Mr MIQUEL ROCA i JUNYENT, Secretary to the Board of Directors of BANCO DE SABADELL, S.A., with registered office in Sabadell, Plaça de Sant Roc núm. 20, and holder of tax identification number (NIF) A08000143.

CERTIFIES:

That at the meeting of the company's Board of Directors held today at Sant Cugat del Vallés, by written notice dated 31 January 2025, attended by the Chairman José Oliu Creus and directors Pedro Fontana García, César González-Bueno Mayer Wittgenstein, Aurora Catá Sala, Ana Colonques García-Planas, Luis Deulofeu Fuguet, María José García Beato, Mireia Giné Torrens, Laura González Molero, George Donald Johnston, David Martínez Guzmán Alicia Reyes Revuelta, Manuel Valls Morató, David Vegara Figueras and Pedro Viñolas Serra, with the undersigned acting as Secretary, the following resolutions were unanimously adopted after due deliberation, among other matters not contradicting it:

> "The members of the Board of Directors declare that, to the best of their knowledge, the individual and consolidated annual financial statements for the fiscal year 2024, prepared today and drawn up in accordance with the accounting principles applicable under current legislation, give a true and fair overview of the equity, financial position and results of Banco de Sabadell, S.A. and of the companies included in its scope of consolidation taken as a whole, and that the respective Directors' reports prepared include a true and fair analysis of the performance and results of the business and of the position of Banco de Sabadell, S.A. and of the companies included in its scope of consolidation taken as a whole, together with a description of the main risks and uncertainties they face."

Express mention is hereby made that the minutes of the aforesaid Board meeting in which the above resolutions were read and unanimously approved at the end of the meeting, and that they have been signed by the Secretary with the Chairman's approval.

In witness whereof and for all pertinent purposes, I hereby issue this Certificate with the approval of the Chairman, in Sant Cugat del Vallés, on 6 February 2025.

Approved by

The Chairman   The Secretary

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

(Together with the annual financial statements and directors' report of Banco de Sabadell, S.A. for the year ended 31 December 2024)

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

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

Independent Auditor's Report on the Annual Financial Statements

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

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

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the annual financial statements of Banco de Sabadell, S.A. (hereinafter the "Bank"), which comprise the balance sheet at 31 December 2024, and the income statement, statement of recognised income and expenses, statement of total changes in equity and cash flow statement for the year then ended, and notes.

In our opinion, the accompanying annual financial statements give a true and fair view, in all material respects, of the equity and financial position of the Bank at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 1 to the accompanying annual financial statements) and, in particular, with the accounting principles and criteria set forth therein.

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 Annual Financial Statements* section of our report.

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

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

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

Key Audit Matters

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

Impairment of loans and advances to customers

See notes 1.3.3.1, 3.4.2 and 10 to the annual financial statements

Key audit matter	*How the matter was addressed in our audit*
The Bank's portfolio of loans and advances to customers classified as financial assets at amortised cost reflects a net balance of Euros 112,598 million at 31 December 2024, while allowances and provisions recognised at that date for impairment total Euros 2,415 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 Bank, 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 models for estimating expected losses, which the Bank 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. Allowances and provisions for credit risk determined individually consider estimates of future business performance and the market value of collateral provided for credit transactions.	Our audit approach in relation to the Bank's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default, probability of default and loss given default; and determining the future macroeconomic scenarios. We also reviewed the mathematical accuracy of the calculations of expected losses and the reliability of the data used. To this end, we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: – Credit risk management framework and assessing the compliance of the Bank's accounting policies with the applicable regulations. – Classification of the loans and advances to customers portfolio based on credit risk, in accordance with the criteria defined by the Bank, particularly the criteria for identifying and classifying refinancing and restructuring transactions. – Relevant controls relating to the monitoring of transactions. – Correct functioning of the internal models for estimating both individual and collective allowances and provisions for credit risk, and for the management and valuation of collateral. – Aspects observed by the internal validation unit in its periodic reviews and in the contrast testing of the models for estimating collective allowances and provisions. – 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 customers See notes 1.3.3.1, 3.4.2 and 10 to the annual financial statements	
Key audit matter	*How the matter was addressed in our audit*
In the case of allowances and provisions calculated collectively, expected losses are estimated 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 and present information and future forecasts to be considered. The Bank regularly conducts tests of its internal models in order to improve their predictive capabilities based on actual historical experience. Moreover, the Bank applies a number of additional adjustments to the results of its credit risk models, known as post model adjustments or overlays, in order to address situations in which the results of these models are not sufficiently sensitive. The consideration of this matter as a key audit matter is based both on the significance of the Bank's loans and advances to customers portfolio, and thus of the related allowance and provision for impairment, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the complexity and judgement applied to calculating expected losses.	– Governance over the estimate of additional adjustments to the expected loss models recorded by the Bank and review of the updates by the internal validation unit. Our tests of detail on the estimated expected losses included the following: – With regard to the appropriate classification of the portfolio of loans and advances to customers based on credit risk, we assessed the accounting classification methodology and criteria used by the Bank. We also replicated the accounting classification process applied by the Bank, including a review of the appropriate accounting classification for a sample of transactions. – With regard to the impairment of individually significant transactions, we reviewed the methodology and appropriateness of the discounted cash flow models used by the Bank. We also selected a sample from the population of significant transactions and assessed the appropriateness of both the credit risk classification and the corresponding allowance and provision recognised. – With respect to the allowances and provisions for impairment estimated collectively, we reviewed the methodology used by the Bank, testing the integrity and accuracy of the input data for the process and the correct functioning of the calculation engine by replicating the calculation process, taking into account the segmentation and assumptions used by the Bank. – We evaluated the methods and assumptions used to estimate exposure at default, probability of default and loss given default. – We reviewed the macroeconomic scenario variables used by the Bank in its internal models to estimate expected losses. – We analysed a sample of guarantees associated with credit transactions, checking their valuation, with the involvement of our real estate valuation specialists.

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

Impairment of loans and advances to customers See notes 1.3.3.1, 3.4.2 and 10 to the annual financial statements	
Key audit matter	*How the matter was addressed in our audit*
	– We reviewed the main additional adjustments to the internal expected loss estimation models recorded by the Bank at 31 December 2024, assessing the calculation methodology applied as well as the completeness and accuracy of the data used in estimating these adjustments. Likewise, we analysed whether the disclosures in the notes to the annual financial statements were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Bank.

Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Bank operates in a complex technological environment that is constantly evolving and which must efficiently and reliably meet business requirements. The high level of dependence on these systems with regard to the processing of the Bank'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, systems operation, and development and maintenance of IT applications and systems used to the 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: - Understanding of the information flows and identification of the key controls that ensure the appropriate processing of the financial information. - Testing of the key automated processes that are involved in generating the financial information. - Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of those applications and systems. - Testing of the controls over the operation, maintenance and development of applications and systems.

Other Information: Directors' Report

Other information solely comprises the 2024 directors' report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the annual financial statements.

