on 26 March 2021, the Board of Directors appointed Mireya Giné Torrens as Chair of the Audit and Control Committee and as Member of the Appointments and Corporate Governance Committee. It also appointed Alicia Reyes Revuelta as Member of the Board Risk Committee, as well as Gonzalo Barettino Coloma as Non-Member Secretary of the Remuneration Committee and of the Board Risk Committee.

The composition of the Board committees as at 30 June 2021 is shown hereafter:

Position	Strategy and Sustainability	Delegated Credit	Audit and Control	Appointments & Corporate Governance	Remuneration	Risk
Chair	Josep Oliu Creus	José Javier Echenique Landiribar	Mireya Giné Torrens	José Manuel Martínez Martínez	Aurora Catá Sala	George Donald Johnston III
Member	José Javier Echenique Landiribar	Pedro Fontana García	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	-	-	-	-	-
Non-voting Secretary	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Miquel Roca i Junyent	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Gonzalo Barettino Coloma

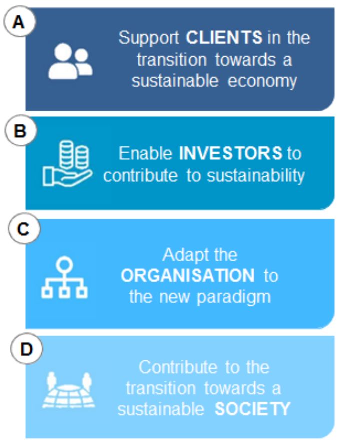
(*) Member for strategy matters only.

1.6. Sustainability

Sustainability is increasingly important in the Group's strategy and is one of the four key challenges of the Strategic Plan 2021-2023.

Through the Sustainable Finance Plan, the Group incorporates sustainability into the business model, risk management and the relationships with stakeholders.

Approved by the Board of Directors, the Sustainable Finance Plan places the Sustainable Development Goals (SDGs) at the core of the corporate strategy, establishing key guidelines, as well as programmes and actions in the area of sustainability, aimed at achieving four main objectives:



The Bank has adapted its **governance model and organisational structure** to focus on sustainability. In March 2021, the Annual General Meeting approved the creation of the Strategy and Sustainability Committee, a new Delegated Board Committee with the aim of:

- Monitoring the execution of the sustainability strategy.
- Reporting regularly to the Board on matters related to the sustainability strategy.
- Reviewing the sustainability and environmental policies.

In addition, the Annual General Meeting was certified as a Sustainable Event.

Climate and environmental commitment

In keeping with its commitment to the environment, throughout the first half of 2021, the Bank has maintained its proactive role in the transition towards an environmentally sustainable economy.

The Bank supports technology SMEs and renewable energy companies with 148 million euros in collaboration with the European Investment Fund (EIF). It has launched the BStartup Green programme, which funds environmental sustainability projects in seed and pre-seed stages. It has participated in the Sustainability Awards in collaboration with GFT and IESE and has launched the Q-ODS seal at Fitur, with which the Institution wants to make progress in the fulfilment of the SDGs and, specifically in tourism, facilitate the financing of projects that tourism companies need to adapt to this energy transition.

The Bank continues to finance sustainable projects. Its Sustainable Financing amounted to a total of 1,871 million euros in the first half of 2021, including:

- 973 million euros in 12 transactions linked to sustainability.
- 504 million euros in Project Finance for renewable energies.
- 394 million euros in financing for retail customers and corporates (mortgages, loans, rentals and leases).

In addition, in June 2021, the Bank issued 500 million euros of 7-year green bonds, which were oversubscribed by more than three times. This is the third issue of green bonds carried out by the Bank, all of them oversubscribed, since the SDG Bond Framework was defined in 2020.

Social commitment

As part of its commitment to society, the Bank continues to collaborate with social sector entities, with a special focus on culture and talent, through the work of the Banco Sabadell Private Foundation.

Furthermore, through its subsidiary Sogeviso, the Bank manages some of the complexities of social housing with the aim of responsibly addressing situations of social exclusion affecting its more vulnerable mortgage borrowers and the loss of their primary residence as a result of foreclosures. Last April, Sogeviso obtained the B-Corp certification, becoming the first company engaging in the management of social and affordable rental arrangements in Spain to achieve this recognition.

In the social sphere, it is worth highlighting the importance of the launch of the BSocial Impact Fund, a 45 million euro impact investment fund, promoted in collaboration with Ship2Ventures and the European Investment Fund.

1.7. Banco Sabadell's response to the COVID-19 health crisis

The crisis triggered by COVID-19 has entailed a paradigm shift in terms of working methods and the way in which the Group interacts with its customers on a daily basis. The Group's response in this regard has been very effective, as it has ensured the Institution's operational continuity at all times without undermining its customer service and while safeguarding the health of its customers and employees.

During the pandemic, Banco Sabadell has stood by its customers and the general public by offering economic support measures.

The Bank continues to offer the business community measures to mitigate the lack of liquidity caused by the pandemic, such as the renewal of credit facilities and the extension of various pre-arranged products. Likewise, through the ICO Support Plan, applications for loans guaranteed by the State have been managed through the Spanish Official Credit Institute (*Instituto de Crédito Oficial*, or ICO).

Moreover, the Bank joined forces with the European Investment Bank to increase its capacity to lend to small and medium-sized enterprises (SMEs) and mid-caps affected by the economic impact of the COVID-19 pandemic.

Banco Sabadell continued to prioritise the protection of customers and employees as the main area for action during the first half of the year. The protocols established in the branch network were activated according to the incidence rate in each region, although, thanks to the high level of personal responsibility of our employees and the effectiveness of the measures implemented, there were few occasions when it was necessary to activate them.

As regards the corporate centres, most of these have remained open and, although teleworking has continued to be predominant, they have coped with a growing need for face-to-face interactions in order to realise the full potential of blended working. A decisive factor in this regard was the completion of the delivery of laptops to almost 100% of the workforce in February, which, together with the deployment of the capabilities of the Office 365 platform, are shaping a more secure, agile, flexible and connected organisation.

In terms of the Group's financial metrics at the end of the six-month period, it is worth noting that the Group has comfortable levels of solvency and liquidity, in addition to a de-risked balance sheet, putting it in a good position to face potential adversities brought about by the current situation.