Our audit opinion on the annual financial statements does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the Consolidated Non-Financial Information and Sustainability Statement, and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual financial statements, based on knowledge of the Bank obtained during the audit of the aforementioned annual financial statements. Also, assess and report on whether the content and presentation of this part of the 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 above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual financial statements for 2024, and that 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 Annual Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying annual financial statements in such a way that they give a true and fair view of the equity, financial position and financial performance of the Bank in accordance with the financial reporting framework applicable to the Bank in Spain, and for such internal control as they determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

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

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements

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

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

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

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

– 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 Bank'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 Bank'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 annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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 regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

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 annual financial statements of the current period 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

European Single Electronic Format

We have examined the digital file of Banco de Sabadell, S.A. for 2024 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual financial statements for the aforementioned year, which will form part of the annual financial report.

The Directors of Banco de Sabadell, S.A. are responsible for the presentation of the 2023 annual report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

Our responsibility consists of examining the digital file prepared by the Directors of the Bank, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual financial statements included in the aforementioned digital file fully corresponds to the annual financial statements we have audited, and whether the annual financial statements have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual financial statements, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

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

Additional Report to the Bank's Audit and Control Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit and Control Committee dated 10 February 2025.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 10 April 2024 for a period of one year, from the year commenced 1 January 2024.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual financial statements since the year ended 31 December 2020.

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

(Signed on original in Spanish)

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

10 February 2025

BANCO DE SABADELL, S.A.

Annual financial statements and Director's Report for the year ended 31 December 2024

Translation of the Annual Accounts originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2017, and as amended thereafter, adapted to EU-IFRS). In the event of a discrepancy the Spanish language version prevails.

Contents: Banco de Sabadell, S.A. annual financial statements and Directors' Report for the year ended 31 December 2024

Annual accounts
for the year ended
31 December 2024

Balance sheets of Banco de Sabadell, S.A.

As at 31 December 2024 and 2023

Thousand euro

Assets	Note	2024	2023 (*)
Cash, cash balances at central banks and other demand deposits (**)	**6**	**11,831,284**	**22,301,225**
Financial assets held for trading		**2,616,270**	**1,731,823**
Derivatives	9	1,195,314	1,589,328
Equity instruments	8	541,005	—
Debt securities	7	879,951	142,495
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*177,365*	*1,915*
Non-trading financial assets mandatorily at fair value through profit or loss		**132,074**	**149,792**
Equity instruments	8	2,832	4,335
Debt securities	7	26,326	39,038
Loans and advances	10	102,916	106,419
Central banks		—	—
Credit institutions		—	—
Customers		102,916	106,419
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		**6,171,009**	**6,329,974**
Equity instruments	8	85,196	74,402
Debt securities	7	6,085,813	6,255,572
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*599,794*	*557,303*
Financial assets at amortised cost		**148,833,603**	**134,693,403**
Debt securities	7	21,639,367	18,264,771
Loans and advances	10	127,194,236	116,428,632
Central banks		—	—
Credit institutions		14,596,078	8,138,573
Customers		112,598,158	108,290,059
Memorandum item: loaned or pledged as security with sale or pledging rights		*6,170,535*	*5,996,602*
Derivatives – Hedge accounting	**11**	**872,559**	**896,227**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**11**	**(206,216)**	**(389,403)**
Investments in subsidiaries, joint ventures and associates	**13**	**6,220,781**	**5,944,643**
Group entities		6,112,537	5,839,491
Associates		108,244	105,152
Tangible assets	**14**	**1,488,632**	**1,622,189**
Property, plant and equipment		1,466,239	1,591,499
For own use		1,466,239	1,591,499
Leased out under operating leases		—	—
Investment properties		22,393	30,690
Of which: leased out under operating leases		*22,393*	*30,690*
Memorandum item: acquired through leases		*679,433*	*736,918*
Intangible assets	**15**	**18,046**	**20,284**
Goodwill		10,830	12,199
Other intangible assets		7,216	8,085
Tax assets		**5,405,226**	**5,633,120**
Current tax assets		612,867	354,794
Deferred tax assets	35	4,792,359	5,278,326
Other assets	**16**	**211,459**	**210,571**
Insurance contracts linked to pensions		80,888	80,693
Inventories		—	—
Rest of other assets		130,571	129,878
Non-current assets and disposal groups classified as held for sale	**12**	**737,328**	**802,065**
TOTAL ASSETS		**184,332,055**	**179,945,913**

(*) Shown for comparative purposes only.

(**) See details in the cash flow statement.

Notes 1 to 39 and accompanying schedules I to V form an integral part of the balance sheet as at 31 December 2024.

Balance sheets of Banco de Sabadell, S.A.

As at 31 December 2024 and 2023

Thousand euro

Liabilities	Note	2024	2023 (*)
Financial liabilities held for trading		**1,379,618**	**1,718,159**
Derivatives	9	1,296,947	1,380,786
Short positions		82,671	337,373
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		**168,565,561**	**164,594,328**
Deposits		141,693,739	137,853,646
Central banks	17	—	5,106,963
Credit institutions	17	14,064,490	12,955,735
Customers	18	127,629,249	119,790,948
Debt securities issued	19	22,064,018	22,029,313
Other financial liabilities	20	4,807,804	4,711,369
Memorandum item: subordinated liabilities		*4,106,654*	*3,607,886*
Derivatives – Hedge accounting	**11**	**647,884**	**835,204**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**11**	**(64,714)**	**(323,973)**
Provisions	**21**	**418,115**	**435,748**
Pensions and other post employment defined benefit obligations		47,133	51,345
Other long term employee benefits		40	69
Pending legal issues and tax litigation		75,064	60,550
Commitments and guarantees given		131,587	153,646
Other provisions		164,291	170,138
Tax liabilities		**156,411**	**156,717**
Current tax liabilities		87,927	91,950
Deferred tax liabilities	35	68,484	64,767
Share capital repayable on demand		**—**	**—**
Other liabilities	**16**	**423,364**	**514,469**
Liabilities included in disposal groups classified as held for sale		**—**	**—**
TOTAL LIABILITIES		**171,526,239**	**167,930,652**

(*) Shown for comparative purposes only.

Notes 1 to 39 and accompanying schedules I to V form an integral part of the balance sheet as at 31 December 2024.

Balance sheets of Banco de Sabadell, S.A.

As at 31 December 2024 and 2023

Thousand euro

Equity	Note	2024	2023 (*)
Shareholders' equity	**22**	**12,932,917**	**12,211,566**
Capital		680,028	680,028
Paid up capital		680,028	680,028
Unpaid capital called up		—	—
Memorandum item: capital not called up		—	—
Share premium		7,695,227	7,695,227
Equity instruments issued other than capital		—	—
Equity component of compound financial instruments		—	—
Other equity instruments issued		—	—
Other equity		15,434	12,625
Retained earnings		5,918,817	5,165,689
Revaluation reserves		—	—
Other reserves		(2,334,149)	(2,228,293)
(-) Treasury shares		(119,344)	(39,621)
Profit or loss for the year		1,505,815	1,088,014
(-) Interim dividends		(428,911)	(162,103)
Accumulated other comprehensive income	**23**	**(127,101)**	**(196,305)**
Items that will not be reclassified to profit or loss		(55,432)	(64,140)
Actuarial gains or (-) losses on defined benefit pension plans		(3,485)	(4,898)
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		(51,947)	(59,242)
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		(71,669)	(132,165)
Hedge of net investments in foreign operations [effective portion]		(20,946)	7,220
Foreign currency translation		146,401	60,767
Hedging derivatives. Cash flow hedges reserve [effective portion]		(80,301)	(64,982)
Fair value changes of debt instruments measured at fair value through other comprehensive income		(116,823)	(135,170)
Hedging instruments [not designated elements]		—	—
Non-current assets and disposal groups classified as held for sale		—	—
TOTAL EQUITY		**12,805,816**	**12,015,261**
TOTAL EQUITY AND TOTAL LIABILITIES		**184,332,055**	**179,945,913**
Memorandum item: off-balance sheet exposures			
Loan commitments given	**24**	**22,044,023**	**20,500,850**
Financial guarantees given	**24**	**3,855,851**	**7,052,638**
Other commitments given	**24**	**9,426,660**	**7,988,420**

(*) Shown for comparative purposes only.