The fully-loaded CET1 capital ratio stood at 12.0%, remaining stable year-on-year. The Group also has a sound capital position in terms of regulatory requirements, which is 379 basis points above the required total capital ratio, meaning that it has a large capital buffer.

The Group also has a robust liquidity position, with 51,680 million euros worth of liquid assets, representing over 20% of its balance sheet, and a liquidity coverage ratio (LCR) of 220%. It also has a balance sheet that is evenly balanced between loans and deposits (loan-to-deposit ratio of 98%).

Lastly, the Group has a de-risked balance sheet. As a result of the NPA portfolio sales carried out in the last three years and the ongoing organic disposal of non-performing assets, the Group's risk profile has improved considerably and today it has a net NPAs to total assets ratio of 1.4% and an NPL ratio of 3.58%.

The Group has an internationally diversified loan portfolio, with 71% of gross performing loans (ex-APS) granted in Spain, 27% in the United Kingdom and 2% in Mexico. Of the total gross performing loans (ex-APS), excluding TSB, 51% corresponds to the large enterprises and SMEs segment, 30% to the mortgage segment, 8% to the general governments segment, 8% to other loans to individuals and, lastly, 3% corresponds to the consumer lending segment.

As a result of the unprecedented economic shock triggered by the spread of the COVID-19 pandemic, the different authorities have taken a series of measures designed to support the economy. These measures include the tax policy measures implemented by governments to support the liquidity of economic operators, families and businesses.

Spain

In this regard, the main measures taken in Spain have been: (i) a payment holiday or moratorium, which can be either statutory (provided in Royal Decree-Law 8/2020 and 11/2020) or sector-specific (provided in Royal Decree-Law 19/2020), and (ii) State-guaranteed loans of up to 100,000 million euros for companies and the self-employed, approved in Royal Decree-Law 8/2020. On 3 July 2020, the Spanish government announced a new package of measures, which included the creation of a new line of ICO guarantees of 40 billion euros. This new line is designed to promote and foster investment activity in areas with the highest added value, based on two main pillars: environmental sustainability and digitisation.

Under the ICO COVID-19 guarantee lines, which amount to 140 billion euros, the ICO grants a State guarantee of between 60% and 80% of the loans, depending on whether the customer is a self-employed worker, an SME or a large enterprise. As of 30 June 2021, Banco Sabadell customers have drawn down a total of 8,941 million euros under this type of loans.

On 17 November 2020, Royal Decree-Law 34/2020 was approved, which allows the deadline for granting requests for the public guarantee lines managed by the Spanish ICO to be extended until 30 June 2021. Furthermore, companies and self-employed persons that request a line and meet the eligibility criteria may extend the term of loans under the ICO Guarantee Line for liquidity purposes by as much as three additional years and enjoy an additional 12-month grace period on principal repayments. As at 30 June 2021, 3,556 million euros have been drawn down under these novations.

On 12 March 2021, the Spanish government published Royal Decree-Law 5/2021 on extraordinary business solvency support measures in response to the COVID-19 pandemic, which approved public investment of up to 11 billion euros through three funds: one fund with 7 billion euros of direct aid to sole proprietors and companies to reduce the debt incurred since March 2020; one fund of 1 billion euros aimed at viable firms that cannot gain access to the fund managed by the State Industrial Holdings Corporation (SEPI); and finally, one fund of 3 billion euros for the restructuring of COVID-19 financial debt. The latter fund is implemented within the framework of a Code of Good Practice, approved by the Resolution of the Council of Ministers of 11 May 2021. This framework enables the extension of the repayment period of guaranteed loans, the extension of grace periods, the conversion of loans into participating loans while maintaining the public guarantee and the granting of direct transfers to reduce the outstanding principal of guaranteed loans. Banco Sabadell adhered to the Code of Good Practice on 3 June 2021.

As regards moratoria in Spain, the statutory (legislative) moratorium consists of offering a 3-month payment holiday on mortgages and consumer loans, which applies to both interest and principal, for customers that meet certain vulnerability criteria. The sector (non-legislative) moratorium, on the other hand, consists of offering a payment holiday of up to 12 months for mortgages and up to 6 months for consumer loans to those affected by COVID-19. In this case, the payment holiday applies only to capital, meaning that the customer continues to pay interest. This moratorium is also applicable to those who have opted for a statutory (legislative) moratorium and who, upon its expiry, meet the conditions established in the sector (non-legislative) moratorium. On 3 February 2021, RDL 3/2021 was approved, which extended the deadline for applying for these moratoria to 30 March 2021, stipulating that they would apply for a total period of no longer than 9 months, including any length of time during which they had already been in effect.

As at 30 June 2021, the total amount granted by Banco Sabadell in moratoria to both the mortgage and consumer segments is 3,583 million euros. Of this amount, 2,682 million euros have already expired.

United Kingdom

The UK government and the UK regulator have also implemented various measures in order to help the economy and protect bank customers who have been affected by COVID-19. In addition to sector-specific measures, TSB has also taken a series of actions designed to protect customers affected by COVID-19.

The UK regulator (Financial Conduct Authority, or FCA) has put the following measures in place: (i) payment holiday for mortgages and consumer loans, (ii) waiver of overdraft interest payments, (iii) Coronavirus Business Interruption Loan Scheme (CBILS), for SMEs with a turnover of up to 45 million pounds, (iv) Coronavirus Large Business Interruption Loan Scheme (CLBILS) and (v) Bounce Back Loan Scheme (BBLS), although companies cannot apply for this if they are already claiming under other schemes.

In relation to the 3-month mortgage payment holiday announced by the UK government in March 2020, which can be requested by any customers who have experienced financial difficulties due to COVID-19, the FCA published its supervisory expectations, specifying that payment holiday in this context means no payments of either principal or interest. At the end of the payment holiday period, banks and customers should decide how unpaid amounts should be capitalised, generally by increasing the remaining monthly instalments or by extending the term of the loan. On 2 June 2020, the deadline for applying for this payment holiday was extended to 31 October 2020. Subsequently, in November 2020, the FCA announced a further extension of the application deadline to 31 March 2021.

In relation to the 3-month payment holiday for credit products (personal loans and credit cards) announced by the government in April 2020, which can be requested by any customers who have experienced financial difficulties due to COVID-19, the FCA published its supervisory expectations, specifying that payment holiday in this context means no payments of either principal or interest. At the end of the payment holiday period, banks and customers should decide how unpaid amounts should be capitalised, generally by increasing the remaining monthly instalments or by extending the term of the loan. On 1 July 2020, the FCA also extended the deadline for applying for this payment holiday to 31 October 2020. Subsequently, in November 2020, the FCA announced a further extension of the application deadline to 31 March 2021.