Notes 1 to 39 and accompanying schedules I to V form an integral part of the balance sheet as at 31 December 2024.

Income statements of Banco de Sabadell, S.A.

For the years ended 31 December 2024 and 2023

Thousand euro

	Note	2024	2023 (*)
Interest income	26	6,654,731	5,832,407
Financial assets at fair value through other comprehensive income		197,209	128,253
Financial assets at amortised cost		6,051,439	5,399,054
Other interest income		406,083	305,100
(Interest expenses)	26	(3,001,675)	(2,494,588)
(Expenses on share capital repayable on demand)		—	—
Net interest income	**26**	**3,653,056**	**3,337,819**
Dividend income		245,400	134,782
Fee and commission income	27	1,249,569	1,238,999
(Fee and commission expenses)	27	(106,846)	(67,363)
Net profit or net loss on financial operations	28	(309,719)	64,977
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		11,463	7,470
Financial assets at amortised cost		5,907	4,679
Other financial assets and liabilities		5,556	2,791
Gains or (-) losses on financial assets and liabilities held for trading, net		(335,660)	38,166
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		(335,660)	38,166
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net		12,715	4,896
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		12,715	4,896
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		—	—
Gains or (-) losses from hedge accounting, net		1,763	14,445
Exchange differences [gain or (-) loss], net	28	320,953	(106,255)
Other operating income		64,767	46,734
(Other operating expenses)	29	(287,024)	(440,271)
Gross income		**4,830,156**	**4,209,422**

(*) Shown for comparative purposes only.

Notes 1 to 39 and accompanying Schedules I to V form an integral part of the income statement for 2024.

Income statements of Banco de Sabadell, S.A.

For the years ended 31 December 2024 and 2023

Thousand euro

	Note	2024	2023 (*)
(Administrative expenses)		(1,988,381)	(1,820,686)
(Staff expenses)	30	(1,074,102)	(1,006,895)
(Other administrative expenses)	30	(914,279)	(813,791)
(Depreciation and amortisation)	14, 15	(146,452)	(167,571)
(Provisions or (-) reversal of provisions)	21	(45,509)	(10,958)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	31	(467,575)	(693,307)
(Financial assets at fair value through other comprehensive income)		236	852
(Financial assets at amortised cost)		(467,811)	(694,159)
Profit/(loss) on operating activities		**2,182,239**	**1,516,900**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)	13	(9,541)	(45,026)
(Impairment or (-) reversal of impairment on non-financial assets)	32	(31,237)	(906)
(Tangible assets)		(31,237)	(906)
(Intangible assets)		—	—
(Other)		—	—
Gains or (-) losses on derecognition of non-financial assets, net	33	(903)	(3,455)
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	34	(14,101)	(43,415)
Profit or (-) loss before tax from continuing operations		**2,126,457**	**1,424,098**
(Tax expense or (-) income related to profit or loss from continuing operations)	35	(620,642)	(336,084)
Profit or (-) loss after tax from continuing operations		**1,505,815**	**1,088,014**
Profit or (-) loss after tax from discontinued operations		—	—
PROFIT OR (-) LOSS FOR THE YEAR		**1,505,815**	**1,088,014**

(*) Shown for comparative purposes only.

Notes 1 to 39 and accompanying Schedules I to V form an integral part of the income statement for 2024.

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

For the years ended 31 December 2024 and 2023

Thousand euro

	Note	2024	2023 (*)
Profit or loss for the year		**1,505,815**	**1,088,014**
Other comprehensive income	**23**	**69,204**	**84,577**
Items that will not be reclassified to profit or loss		8,708	7,547
Actuarial gains or (-) losses on defined benefit pension plans		2,019	(2,101)
Non-current assets and disposal groups held for sale		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income		9,116	10,393
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		—	—
Other valuation adjustments			
Income tax relating to items that will not be reclassified		(2,427)	(745)
Items that may be reclassified to profit or loss		60,496	77,030
Hedge of net investments in foreign operations [effective portion]		(28,165)	14,333
Valuation gains or (-) losses taken to equity		(28,165)	14,333
Transferred to profit or loss		—	—
Other reclassifications		—	—
Foreign currency translation		85,633	(41,945)
Translation gains or (-) losses taken to equity		85,633	(41,945)
Transferred to profit or loss		—	—
Other reclassifications		—	—
Cash flow hedges [effective portion]		(21,087)	65,380
Valuation gains or (-) losses taken to equity		(11,047)	(26,469)
Transferred to profit or loss		(10,040)	90,116
Transferred to initial carrying amount of hedged items		—	1,733
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		27,856	83,578
Valuation gains or (-) losses taken to equity		34,298	82,236
Transferred to profit or loss		(6,442)	1,342
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		(3,741)	(44,316)
Total comprehensive income for the year		**1,575,019**	**1,172,591**

(*) Shown for comparative purposes only.

Explanatory notes 1 to 39 and the accompanying Schedules I to V form an integral part of the statement of recognised income and expenses for 2024.

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

For the years ended 31 December 2024 and 2023

Thousand euro

Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Closing balance 31/12/2023	**680,028**	**7,695,227**	**—**	**12,625**	**5,165,689**	**—**	**(2,228,293)**	**(39,621)**	**1,088,014**	**(162,103)**	**(196,305)**	**12,015,261**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	—
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Opening balance 01/01/2024	**680,028**	**7,695,227**	**—**	**12,625**	**5,165,689**	**—**	**(2,228,293)**	**(39,621)**	**1,088,014**	**(162,103)**	**(196,305)**	**12,015,261**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,505,815**	**—**	**69,204**	**1,575,019**
Other equity changes	**—**	**—**	**—**	**2,809**	**753,128**	**—**	**(105,856)**	**(79,723)**	**(1,088,014)**	**(266,808)**	**—**	**(784,464)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	—
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—
Dividends (or shareholder remuneration) (see Note 2)	—	—	—	—	(162,417)	—	—	—	—	(428,911)	—	(591,328)
Purchase of treasury shares	—	—	—	—	—	—	—	(111,880)	—	—	—	(111,880)
Sale or cancellation of treasury shares	—	—	—	—	—	—	1,309	32,157	—	—	—	33,466
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	—
Transfers among components of equity	—	—	—	—	925,911	—	—	—	(1,088,014)	162,103	—	—
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	2,809	—	—	—	—	—	—	—	2,809
Other increase or (-) decrease in equity	—	—	—	—	(10,366)	—	(107,165)	—	—	—	—	(117,531)
Closing balance 31/12/2024	**680,028**	**7,695,227**	**—**	**15,434**	**5,918,817**	**—**	**(2,334,149)**	**(119,344)**	**1,505,815**	**(428,911)**	**(127,101)**	**12,805,816**

Explanatory notes 1 to 39 and the accompanying Schedules I to V form an integral part of the statement of total changes in equity for 2024.