As at 30 June 2021, almost all of the 4,845 million pounds of payment holidays granted by TSB on both mortgages and credit products (personal loans and credit cards) have expired. Of these payment holidays, only 5% are in stage 3.

Regarding the waiver of interest on arranged overdrafts, the FCA published guidelines specifying that customers with an overdraft limit of up to 500 pounds would be exempt from paying interest and fees on that overdraft for up to 3 months. This measure initially applied to all customers until 9 July. The deadline by which customers could apply for an arranged overdraft beyond that date was extended to 31 October 2020. Finally, the guidance was updated in September 2020 so that banks will continue to provide support to customers in financial difficulty after 31 October 2021.

Under the Coronavirus Business Interruption Loan Scheme (CBILS), SMEs with an annual turnover of less than 45 million pounds can submit an application to participating lenders to receive up to 5 million pounds in loans, overdrafts, invoice finance facilities and asset finance facilities, with a maximum term of 6 years. The government guarantees 80% of each loan and pays interest during the first 12 months.

Companies cannot apply for the Bounce Back Loan Scheme (BBLS) if they are already claiming under other schemes. The loan amount that they receive is irrespective of their annual turnover. The BBLS allows companies to request loans of up to 25% of their turnover, capped at 50,000 pounds. The government provides a full (100%) guarantee and pays interest for the first 12 months. Companies are required to start repaying the loan after one year at an interest rate of 2.5%, set by the government. No repayments are made in the first 12 months.

The Winter Economy Plan, announced on 24 September 2020, introduces a series of changes to these guarantee schemes, most notably with Pay As You Grow, which allows the repayment term to be extended from 6 to 10 years, allows businesses to move temporarily to interest-only payments for periods of up to 6 months and to suspend payments in full for up to 6 months (this option can be used once during the life of the loan and only after 6 payments have been made). In February 2021, the UK government announced a scheme to provide greater flexibility for Pay As You Grow, allowing businesses to apply to benefit from the third option in their very first instalment, without having to make the first 6 payments.

At the Budget presentation on 3 March 2021, the launch of the Recovery Loan Scheme was announced, which replaces the BBLs and CBILs schemes. Under this new scheme, from 6 April 2021, businesses of any size can apply for loans of between £25,000 and £10 million, with the government guaranteeing 80% of the amount, until the end of the year.

Up to 30 June 2021, TSB had granted a total of 590 million pounds under both the Bounce Back Loan Scheme (BBLS) and the Coronavirus Business Interruption Loan Scheme (CBILS).
TSB also supports retail customers and companies by applying the aforesaid measures established by the UK regulator, offering interest-free overdrafts or refunds of any overdraft interest charged, as well as a series of improvements in its customer care service. For instance, TSB employees have reached out to their most vulnerable customers to offer them help and assistance, and they have issued ATM cards to customers who previously only used savings books, allowing them to easily access their money without having to visit a branch in person. Additionally, it has taken an innovative approach to enable TSB's telephone operators to work remotely, thus allowing them to make large numbers of calls to prevent transaction fraud and deal with telephone banking enquiries. Lastly, TSB has developed 'Smart Agent', in partnership with IBM, improving the website by serving customers and giving them access to a series of services that they can apply for without having to make a call or visit a branch.

2. ECONOMIC AND FINANCIAL ENVIRONMENT

2.1 Global economic, political and financial context

The progress in the vaccination campaign, rebounding inflation and the new fiscal stimulus package in the United States have been the main economic and financial factors shaping the environment in the first half of the year.

European countries experienced a third wave of infections in the early part of the year, leading to a tightening of containment measures. Nevertheless, the epidemiological situation was subsequently brought under control in most developed economies thanks to the good progress of vaccination programmes. This led European countries to ease containment measures, resulting in increased mobility. During the last few weeks of the six-month period, the emergence of the Delta variant of the virus caused case numbers to spike once again in countries such as the United Kingdom, although this wave differs from previous ones in that there have been fewer hospitalisations thanks to the effectiveness of the vaccines.

As regards activity, global economic recovery has been gaining traction over the course of the months. Among developed economies, the United States has led the recovery, while the Eurozone has lagged somewhat behind. Eurozone GDP contracted again in the first quarter, due to tighter containment measures. Economic confidence indicators, however, point to a significant pick-up in activity in the second quarter of 2021, helped by the progress made in the vaccination campaigns. In the US, where activity was supported by the economic reopening, the approval in the first quarter of 2021 of an additional fiscal stimulus package, equivalent to almost 9% of GDP, was worthy of note.

In Spain, the economy showed signs of weakness in the first few months of the year because of the restrictive measures adopted to combat the third wave of COVID-19. The situation improved from March onwards with the progress made in vaccinations and the reopening of the economy. Business confidence indicators are at their highest levels of recent years and Social Security enrolment, excluding furloughs (called ERTEs in Spain), has recovered to pre-COVID levels if the hospitality industry is excluded. Similarly, in the UK, GDP contracted in the first quarter of 2021 due to the lockdown, but the latest indicators point to a swift recovery with the reopening.

Inflation has picked up significantly on both sides of the Atlantic, especially in the United States. Inflationary pressures stem from a number of aspects, including the rapid recovery in the demand for goods, which has been met with relatively inelastic supply that has struggled to adjust, leading to bottlenecks in some sectors (e.g. sea transport and semi-conductors). This has been compounded by idiosyncratic disruptions that have occasionally accentuated these bottlenecks (e.g. the closure of the Suez Canal or the disruption to Asian ports due to new outbreaks of the virus). Commodities also responded positively, with some commodities, such as certain industrial metals, reaching multi-year highs.

On the geopolitical front and in relation to Brexit, following the agreement reached at the end of 2020 between the UK and the EU, coinciding with the end of the transition period, there have been tensions over the Northern Ireland Protocol. Businesses trading between the UK and the EU have had to adjust to the new post-Brexit arrangements, which in many cases has weighed on their business.

2.2 Central banks and fixed-income markets

The main central banks have generally maintained monetary stimulus and see the rebound of inflation as being temporary, signalling their intention not to respond imminently to it.

The ECB has been optimistic about the economic recovery and revised its growth outlooks significantly upwards in June. It also indicated that risks to activity had become broadly balanced. The central bank also revised up its inflation forecasts for 2021 and 2022, although it expects inflation to remain well below target in 2023. Furthermore, the ECB significantly increased the pace of its bond purchases from the end of March onwards, insisting that its main goal is to maintain favourable financing conditions for the whole economy.

At its June meeting, the Fed delivered a surprise by shifting to a less accommodative stance and pointed to an earlier start of the rate hike cycle than previously considered. The Fed revised its inflation forecast for this year significantly upwards and was optimistic as regards economic activity. Finally, it indicated that it will maintain its current bond-buying pace until substantial progress has been made towards monetary policy objectives.

The Bank of England has also been optimistic about the recovery and has revised up its growth outlook and raised its inflation forecast. It expects inflation to rise to slightly above 3.0% by the end of the year, although it also expects this rise to be temporary. The BoE has slowed the pace of its bond purchases compared to earlier in the year, but maintained its forward guidance that it will not tighten its monetary policy until it has evidence that the inflation target is being met on a sustained basis and that spare capacity is being eliminated.

Long-term government bond yields have rebounded strongly on both sides of the Atlantic and have risen above pre-COVID levels. Yields have been driven upwards by higher inflation expectations and increased optimism about the economic recovery. The rally came to a halt in the latter part of the half-year as central banks described inflationary pressures as temporary, the upward trend of commodity prices plateaued and certain activity indicators were hampered by disruptions in global value chains. On top of all this, net issuance was low in the second quarter of 2021.

Spain and Portugal's risk premiums have remained relatively stable, while Italy's premium has decreased somewhat, supported by the new government of former ECB chief Mario Draghi. In general, premiums have been supported by the ECB and the ratification of the EU Recovery Fund.

2.3 Currency market

The euro started the year at its strongest levels since 2018 against the dollar, supported by the zero interest rate environment in the United States and the prospects of a global recovery. In the first half of the year, the currency pair recorded several swings in the range of 1.17-1.23 dollars per euro, ending the half-year at the higher end of this range. In the first quarter of 2021, differences between the Eurozone and the United States in terms of the pandemic, vaccine availability and economic reopening strengthened the dollar. Subsequently, the euro benefited from the improved situation in Eurozone countries. However, this good performance was cut short by the Fed's more aggressive stance, which significantly strengthened the dollar again.

The pound sterling appreciated sharply over the six-month period as a whole, ending at levels of 0.86 pounds per euro, sitting at the higher end of the range at which it had been trading during the post-referendum period. The pound was supported by the quick progress of the British vaccination programme and the BoE's upbeat tone as regards the economic recovery. The ongoing tensions over the Northern Ireland Protocol of the Brexit Deal have played against it.

2.4 Emerging markets

Emerging markets welcomed news about the development of vaccines and the Democrats' control in both houses of Congress in the United States, with a large portion of emerging financial assets returning to pre-COVID levels. The pandemic situation has remained complicated in some emerging regions, largely because of the limited reach of the vaccination campaigns.

On the other hand, with expectations of an earlier withdrawal of monetary stimulus by the Fed and upward pressures on inflation, some emerging countries have been forced to raise their official interest rates unexpectedly and/or more aggressively than initially considered. This has been the case in Brazil and Turkey, countries with significant tax and/or financial vulnerabilities, but also in other countries such as Mexico. Meanwhile, the financial assets of Colombia and Peru have suffered as a result of the political and social instability they are experiencing and despite the good performance of commodities.

In Mexico, economic recovery has been clearly supported by fiscal stimulus measures in the United States. The outlooks for the country's credit rating have improved substantially in recent months, partly as a result of the outcome of the legislative elections, which weakened the governing coalition in Congress, something that is seen as positive from an institutional point of view. Furthermore, Mexico has remained on the sidelines of the fiscal and socio-political deterioration experienced by some Latin American countries.

3. FINANCIAL INFORMATION

Banco Sabadell and its group ended the first half of the year with net attributable profit of 220 million euros, compared to 145 million euros in the same period of 2020. The positive change is mainly due to the good performance of fees and commissions, the cost reductions stemming mainly from savings in staff expenses as the savings from the efficiency plan executed in Spain began to come through, and the booking of fewer provisions, as the previous year included the impacts of the COVID-19 update of models used to estimate credit risk provisions.

3.1 Income and profit performance

Net interest income in the first half of the current year amounted to 1,685 million euros, -1.1% lower than in the first half of 2020 due to a smaller contribution from the ALCO portfolio following the sales carried out in the previous year, lower returns and lower overdraft fees.

Dividends received and equity-accounted profits amounted to 56 million euros in the first half of the year, compared with 14 million euros in the first six months of 2020. The positive change compared to the previous year is mainly due to higher earnings recorded by investees related to renewable energies in 2021.

Net fees and commissions in the first half of the year amounted to 709 million euros, up 5.4% year-on-year, supported by the good performance of service fees, as well as mutual funds, which offset the impact of lower fees and commissions due to the sale of Sabadell Asset Management in June last year.

Gains or (-) losses on financial assets and liabilities and exchange differences, net amounted to 28 million euros, compared to 155 million euros in the first half of 2020. This negative variation is mainly due to greater ALCO portfolio sales in the previous year.

Other operating income and expenses amounted to -122 million euros, compared with -86 million euros in the first half of 2020. Particularly worthy of note under this heading was the contribution to the Single Resolution Fund (SRF) of -88 million euros (-78 million euros in 2020).

Operating expenses (staff and general) during the first half of 2021 amounted to -1,251 million euros. In the first half of 2020, operating expenses amounted to a total of -1,307 million euros, representing a reduction of -4.3% due to both an improvement in staff expenses, as the savings from the efficiency plan executed in Spain began to come through, and an improvement in TSB's general expenses.

The cost-to-income ratio at the end of June 2021 stood at 53.7%.

As a result of the foregoing, the first half of 2021 ended with pre-provisions income of 845 million euros (899 million euros in 2020), due to the aforesaid lower gains/(losses) on financial assets and liabilities, net, which offset the improvement in fees and commissions and the reduction of operating expenses.