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

For the years ended 31 December 2024 and 2023

Thousand euro

Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Closing balance 31/12/2022	**703,371**	**7,899,227**	**—**	**11,606**	**4,630,414**	**—**	**(2,115,524)**	**(23,721)**	**740,551**	**(112,040)**	**(280,882)**	**11,453,002**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	**—**
Opening balance 01/01/2023	**703,371**	**7,899,227**	**—**	**11,606**	**4,630,414**	**—**	**(2,115,524)**	**(23,721)**	**740,551**	**(112,040)**	**(280,882)**	**11,453,002**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,088,014**	**—**	**84,577**	**1,172,591**
Other equity changes	**(23,343)**	**(204,000)**	**—**	**1,019**	**535,275**	**—**	**(112,769)**	**(15,900)**	**(740,551)**	**(50,063)**	**—**	**(610,332)**
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 (see Note 22)	(23,343)	(204,000)	—	—	—	—	23,343	204,000	—	—	—	**—**
Dividends (or shareholder remuneration) (see Note 2)	—	—	—	—	(111,645)	—	—	—	—	(162,103)	—	**(273,748)**
Purchase of treasury shares	—	—	—	—	—	—	—	(274,060)	—	—	—	**(274,060)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	4,100	54,160	—	—	—	**58,260**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	628,511	—	—	—	(740,551)	112,040	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	1,019	—	—		—	—	—	—	**1,019**
Other increase or (-) decrease in equity	—	—	—	—	18,409	—	(140,212)	—	—	—	—	**(121,803)**
Closing balance 31/12/2023	**680,028**	**7,695,227**	**—**	**12,625**	**5,165,689**	**—**	**(2,228,293)**	**(39,621)**	**1,088,014**	**(162,103)**	**(196,305)**	**12,015,261**

Shown for comparative purposes only.

Explanatory notes 1 to 39 and the accompanying Schedules I to V form an integral part of the statement of total changes in equity for 2024.

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

For the years ended 31 December 2024 and 2023

Thousand euro

	Note	2024	2023 (*)
Cash flows from operating activities		**(10,150,722)**	**(11,080,427)**
Profit or loss for the period		1,505,815	1,088,014
Adjustments to obtain cash flows from operating activities		1,335,960	1,300,720
Depreciation and amortisation		146,452	167,571
Other adjustments		1,189,508	1,133,149
Net increase/decrease in operating assets		(15,391,464)	3,176,288
Financial assets held for trading		(884,447)	939,430
Non-trading financial assets mandatorily at fair value through profit or loss		17,717	(114,258)
Financial assets designated at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		184,843	(506,284)
Financial assets at amortised cost		(14,628,535)	3,098,012
Other operating assets		(81,042)	(240,612)
Net increase/decrease in operating liabilities		2,621,339	(16,361,826)
Financial liabilities held for trading		(338,541)	(438,515)
Financial liabilities designated at fair value through profit or loss		—	—
Financial liabilities at amortised cost		3,471,233	(15,873,328)
Other operating liabilities		(511,353)	(49,983)
Income tax receipts or payments		(222,372)	(283,623)
Cash flows from investing activities		**(58,498)**	**17,010**
Payments		(413,444)	(367,980)
Tangible assets	14	(84,765)	(155,680)
Intangible assets	15	(1,267)	(1,557)
Investments in joint ventures and associates		—	—
Other business units	13	(327,412)	(210,743)
Non-current assets and liabilities classified as held for sale		—	—
Other payments related to investing activities		—	—
Collections		354,946	384,990
Tangible assets		22,684	17,416
Intangible assets		—	—
Investments in joint ventures and associates	13	98,112	13,873
Other business units	13	148,907	160,574
Non-current assets and liabilities classified as held for sale		85,243	193,127
Other collections related to investing activities		—	—

(*) Shown for comparative purposes only.

Notes 1 to 39 and accompanying schedules I to V form an integral part of the cash flow statement for 2024.

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

For the years ended 31 December 2024 and 2023

Thousand euro

	Note	2024	2023 (*)
Cash flows from financing activities		**(357,154)**	**(616,424)**
Payments		(890,620)	(1,674,684)
Dividends	2	(591,328)	(273,748)
Subordinated liabilities	Schedule III	—	(900,000)
Redemption of own equity instruments		—	—
Acquisition of own equity instruments		(111,880)	(274,060)
Other payments related to financing activities		(187,412)	(226,876)
Collections		533,466	1,058,260
Subordinated liabilities	Schedule III	500,000	1,000,000
Issuance of own equity instruments		—	—
Disposal of own equity instruments		33,466	58,260
Other collections related to financing activities		—	—
Effect of changes in foreign exchange rates		**96,433**	**(82,513)**
Net increase (decrease) in cash and cash equivalents		**(10,469,941)**	**(11,762,354)**
Cash and cash equivalents at the beginning of the year	**6**	**22,301,225**	**34,063,579**
Cash and cash equivalents at the end of the year	**6**	**11,831,284**	**22,301,225**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Cash on hand	6	617,515	623,406
Cash equivalents in central banks	6	10,894,579	21,413,344
Other demand deposits	6	319,190	264,475
Other financial assets		—	—
Less: bank overdrafts repayable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**11,831,284**	**22,301,225**

(*) Shown for comparative purposes only.

Notes 1 to 39 and accompanying schedules I to V form an integral part of the cash flow statement for 2024.

Annual report of Banco Sabadell, S.A. for the year ended 31 December 2024

Note 1 – Activity, accounting policies and practices, and other information

1.1 Activity

Banco de Sabadell, S.A. (hereinafter also referred to as Banco Sabadell, the Bank, the Institution, or the Company), with tax identification number (NIF) A08000143 and with registered office in Sabadell, Plaça de Sant Roc, 20, engages in banking business and is subject to the standards and regulations governing banking institutions operating in Spain. The supervision of Banco Sabadell on a consolidated basis is performed by the European Central Bank (ECB).

The Board of Directors of Banco Sabadell, in its meeting held on 22 January 2025, resolved to amend Article 2 of the articles of association to set the registered office in Sabadell, at Plaça de Sant Roc no. 20. The registered office was previously located in Alicante, at Avenida Óscar Esplá, 37.

The Institution is entered in the Companies Register of Barcelona, under volume/unique company record identifier (*Identificador Registral Único de la Sociedad*, or IRUS) 1000152932861, folio 873, sheet B-1561, and also in the Bank of Spain's Official Register of Credit Institutions under code number 0081. The Legal Entity Identifier (LEI) of Banco de Sabadell, S.A. is SI5RG2M0WQQLZCXKRM20.