Allowances for loan losses and other impairments (primarily real estate and financial assets) amounted to -621 million euros, compared with -1,089 million euros in the first six months of 2020. The deviation is mainly due to the higher provisions booked in the previous year, as the models used to estimate credit risk provisions were updated to incorporate the COVID-19 macroeconomic scenarios.

Capital gains on asset sales and other revenue amounted to 74 million euros, which notably included the sale of the institutional depositary business, generating gross profit of 83 million euros, while in the first half of 2020 they amounted to 276 million euros, with the net profit of 293 million euros on the sale of Sabadell Asset Management being particularly noteworthy.

After deducting income tax and minority interests, net profit attributable to the Group amounted to 220 million euros at the end of the first half of 2021. These results represent strong growth due to the aforementioned improvement in fee and commission income, as well as the efforts made to reduce operating expenses, which together with the reduction of provisions, pushed profits up by 51.5% year-on-year.

3.2 Balance sheet

At the end of the first half of 2021, total assets of Banco Sabadell and its group amounted to 250,120 million euros, representing a 6.1% increase with respect to the end of 2020.

Gross performing loans to customers amounted to 152,515 million euros, increasing by 3.8% compared to the balance at the end of 2020. As at the end of June 2021, the NPL ratio stood at 3.6% and the stage 3 coverage ratio with total provisions was 56.4%.

As at 30 June 2021, on-balance sheet customer funds amounted to 157,345 million euros, compared to 150,778 million euros at the end of 2020, representing a 4.4% increase year-on-year.

Sight account balances amounted to 140,028 million euros, representing a 7.5% increase on the figure as at the end of 2020, while customer term deposits (including deposits redeemable at notice and hybrid financial liabilities) amounted to 17,645 million euros (15.2% lower than at the end of 2020). The downward trend of interest rates in financial markets has resulted in a change in the composition of on-balance sheet customer funds, as term deposits flowed through to sight accounts.

Total off-balance sheet customer funds amounted to 40,736 million euros, a 7.0% increase compared to the end of the previous year. In this item, the increase in mutual funds was particularly notable. As at the end of June 2021, they amounted to 23,555 million euros, up by 10.2% compared to 2020 year-end, mainly due to an increase in inflows.

Debt securities in issue (borrowings, other marketable securities and subordinated liabilities) amounted to 21,778 million euros at the end of the first half of the current year, compared to 20,413 million euros as at 2020 year-end.

Total funds under management and third-party funds amounted to 220,726 million euros as at 30 June 2021, compared to 209,748 million euros at the end of the previous year, representing a 5.2% increase.

3.3 Solvency

The phase-in Common Equity Tier 1 (CET1) ratio stood at 12.3%, and the fully-loaded CET1 ratio at 12.0% as at 30 June 2021.

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

On 24 June 2021, S&P Global Ratings revised Banco Sabadell's credit rating, placing it at BBB- (previously BBB), with a stable outlook, to reflect the challenges of profitability, efficiency and digitisation facing the new management team. The short-term rating was changed from A-2 to A-3.

On 20 May 2021, DBRS Rating GmbH confirmed Banco Sabadell's long-term and short-term ratings of 'A (low)' and 'R-1 (low)' while maintaining the negative outlook to reflect the increased risks to Spanish banks generated by the economic disruption derived from the COVID-19 pandemic.

On 19 April 2021, Moody's Investors Service (Moody's) confirmed the 'Baa2' long-term deposit rating and the 'Baa3' senior debt rating, as well as the 'P-3' short-term senior debt rating of Banco Sabadell, maintaining a stable outlook.

On 17 September 2020, Fitch Ratings revised Banco Sabadell's credit rating, placing it at BBB- (previously BBB), with a stable outlook, to reflect the economic impacts of the coronavirus crisis on Banco Sabadell's credit profile. The short-term rating was changed from F2 to F3.

3.4 Branches and offices

At the end of the first half of 2021, Banco Sabadell had 1,918 branches and offices. Of the total number of Banco Sabadell Group branches and offices, 1,159 operate under the Sabadell brand (including 26 business banking and 2 corporate banking branches); 96 operate as Sabadell Gallego (3 business banking branches); 122 as Sabadell Herrero (3 business banking branches); 102 as Sabadell Guipuzcoano (5 business banking branches), 11 as Sabadell Urquijo, and 98 branches operate under the Solbank brand. The other 330 branches and offices make up the international network, of which 15 correspond to Sabadell Mexico, 7 to BancSabadell d'Andorra and 290 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 2021 condensed interim consolidated financial statements.

4.1 Banking Business Spain

As at the end of June 2021, net profit amounted to 175 million euros, representing a year-on-year decrease mainly due to lower gains or (-) losses on financial assets and liabilities, net and the impact in the previous year of the capital gain on the sale of Sabadell Asset Management.

Net interest income amounted to 1,150 million euros, -4.4% lower than at the end of June 2020, mainly due to the smaller contribution of the ALCO portfolio following the sales made in the previous year and also due to lower interest rates and lower overdraft fees.

Net fees and commissions stood at 651 million euros, 4.0% higher than in the same period of the previous year, mainly due to the good performance of sight account fees.

Gains or (-) losses on financial assets and liabilities and exchange differences, net stood at 22 million euros, representing a sharp year-on-year reduction as the previous year included higher capital gains on ALCO portfolio sales.

Profits from entities accounted for by the equity method showed strong growth due to higher profits from renewable energy-related investees.

Operating expenses decreased by -3.8% due to the improvement in staff expenses, which offset the increase in general expenses.

Provisions and impairments amounted to -583 million euros, representing a sharp reduction, as the previous year included extraordinary provisions associated with the impact of COVID-19.

Million euro

	30/06/2021	30/06/2020	Year-on-year change (%)
Net interest income	**1,150**	**1,202**	**(4.3)**
Fees and commissions (net)	651	626	4.0
Net banking revenues	**1,801**	**1,828**	**(1.5)**
Net trading income and exchange differences	22	133	(83.5)
Equity-accounted affiliates and dividends	56	14	300.0
Other operating income/expense	(110)	(93)	18.3
Gross income	**1,769**	**1,881**	**(6.0)**
Operating expenses and depreciation and amortisation	(1,002)	(1,026)	(2.3)
Pre-provisions income	**767**	**855**	**(10.3)**
Provisions and impairments	(583)	(958)	(39.1)
Capital gains on asset sales and other revenue	78	275	(71.6)
Profit/(loss) before tax	**262**	**173**	**51.4**
Corporation tax	(80)	31	(358.1)
Profit or loss attributed to minority interests	7	(1)	(800.0)
Profit attributable to the Group	**175**	**205**	**(14.6)**
ROE (profit / average shareholders' equity)	3.2%	3.7%	
Cost-to-income (general administrative expenses / gross income)	46.0%	45.4%	
NPL ratio	4.3%	4.7%	
NPL (stage 3) coverage ratio, with total provisions	57.3%	55.6%	

Banking Business Spain includes Retail Banking, Business Banking, Corporate & Investment Banking, central services and ALM (Asset & Liability Management).