The articles of association and other public information can be viewed both at the Bank's registered office and on its website (www.grupbancsabadell.com).

The Bank is the parent company of a group of entities (see Note 13 and Schedule I) whose activity it controls directly or indirectly and which comprise, together with the Bank, Banco Sabadell Group (hereinafter, the Group).

1.2 Basis of presentation

The Bank's annual financial statements for the year ended 31 December 2024 have been prepared in accordance with that set forth in Bank of Spain Circular 4/2017 of 27 November (hereinafter, "Circular 4/2017"), as well as other provisions of the financial reporting regulations applicable to the Bank, and considering the formatting and mark-up requirements established in Commission Delegated Regulation EU 2019/815, in order to fairly present the equity and financial situation as at 31 December 2024 and the results of its operations, recognised income and expenses, changes in equity and cash flows in 2024. The aforesaid Circular 4/2017 constitutes the implementation and transposition to Spanish credit institutions of the International Financial Reporting Standards adopted by the European Union (EU-IFRS) in accordance with that set forth in Regulation 1606/2002 of the European Parliament and of the Council regarding the application of these standards.

The information included in these annual financial statements is the responsibility of the directors of the Bank. The Bank's annual financial statements for 2024 were signed off by the directors of Banco Sabadell at a meeting of the Board of Directors on 6 February 2025 and will be submitted to shareholders at the Annual General Meeting for approval. It is expected that the shareholders will approve the accounts without significant changes.

Except as otherwise indicated, these annual 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.

The consolidated annual financial statements of Banco Sabadell Group, which have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS), are presented separately from the standalone financial statements. The key figures given in the consolidated annual financial statements that are subject to audit procedures are as follows:

Thousand euro

	2024	2023
Total assets	239,597,927	235,172,955
Shareholders' equity	15,389,242	14,343,946
Income from financial activities	11,674,677	10,529,569
Profit or loss attributable to owners of the parent	1,826,805	1,332,181

Use of judgements and estimates in preparing the annual financial statements

The preparation of the annual financial statements requires certain accounting estimates to be made. It also requires Management to use its best judgement in the process of applying the Bank's accounting policies. Such judgements and estimates may affect the value of assets and liabilities and the disclosure of contingent assets and contingent liabilities as at the date of the annual financial statements, as well as income and expenses in the year.

The main judgements and estimates relate to the following:

- The accounting classification of financial assets and off-balance sheet exposures according to their credit risk (see Notes 1.3.3, 7, 10 and 24).

- Impairment losses on certain financial assets and off-balance sheet exposures (see Notes 1.3.3, 3.4.2.5, 7, 10 and 24).

- The assumptions used in actuarial calculations of liabilities and post-employment obligations (see Notes 1.3.15 and 21).

- The measurement of goodwill (see Notes 1.3.11 and 15).

- The useful life and impairment losses of tangible assets and other intangible assets (see Notes 1.3.9, 1.3.10, 1.3.11, 14 and 15).

- The provisions and consideration of contingent liabilities (see Notes 1.3.14 and 21).

- The fair value of certain unquoted financial assets (see Notes 1.3.2 and 5).

- The fair value of real estate assets held on the balance sheet (see Notes 1.3.8, 1.3.9 and 5).

- The recoverability of non-monetisable deferred tax assets and tax credits (see Notes 1.3.18 and 35).

The estimates are based on the best knowledge to hand about current and foreseeable circumstances, taking into account the uncertainties stemming from the existing economic and geopolitical environment and, consequently, the final results could differ from these estimates, particularly in relation to impairment losses on certain financial assets and off-balance sheet exposures. Future events may therefore make it necessary to modify these estimates, which would involve recording the effects of such estimation changes, if any, in the Bank's financial statements on a forward-looking basis, in accordance with applicable regulations. The macroeconomic scenarios considered by the Bank in its main estimates and the sensitivity of financial asset impairment allowances to changes in the main variables considered in the macroeconomic scenarios are described in Note 3.4.2.5 "Calculation of credit loss allowances".

1.3 Accounting principles and policies and measurement criteria

The accounting principles and policies, as well as the most significant measurement criteria applied when preparing these annual financial statements, are described below. There are no cases in which accounting principles or measurement criteria have not been applied because of a significant effect on the Bank's annual financial statements for 2024.

1.3.1 Investments in subsidiaries, joint ventures and associates

The Bank considers subsidiaries to be companies over which it has the ability to exercise control, which exists when:

- it has the power to lead the subsidiary's relevant activities, i.e. those that significantly affect its returns, due to a legal provision, article of association or agreement;

- it has the existing (i.e. practical) ability to exercise rights to use that power to influence its returns; and

- due to its involvement, it is exposed, or has rights, to variable returns of the investee.

Generally, voting rights are rights that provide it with the power to lead the relevant activities of an investee. Furthermore, the Bank takes into account any event or circumstance that could weigh in on the decision as to whether or not control exists, in accordance with the requirements of Circular 4/2017.

As at 31 December 2024, there were no companies qualifying as subsidiary undertakings in which the Bank held an interest of less than 50%.

Joint ventures are entities subject to joint control contractual arrangements whereby decisions about the relevant activities are made unanimously by all the entities that share control and where there are rights to their net assets. The Bank held no investments in joint ventures in 2024 and 2023.

Associates are entities over which the Bank exerts significant influence, which generally, although not exclusively, takes the form of a direct or indirect interest representing 20% or more of the investee's voting rights. The Bank also considers other factors when determining whether it exerts significant influence over an investee, including the representation on its Board of Directors, involvement in decision-making and the existence of significant transactions between both entities.

As at 31 December 2024, investments in entities qualifying as associates even though the Bank holds less than 20% of the voting rights and investments in entities not qualifying as associates even though the Bank holds at least 20% of their voting rights were not significant. Given the absence of any significant transactions between the Bank and the aforesaid entities, the main factor that currently determines the existence of significant influence is its representation, or absence thereof, in the management bodies of the investee undertaking.

Investments in the capital of subsidiaries, joint ventures and associates are initially recognised at cost, which is equivalent to the fair value of the consideration paid.

In relation to compound financial instruments, that is, contracts that simultaneously generate a financial liability and an own equity instrument for their issuer (such as, for example, convertible bonds that grant their holder the right to convert them into equity instruments of the issuing entity) issued by subsidiaries and acquired by the Bank, the Institution recognises an increase in the cost of investing in the subsidiary if the issuance meets the requirements provided in the accounting standard to be considered an equity instrument from the issuer's perspective. Conversely, it will recognise a financial asset if, from the issuer's perspective, the instrument constitutes a financial liability (see Note 1.3.2).

The Bank recognises allowances for the impairment of investments in subsidiaries, joint ventures and associates, always provided there is objective evidence that the carrying amount of an investment is not recoverable. Objective evidence that equity instruments have become impaired is considered to exist when, after initial recognition, one or more events occur whose direct or combined effect demonstrates that the carrying amount is not recoverable.

The Bank considers the following indicators, among others, to determine whether there is evidence of impairment:

– Significant financial difficulties.

– Disappearance of an active market for the instrument in question because of financial difficulties.

– Significant changes in performance compared with budgets, business plans or milestones.

– Significant changes in the market for the issuer's equity or its products or potential products.

– Significant changes in the global economy or in the economic environment in which the issuer operates.

– Significant changes in the technological or legal environment in which the issuer operates.

The value of allowances for the impairment of interests held in entities included under the heading of "Investments in subsidiaries, joint ventures and associates" is estimated by comparing their recoverable amount against their carrying amount. The latter amount will be the higher of the fair value, less costs of disposal, and the value in use.

The Bank determines the value in use of each interest held based on its net asset value, or based on estimates of the companies' profit or loss, pooling them into activity sectors (real estate, renewables, industrial, financial, among others) and evaluating the macroeconomic factors specific to that sector which could affect the performance of those companies. In particular, interests held in insurance investees are valued by applying the market consistent embedded value methodology, those held in companies involved in real estate are valued based on their net asset value, while those held in financial investees are valued using multiples of their carrying amount and/or the profit of other comparable listed companies.

Impairment losses are recognised in the income statement for the year in which they materialise and subsequent recoveries are recognised in the income statement for the year in which they are recovered.

Financial and insurance institutions in which the Bank holds an interest, both subsidiaries and associates, regardless of the country in which they are located, are subject to supervision and regulation by various bodies.

The laws in effect in the various jurisdictions, along with the need to meet certain minimum capital requirements and the performance of supervisory activities, are circumstances that could affect the ability of those institutions to transfer funds in the form of cash, dividends, loans or advances.

Note 13 includes information on the most significant acquisitions and disposals that have taken place during the year. Significant disclosures regarding the Group's companies are provided in Schedule I.

1.3.2 Classification and measurement of financial instruments and recognition of changes arising in their subsequent measurement

In general, all financial instruments are initially recognised at fair value (see definition in Note 5) which, unless evidence to the contrary is available, coincides with the transaction price. For financial instruments not recognised at fair value through profit or loss, the fair value is adjusted by either adding or deducting the transaction costs directly attributable to their acquisition or issuance. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are recognised immediately in the income statement. As a general rule, conventional purchases and sales of financial assets are recognised in the Bank's balance sheet as at the settlement date.

Changes in the value of financial instruments originating from the accrual of interest and similar items are recorded in the income statement, under the headings "Interest income" or "Interest expenses", as applicable. Dividends received from other companies are recognised in the income statement for the year in which the right to receive them is originated.

Instruments that form part of a hedging relationship are treated in accordance with regulations applicable to hedge accounting.

Changes in measurements occurring subsequent to initial recognition for reasons other than those mentioned above are treated according to the classification of financial assets and financial liabilities for the purposes of their measurement. In the case of financial assets, classification is generally based on the following aspects:

- the business model under which they are managed, and
- their contractual cash flow characteristics.

Business model

A business model refers to the way in which financial assets are managed in order to generate cash flows. The business model is determined by considering the way in which groups of financial assets are managed together to achieve a particular objective. Therefore, the business model does not depend on the Bank's intentions for an individual instrument, rather, it is determined for a group of instruments.

The business models used by the Bank are indicated here below:

- Business model whose objective is to hold financial assets in order to collect contractual cash flows: under this model, financial assets are managed in order to collect their particular contractual cash flows, rather than to obtain an overall return by both holding and selling assets. The above notwithstanding, assets can be disposed of prior to maturity in certain circumstances. Sales that may be consistent with a business model whose objective is to hold assets in order to collect contractual cash flows include sales that are infrequent or insignificant in value, sales of assets close to maturity, sales triggered by an increase in credit risk and sales carried out to manage credit concentration risk.
- Business model whose objective is to sell financial assets.
- Business model that combines the two objectives above (hold financial assets in order to collect contractual cash flows and sell financial assets): this business model typically involves greater frequency and value of sales because such sales are integral to achieving the business model's objective.

Contractual cash flow characteristics of financial assets

Financial assets should initially be classified in one of the following two categories:

- Those whose contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- All other financial assets.

For the purposes of this classification, the principal of a financial asset is its fair value at initial recognition, which could change over the life of the financial asset; for example, if there are repayments of principal. Interest is understood as the sum of consideration for the time value of money, for lending and structural costs, and for the credit risk associated with the principal amount outstanding during a particular period of time, plus a profit margin.

If a financial asset contains contractual terms that could change the timing or amount of cash flows, the Bank will estimate the cash flows that could arise before and after the change and determine whether these are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The most significant judgements used in this evaluation are indicated here below:

- Modified time value of money: in order to determine whether the interest rate of a transaction incorporates any consideration other than that linked to the passage of time, transactions that present a difference between the tenor of the benchmark interest rate and the reset frequency of that interest rate are analysed, considering a tolerance threshold, in order to determine whether the instrument's contractual undiscounted cash flows could be significantly different from the contractual undiscounted benchmark cash flows of a financial instrument whose time value of money element was not modified. At present, tolerance thresholds of 10% and 5%, respectively, are used for the differences in each tenor and for the analysis of cumulative cash flows over the life of the financial asset.

- Contractual terms that change the timing or amount of cash flows: an analysis is carried out to determine whether any contractual terms exist that could change the timing or amount of contractual cash flows from the financial asset:

    - Clauses for conversion to equity shares: clauses that include a conversion-to-equity option and the loss of the right to claim contractual cash flows in the event the principal amount is reduced due to insufficient funds. Contracts that include this option will automatically fail the SPPI test.

    - Existence of the option to prepay or extend the financial instrument, or extend the contractual term, and possible residual compensation: a financial asset will fulfil the SPPI test requirements if it includes a contractual option that permits the issuer (or debtor) to prepay a debt instrument or to put back a debt instrument before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest outstanding, which may include reasonable additional compensation for the early termination of the contract.

    - Financial assets with interest rates linked to environmental, social or governance targets (ESG-linked features): these financial assets provide general funding at a contractual interest rate that is discounted based on the level of compliance, by customers, of certain environmental metrics, not requiring any specific destination for the funds, the purpose of the adjustment being to incentivise the achievement of those targets. The key consideration here is whether the resulting cash flows reflect a return for risk that is unrelated to a basic lending arrangement. Thus, if the adjustment linked to ESG targets does not introduce compensation for risks that is inconsistent with a basic lending arrangement, or if it does so only residually, then it is considered that the financial asset has contractual cash flows that are compatible with a basic lending arrangement. As at 31 December 2024 and 2023, the impacts of environmental clauses on the interest rate applied to transactions whose remuneration is linked to ESG targets are considered to be residual for the purposes of the SPPI test. Similarly, in general terms, those financing transactions do not include other characteristics that could call into question their status as basic lending arrangements.

- Other clauses that could change the timing or amount of cash flows: clauses that could alter contractual cash flows as a result of changes in credit risk are considered to pass the SPPI test.

– Leverage: financial assets with leverage (i.e. those in which the contractual cash flow variability increases, such that they do not have the same economic characteristics as the interest rate on the principal amount of the transaction) fail the SPPI test.