Gross performing loans to customers increased by 1.7% compared to the previous December, driven by lending to companies, SMEs and self-employed workers.

On-balance sheet customer funds grew by 2.9% compared to the previous December, driven by sight accounts, partly as the result of funds flowing out of term deposits due to the low interest rates offered on savings accounts. Off-balance sheet funds increased by 7.0%, mainly due to the growth of mutual funds.

Million euro

	30/06/2021	31/12/2020	Change (%)
Assets	**195,172**	**183,896**	**6.1**
Gross performing loans to customers	108,042	106,237	1.7
Non-performing real estate assets (net)	859	871	(1.4)
Liabilities	**185,748**	**174,676**	**6.3**
On-balance sheet customer funds	113,776	110,572	2.9
Wholesale Funding Capital Markets	19,188	18,332	4.7
Allocated capital	**9,423**	**9,220**	**2.2**
Off-balance sheet customer funds	**40,736**	**38,064**	**7.0**
Other indicators			
Employees	14,648	16,260	(9.9)
Branches	1,613	1,614	(0.1)

Banking Business Spain includes Retail Banking, Business Banking, Corporate & Investment Banking, central services and ALM (Asset & Liability Management).

4.2 Banking Business United Kingdom

Net profit stood at 39 million euros as at the end of June 2021, representing an improvement on last year's figure of -71 million euros, due to higher core revenues, lower costs and fewer provisions.

Net interest income amounted to a total of 482 million euros, 9.1% higher than in the previous year due to the strong growth of mortgage volumes year to date.

Net fees and commissions increased by 28.3% year-on-year, mainly due to higher service fees, particularly card fees and banknote and currency exchange fees.

Operating expenses amounted to -394 million euros and fell by -6.2% year-on-year, due to improved general expenses.

Provisions and impairments amounted to -28 million euros, significantly lower this year, as June 2020 included extraordinary provisions associated with the impact of COVID-19, while this year, provisions were released after reviewing the macroeconomic scenarios.

Million euro

	30/06/2021	30/06/2020	Year-on-year change (%)
Net interest income	**482**	**442**	**9.0**
Fees and commissions (net)	56	43	30.2
Net banking revenues	**538**	**485**	**10.9**
Net trading income and exchange differences	7	19	(63.2)
Equity-accounted income and dividends	-	-	-
Other operating income/expense	(9)	13	(169.2)
Gross income	**536**	**517**	**3.7**
Operating expenses and depreciation and amortisation	(471)	(499)	(5.6)
Pre-provisions income	**65**	**18**	**261.1**
Provisions and impairments	(28)	(121)	(76.9)
Capital gains on asset sales and other revenue	(5)	1	(600.0)
Profit/(loss) before tax	**32**	**(102)**	**(131.4)**
Corporation tax	8	31	(74.2)
Profit or loss attributed to minority interests	-	-	-
Profit attributable to the Group	**40**	**(71)**	**(156.3)**
ROE (profit / average shareholders' equity)	0%	0%	
Cost-to-income (general administrative expenses / gross income)	74.0%	81.3%	
NPL ratio	1.6%	1.6%	
NPL (stage 3) coverage ratio, with total provisions	43.6%	51.9%	

Gross performing loans to customers grew by 10.8% compared to December 2020, supported by the appreciation of the pound sterling. Considering a constant exchange rate, this item increased by 5.7% year-on-year, due to the increase in the mortgage portfolio.

On-balance sheet customer funds increased by 8.4%. Considering a constant exchange rate, this item grew by 3.4% year-on-year, due to the increase in current accounts, reflecting lower consumer spending levels.

Million euro

	30/06/2021	31/12/2020	Change (%)
Assets	**50,233**	**47,284**	**6.2**
Gross performing loans to customers	40,959	36,977	10.8
Non-performing real estate assets (net)	-	-	-
Liabilities	**47,604**	**44,673**	**6.6**
On-balance sheet customer funds	41,416	38,213	8.4
Wholesale Funding Capital Markets	2,914	2,319	25.7
Allocated capital	**2,629**	**2,611**	**0.7**
Off-balance sheet customer funds	-	-	-
Other indicators			
Employees	5,978	6,709	(10.9)
Branches	290	454	(36.1)

4.3 Banking Business Mexico

Net profit at the end of June 2021 amounted to 6 million euros, representing a decline in year-on-year terms, mainly due to reduced net interest income and lower gains or (-) losses on financial assets and liabilities, net.

Net interest income amounted to 54 million euros and decreased by -11.1%, affected by the exchange rate of the Mexican peso. At a constant exchange rate, it fell by -9.4% due to lower volumes and a fall in the benchmark rate (from 7.1% in March 2020 to 4.3% in March 2021).

Net fees and commissions amounted to 3 million euros, falling by 1 million euros from the previous year due to lower activity levels as a result of COVID-19.

Operating expenses increased by -3 million euros, due to higher staff and general expenses.

Provisions and impairments amounted to -10 million euros, lower than in the previous year due to lower loan loss provisions allocated for COVID-19.