– Contractually linked financial instruments: the cash flows arising from these types of financial instruments are considered to consist solely of payments of principal and interest on the principal amount outstanding provided that:

  - the contractual terms of the tranche being assessed for classification (without looking through to the underlying pool of financial instruments) give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;

  - the underlying pool of financial instruments contains instruments with contractual cash flows that are solely payments of principal and interest on the principal amount outstanding; and

  - the exposure to credit risk corresponding to the tranche being assessed is equal to or lower than the exposure to credit risk of the underlying pool of financial instruments.

– Non-recourse financial assets: in the case of debt instruments that are primarily repaid with cash flows from specified assets or projects and for which there is no personal liability for the holder, an assessment is made of the underlying assets or cash flows to determine whether the contractual cash flows of the instrument are payments of principal and interest on the principal amount outstanding.

For cases in which a financial asset characteristic is inconsistent with a basic lending arrangement (i.e. if any of the asset's characteristics give rise to contractual cash flows other than payments of principal and interest on the principal amount outstanding), the significance and probability of occurrence is assessed to determine whether that characteristic should be taken into account in the SPPI test:

– To determine the significance of a financial asset characteristic, the impact that it could have on contractual cash flows is estimated. The impact is not considered significant (*de minimis* effect) if it is estimated that the change in expected cash flows will be below the tolerance thresholds indicated previously.

– If an instrument's characteristic could have a significant effect on the contractual cash flows but would only affect the instrument's contractual cash flows upon occurrence of an event that is very unlikely to occur, that characteristic will not be taken into account to determine whether the contractual cash flows of the instrument are solely payments of principal and interest on the principal amount outstanding.

Portfolios of financial instruments classified for the purpose of their measurement

Financial assets and financial liabilities are classified, for the purpose of their measurement, into the following portfolios, based on the aspects described above:

<u>Financial assets at amortised cost</u>

This category includes financial assets that meet the following two conditions:

– They are managed with a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– Their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category comprises investments associated with typical lending activities, such as amounts loaned to customers withdrawn in cash and not yet repaid, deposits placed with other institutions, regardless of the legal arrangements under which the funds were provided, debt securities that meet the two conditions indicated above, as well as debts incurred by purchasers of goods or users of services forming part of the Bank's business.

Following their initial recognition, financial assets classified in this category are measured at amortised cost, which should be understood as the acquisition cost adjusted to account for repayments of principal and the portion recognised in the income statement, using the effective interest rate method, of the difference between the initial cost and the corresponding repayment value at maturity. In addition, the amortised cost is decreased by any reduction in value due to impairment recognised directly as a decrease in the value of the asset or through an allowance or offsetting item of the same value.

The effective interest rate is the rate that exactly discounts the value of a financial instrument to the estimated cash flows over the expected life of the instrument, on the basis of its contractual terms, such as early repayment options, but without taking into account expected credit losses. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate set at the time of their acquisition, considering, where appropriate, the fees, transaction costs, premiums or discounts which, because of their nature, may be likened to an interest rate. In the case of floating-rate financial instruments, the effective interest rate coincides with the rate of return in respect of all applicable concepts until the date of the first scheduled benchmark rate revision.

<u>Financial assets at fair value through other comprehensive income</u>

This category includes financial assets that meet the following two conditions:

- They are managed with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets primarily correspond to debt securities.

Furthermore, the Bank may opt, at initial recognition and irrevocably, to include in the portfolio of financial assets at fair value through other comprehensive income investments in equity instruments that should not be classified as held for trading and which would otherwise be classified as financial assets mandatorily at fair value through profit or loss. This option is exercised on an instrument-by-instrument basis.

Income and expenses from financial assets at fair value through other comprehensive income are recognised in accordance with the following criteria:

- Interest accrued or, where applicable, dividends accrued are recognised in the income statement.

- Exchange differences are recognised in the income statement when they relate to monetary financial assets, or through other comprehensive income when they relate to non-monetary financial assets.

- Losses due to impairment of debt instruments, or gains due to their subsequent recovery, are recognised in the income statement.

- Other changes in value are recognised through other comprehensive income.

When a debt instrument measured at fair value through other comprehensive income is derecognised from the balance sheet, the amount corresponding to the fair value change recognised under the heading "Accumulated other comprehensive income" of the statement of equity is reclassified to the income statement. However, when an equity instrument measured at fair value through other comprehensive income is derecognised from the balance sheet, this amount is not reclassified to the income statement, but rather to reserves.

<u>Financial assets at fair value through profit or loss</u>

A financial asset is classified in the portfolio of financial assets at fair value through profit or loss whenever the business model used by the Bank for its management or its contractual cash flow characteristics make it inadvisable to classify it into any of the other portfolios described above.

This portfolio is in turn subdivided into:

– *Financial assets held for trading*

  Financial assets held for trading are those which have been acquired for the purpose of realising them in the near term, or which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Financial assets held for trading also include derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments.

– *Non-trading financial assets mandatorily at fair value through profit or loss*

  All other financial assets mandatorily at fair value through profit or loss are classified in this portfolio.

Fair value changes are directly recognised in the income statement, making a distinction, in the case of non-derivative instruments, between the portion attributable to returns accrued on the instrument, which are recognised either as "Interest income", applying the effective interest rate method, or as dividends, depending on their nature, and the remaining portion, which is recognised as profit or loss on financial operations under the corresponding heading.

In 2024 and 2023, no significant reclassifications took place between the portfolios in which financial assets are recognised for the purpose of their measurement.

<u>Financial liabilities held for trading</u>

Financial liabilities held for trading include financial liabilities that have been issued for the purpose of repurchasing them in the near term, or which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. They also include short positions arising from the outright sale of assets acquired in reverse repurchase agreements, borrowed in securities lending or received as collateral with sale rights, as well as derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments.

Fair value changes are directly recognised in the income statement, making a distinction, in the case of non-derivative instruments, between the portion attributable to returns accrued on the instrument, which are recognised as interest applying the effective interest rate method, and the remaining portion, which is recognised as profit or loss on financial operations under the corresponding heading.

<u>Financial liabilities at amortised cost</u>

Financial liabilities at amortised cost are financial liabilities that cannot be classified into any of the above categories and which relate to the typical deposit-taking activity of a financial institution, irrespective of their substance and maturity.

Following initial recognition, financial liabilities at amortised cost are measured applying the same criteria applicable to financial assets at amortised cost, generally recognising the interest accrued, calculated using the effective interest rate method, in the income statement.

The financial liabilities at amortised cost category includes preferred securities contingently convertible into ordinary shares that meet the requirements that make them eligible in terms of own funds as Additional Tier 1 capital and therefore do not meet the requirements to be classified as equity for accounting purposes. Their main characteristics are that they have no defined maturity, they can be redeemed by the issuer in certain circumstances, the associated coupon payments are discretionary, and they can be converted into a variable number of ordinary shares newly issued by the Bank where the latter or its consolidated group have a CET1 ratio below 5.125%.

Taking the foregoing into account, these securities are compound financial instruments that simultaneously present attributes of financial liabilities (i.e. there are conversion scenarios in which the issuer must deliver a variable number of its equity instruments to cancel the issuance) and of equity (i.e. discretionary coupon payments). The Institution estimates that the fair value of the liability component of the compound financial instrument as at the date of origination corresponds to the payment that would need to be made if an instantaneous conversion event were to occur, so the amount allocated to that component is the entire carrying amount of the issued instrument, which is classified under the heading "Financial liabilities at amortised cost – Debt securities issued" on the balance sheet. Furthermore, given that the Institution has the discretion to decide to pay the coupons associated with these instruments, those coupons should be considered equity distributions and recognised under the “Other reserves” heading of the balance sheet on each payment date, reducing the Institution’s equity.