Million euro

	30/06/2021	30/06/2020	Year-on-year change (%)
Net interest income	**54**	**61**	**(11.5)**
Fees and commissions (net)	3	4	(25.0)
Net banking revenues	**57**	**65**	**(12.3)**
Net trading income and exchange differences	(1)	3	(133.3)
Equity-accounted affiliates and dividends	-	-	-
Other operating income/expense	(3)	(6)	(50.0)
Gross income	**53**	**62**	**(14.5)**
Operating expenses and depreciation and amortisation	(39)	(36)	8.3
Pre-provisions income	**14**	**26**	**(46.2)**
Provisions and impairments	(10)	(11)	(9.1)
Capital gains on asset sales and other revenue	-	-	-
Profit/(loss) before tax	**4**	**15**	**(73.3)**
Corporation tax	2	(3)	(166.7)
Profit or loss attributed to minority interests	-	-	-
Profit attributable to the Group	**6**	**12**	**(50.0)**
ROE (profit / average shareholders' equity)	1.8%	3.8%	
Cost-to-income (general administrative expenses / gross income)	66.0%	52.0%	
NPL ratio	0.3%	0.8%	
NPL (stage 3) coverage ratio, with total provisions	416.9%	132.5%	

Gross performing loans to customers were -1.7% lower than in December 2020 due to the conservative policy adopted when granting new loans. Considering a constant exchange rate, they showed a decrease of -5.1%.

On-balance sheet customer funds increased by 8.0% compared to the previous December, supported by the evolution of the Mexican peso exchange rate. At constant exchange rates, they increased by 4.3% due to new customer deposits.

Million euro

	30/06/2021	31/12/2020	Change (%)
Assets	**4,715**	**4,584**	**2.9**
Gross performing loans to customers	3,514	3,574	(1.7)
Non-performing real estate assets (net)	-	-	-
Liabilities	**4,095**	**3,923**	**4.4**
On-balance sheet customer funds	2,153	1,993	8.0
Wholesale Funding Capital Markets	-	-	-
Allocated capital	**620**	**661**	**(6.2)**
Off-balance sheet customer funds	**-**	**-**	**-**
Other indicators			
Employees	469	489	(4.1)
Branches	15	15	-

5. SUBSEQUENT EVENTS

On 15 July 2021, Banco Sabadell and Mora Banc Grup, S.A. ("MoraBanc") entered into an agreement whereby MoraBanc undertakes to acquire, subject to obtaining the relevant regulatory approvals, the entire stake held by Banco Sabadell at BancSabadell d'Andorra, S.A. (namely, 51.61% taking into account the treasury stock) for an amount of approximately 67 million euros. The final amount will be set upon verification of certain financial figures as of 30 June 2021. The transaction is expected to close in the final quarter of 2021.

The transaction is not expected to have a significant impact on the Group's income statement and is expected to contribute 7 basis points to the fully-loaded Common Equity Tier 1 (CET1) ratio. As at 30 June 2021, the assets and liabilities contributed by the BancSabadell d'Andorra, S.A. subgroup to the consolidated balance sheet amounted to approximately 1,033 and 952 million euros, respectively. These assets and liabilities will be reclassified into "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" until the closing of this transaction.

There have been no other events worthy of mention subsequent to 30 June 2021.

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 unaudited 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 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.

Performance measure	Definition and calculation	Use or purpose
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) gains or (-) losses on 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) gains or (-) losses on 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	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	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	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. Average shareholders' equity: 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.

Performance measure	Definition and calculation	Use or purpose
ROTE	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. Average shareholders' equity: 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 and the Single Resolution Fund and the Spanish tax on deposits of credit institutions, except at year-end.	Main indicator of efficiency or productivity of banking activity.
Stage 3 exposures	The sum of the following accounting items: loans and advances to customers classified as stage 3 and not classified as non-current assets held for sale, together with 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.
NPA exposures	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.

Performance measure	Definition and calculation	Use or purpose
Non-performing real estate coverage ratio	The non-performing real estate coverage ratio is 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	Exposures classified as stage 3 expressed as a percentage of total exposures granted to customers that are not classified as non-current assets held for sale. All components of the calculation are headings or sub-headings of the financial statements. Calculated as the ratio of exposures classified as stage 3, including guarantees given classified as stage 3 / Loans to customers not classified as non-current assets held for sale and guarantees given. See the definition of stage 3 exposures in this table.	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)	The ratio between provisions for loan losses / loans to customers and guarantees given. The numerator is adjusted to account for costs associated with managing assets classified as stage 3 and provisions for institutional portfolio sales.	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 receivables / 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 (or loss) per share (EPS)	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.

Performance measure	Definition and calculation	Use or purpose
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.
Price/Book value	Share price or value / 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 (or loss) 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 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).
- Gains or (-) losses on 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 the 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).
- Gains or (-) losses on 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).
- Gains or (-) losses on 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 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	30/06/2021	31/12/2020
<u>Gross loans to customers / Gross performing loans to customers</u>		
Mortgage-secured loans & credit	87,853	83,573
Loans and credit secured with other collateral	3,723	3,698
Commercial loans	5,439	4,991
Finance leases	2,176	2,230
Overdrafts, etc.	53,324	52,386
Gross performing loans to customers	**152,515**	**146,878**
Stage 3 assets (customers)	5,516	5,320
Accrual adjustments	6	3
Gross loans to customers, excluding repos	**158,038**	**152,201**
Repos	0	63
Gross loans to customers	**158,038**	**152,265**
Impairment allowances	(3,177)	(3,081)
Loans and advances to customers	**154,860**	**149,183**
<u>On-balance sheet customer funds</u>		
Financial liabilities measured at amortised cost	233,256	217,391
Non-retail financial liabilities	75,911	66,612
Deposits - central banks	34,819	31,881
Deposits - credit institutions	12,674	10,083
Institutional issues	22,645	20,905
Other financial liabilities	5,774	3,743
On-balance sheet customer funds	**157,345**	**150,778**
<u>On-balance sheet funds</u>		
Customer deposits	158,212	151,270
Sight accounts	140,028	130,295
Deposits with agreed maturity, including deposits redeemable at notice, and hybrid financial liabilities	17,645	20,805
Repos	424	13
Accrual adjustments and hedging derivatives	115	157
Debt securities in issue	18,315	17,510
Subordinated liabilities	3,463	2,903
On-balance sheet funds	**179,990**	**171,683**
<u>Off-balance sheet customer funds</u>		
Mutual funds	23,555	21,366
Asset management	3,708	3,298
Pension funds	3,458	3,349
Insurance products sold	10,015	10,051
Off-balance sheet customer funds	**40,736**	**38,064**
<u>Funds under management and third-party funds</u>		
On-balance sheet funds	179,990	171,683
Off-balance sheet customer funds	40,736	38,064
Funds under management and third-party funds	**220,726**	**209,748**

INCOME STATEMENT	30/06/2021	30/06/2020
<u>**Customer spread**</u>		
Loans and advances to customers (net)		
Average balance	149,881	142,936
Profit/(loss)	1,741	1,888
Rate (%)	2.34	2.66
Customer deposits		
Average balance	160,522	150,785
Profit/(loss)	(52)	(143)
Rate (%)	(0.07)	(0.19)
Customer spread	**2.27**	**2.47**
<u>**Other operating income and expenses**</u>		
Other operating income	83	124
Other operating expenses	(205)	(210)
Income from assets under insurance or reinsurance contracts	-	-
Expenses on liabilities under insurance or reinsurance contracts	-	-
Other operating income and expenses	**(122)**	**(86)**
<u>**Pre-provisions income**</u>		
Gross income	2,357	2,461
Administrative expenses	(1,251)	(1,307)
Staff expenses	(754)	(798)
Other general administrative expenses	(497)	(509)
Depreciation and amortisation	(261)	(255)
Pre-provisions income	**845**	**899**

	30/06/2021	30/06/2020
<u>Total provisions and impairments</u>		
Impairment or reversal of impairment on investments in joint ventures and associates	(0)	1
Impairment or reversal of impairment on non-financial assets, adjusted	(39)	3
Impairment or reversal of impairment on non-financial assets	(39)	2
Gains or losses on sale of investment properties	0	1
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, adjusted	(29)	(95)
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(35)	182
Gains or losses on the sale of equity holdings and other items	6	(277)
Other provisions and impairments	**(68)**	**(91)**
Provisions or reversal of provisions	(49)	(117)
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	(504)	(881)
Provisions for loan losses and financial assets	**(553)**	**(998)**
Total provisions and impairments	**(621)**	**(1,089)**

<u>Capital gains on asset sales and other revenue</u>		
Gains or losses on derecognition of non-financial assets, net	80	1
Gains or losses on the sale of equity holdings and other items	(6)	277
Gains or losses on sale of investment properties	(0)	(1)
Capital gains on asset sales and other revenue	**74**	**276**

PROFITABILITY AND EFFICIENCY	30/06/2021	30/06/2020
<u>ROA</u>		
Average total assets	240,872	221,448
Consolidated profit or loss for the year	227	145
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(20)	(18)
ROA (%)	**0.17**	**0.12**
<u>RORWA</u>		
Net profit attributable to the Group	220	145
Risk-weighted assets (RWAs)	80,989	78,210
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(20)	(18)
RORWA (%)	**0.50**	**0.33**
<u>ROE</u>		
Average shareholders' equity	12,991	13,106
Net profit attributable to the Group	220	145
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(20)	(18)
ROE (%)	**3.10**	**1.96**
<u>ROTE</u>		
Average shareholders' equity (excluding intangible assets)	10,391	10,522
Net profit attributable to the Group	220	145
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	(20)	(18)
ROTE (%)	**3.88**	**2.44**
<u>Cost-to-income ratio</u>		
Gross income	2,357	2,461
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions)	(29)	(25)
Administrative expenses	(1,251)	(1,307)
Cost-to-income ratio (%)	**53.73**	**53.65**

RISK MANAGEMENT	30/06/2021	31/12/2020
Stage 3 exposures		
Loans and advances to customers	5,545	5,351
Guarantees given classed as stage 3	449	457
Stage 3 exposures	**5,995**	**5,808**
NPL (stage 3) coverage ratio, with total provisions		
Provisions for loan losses	3,378	3,279
Stage 3 exposures	5,995	5,808
NPL (stage 3) coverage ratio, with total provisions (%)	**56.4%**	**56.5%**
NPL (stage 3) coverage ratio		
Provisions for stage 3 loan losses	2,374	2,272
Stage 3 exposures	5,995	5,808
NPL (stage 3) coverage ratio (%)	**39.6%**	**39.1%**
NPA exposures		
Stage 3 exposures	5,995	5,808
Non-performing real estate assets	1,370	1,373
NPA exposures	**7,365**	**7,182**
NPA coverage ratio (%)		
Provisions for non-performing assets	3,889	3,781
NPA exposures	7,365	7,182
NPA coverage ratio (%)	**52.8%**	**52.6%**
Non-performing real estate coverage ratio		
Provisions for non-performing real estate assets	511	502
Non-performing real estate assets	1,370	1,373
Non-performing real estate coverage ratio (%)	**37.3%**	**36.6%**
NPL ratio		
Stage 3 exposures	5,995	5,808
Loans to customers and guarantees given	167,397	161,474
NPL ratio (%)	**3.6%**	**3.6%**
Credit cost of risk (bps)		
Loans to customers and guarantees given	167,397	161,474
Provisions for loan losses	(505)	(1,832)
NPL expenses	(64)	(117)
Provisions for institutional portfolio sales	-	(325)
Credit cost of risk (bps)	**53**	**86**

LIQUIDITY MANAGEMENT	30/06/2021	31/12/2020
Loan-to-deposit ratio		
Net loans and advances excluding ATAs, adjusted for brokered loans	153,472	147,143
On-balance sheet customer funds	157,345	150,778
Loan-to-deposit ratio (%)	**97.5%**	**97.6%**

SHAREHOLDERS AND SHARES	30/06/2021	30/06/2020
Average number of shares (million)	5,584	5,590
Listed price	0.57	0.31
Market capitalisation (million euros)	**3,206**	**1,728**
Profit attributable to the Group, adjusted	155	91
Profit attributable to the Group	220	145
Adjustment for DGF & SRF, net of tax	(20)	(18)
Adjustment for accrued AT1	(45)	(37)
Average number of shares (million)	5,584	5,590
Earnings per share (euros)	**0.06**	**0.03**
Shareholders' equity, adjusted	13,099	13,122
Shareholders' equity	13,120	13,140
Adjustment for DGF & SRF, net of tax	(20)	(18)
Average number of shares (million)	5,584	5,590
Book value per share (euros)	**2.35**	**2.35**
Shareholders' equity, adjusted	13,099	13,122
Intangible assets	2,594	2,583
Tangible book value (shareholders' equity, adjusted)	10,506	10,539
Average number of shares (million)	5,584	5,590
TBV per share (euros)	**1.88**	**1.89**
Listed price	0.57	0.31
Book value per share (euros)	2.35	2.35
Price/Book value	**0.24**	**0.13**
Listed price	0.57	0.31
Earnings per share (euros)	0.06	0.03
Price / Earnings ratio (P/E)	**10.27**	**9.43**