Hybrid financial instruments

Hybrid financial instruments are those that combine a non-derivative host contract and a financial derivative, known as an ‘embedded derivative’, which cannot be transferred separately, nor does it have a different counterparty, and which results in some of the cash flows of the hybrid instrument varying in a similar way to the cash flows that would exist if the derivative were considered separately.

Generally, where the host contract of a hybrid financial instrument is a financial asset, the embedded derivative is not separated and the measurement rules are applied to the hybrid financial instrument as a whole.

Where the host contract of a hybrid financial instrument is a financial liability, the embedded derivatives of that contract are accounted for separately if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, if a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative instrument, and if the hybrid contract is not fully measured at fair value through profit or loss.

Most of the hybrid financial liabilities issued by the Bank are instruments whose payments of principal and/or interest are indexed to specific equity instruments (generally, shares of listed companies), to a basket of shares, to stock market indices (such as IBEX and NYSE), or to a basket of stock market indices.

The fair value of the Bank’s financial instruments as at 31 December 2024 and 2023 is indicated in Note 5.

1.3.3 Impairment of financial assets

A financial asset or a credit exposure is considered to be impaired when there is objective evidence that one or more events have occurred whose direct or combined effect gives rise to:

- In the case of debt instruments, including loans and debt securities, a negative impact on future cash flows estimated at the time the transaction was executed, due to the materialisation of credit risk.
- In the case of off-balance sheet exposures that carry credit risk, expected inflows that are lower than the contractual cash flows due if the holder of a loan commitment draws down the loan or, in the case of financial guarantees given, inflows that are lower than the payments scheduled to be made.
- In the case of investments in joint ventures and associates, a situation in which their carrying amount cannot be recovered.

1.3.3.1 Debt instruments and off-balance sheet exposures

Impairment losses on debt instruments and other off-balance sheet credit exposures are recognised as an expense in the income statement for the year in which the impairment is estimated. The recoveries of any previously recognised losses are also recognised in the income statement for the year in which the impairment is eliminated or reduced.

The impairment of financial assets is calculated based on the type of instrument and other circumstances that could affect it, after taking into account any effective guarantees received. For debt instruments measured at amortised cost, the Bank recognises both allowances, when loan loss provisions are allocated to absorb impairment losses, as well as direct write-offs, when the probability of recovery is considered to be remote. For debt instruments at fair value through other comprehensive income, impairment losses are recognised in the income statement, with a balancing entry under the heading “Accumulated other comprehensive income” on the statement of equity. Impairment allowances for off-balance sheet exposures are recognised on the liabilities side of the balance sheet as a provision.

For risks classified as stage 3 (see section “Definition of classification categories” in this note), accrued interest is recognised in the income statement by applying the effective interest rate to its amortised cost adjusted to account for any impairment allowances.

To determine impairment losses, the Bank monitors borrowers individually, at least all those who are significant borrowers, and collectively, for groups of financial assets with similar credit risk characteristics that reflect borrowers’ ability to satisfy their outstanding payments.

The Bank has policies, methods and procedures in place to estimate the losses that it may incur as a result of its credit risks, due to both insolvency attributable to counterparties and country risk. These policies, methods and procedures are applied when granting, assessing and arranging debt instruments and off-balance sheet exposures, when identifying their possible impairment and, where applicable, when calculating the amounts necessary to cover these expected losses.

1.3.3.1.1 Accounting classification on the basis of credit risk attributable to insolvency

The Bank has established criteria that allow credit transactions showing a significant increase in credit risk, vulnerabilities or objective evidence of impairment to be identified and classified on the basis of their credit risk.

The following sections describe the classification principles and methodology used by the Bank.

Definition of classification categories

Credit exposures and off-balance sheet exposures are both classified, on the basis of their credit risk, into the following stages:

- Stage 1: standard exposures, i.e. transactions whose risk profile has not changed since they were granted and for which there are no doubts as to the fulfilment of repayment commitments in accordance with the contractually agreed terms.

- Stage 2: standard exposures under special monitoring, i.e. transactions which, although they do not meet the criteria to be classified individually as stage 3 or write-offs, show a Significant Increase in Credit Risk (SICR) since they were initially granted. This category includes, among other transactions, those in which there are amounts more than 30 days past due, with the exception of non-recourse factoring, for which a threshold of more than 60 days is applied (the amount of non-recourse factoring transactions with amounts between 30 and 60 days past due came to 12 million euros and 28 million euros as at the end of 2024 and 2023, respectively), as well as refinanced and restructured transactions not recognised as stage 3 until they are classified into a lower risk category once they meet the established requirements for modifying their classification.

  Refinanced and restructured transactions classified in this category shall be classified into a lower risk category when they meet the criteria for such reclassification. Transactions that were classified as standard exposures under special monitoring (stage 2), due to the existence of amounts more than 30 days past due, will be reclassified into the category of standard exposures (stage 1) after passing a 3-month probation period, depending on the likelihood of them re-entering the stage 2 category. Transactions that were classified as standard exposures under special monitoring (stage 2) due to significant increases in credit risk will be subject to a 3-month probation period when they belong to customers who have been given a negative rating/score by internal customer monitoring tools. Furthermore, transactions that were classified in this category after passing a 3-month probation period in the “doubtful for reasons other than borrower arrears” category (stage 3) will be reclassified into the category of standard exposures (stage 1) once they have completed an additional 9-month probation period in stage 2.

- Stage 3: non-performing exposures are transactions for which there are reasonable doubts as to their repayment in full in accordance with the contractually agreed terms. This category comprises debt instruments, matured or otherwise, which do not meet the conditions for classification into the write-offs category but for which there are reasonable doubts as to their repayment in full (principal and interest) by the borrower, as well as off-balance sheet exposures whose payment by the Bank is likely but whose recovery is doubtful:

  - As a result of borrower arrears: all transactions, without exception, with any amount of principal, interest or contractually agreed expenses more than 90 days past due, unless they should be classified as write-offs. This category also includes debt transactions and guarantees given classified as non-performing due to the pulling effect (more than 20% of the exposures of one obligor are more than 90 days past due).

- For reasons other than borrower arrears (unlikely-to-pay): transactions which do not meet the conditions for classification as write-offs or stage 3 as a result of borrower arrears, but for which there are reasonable doubts as to the likelihood of obtaining the estimated cash flows of the transaction, as well as off-balance sheet exposures not classified as stage 3 as a result of borrower arrears whose payment by the Bank is likely but whose recovery is doubtful. This category includes transactions that were classified as stage 3 as a result of borrower arrears and which will be maintained, for a 3-month probation period, in the stage 3 category for reasons other than borrower arrears.

The accounting definition of stage 3 is in line with the definition used in the Bank's credit risk management activities.

– Write-off:

The Bank derecognises transactions from the balance sheet where their possibility of full or partial recovery is concluded to be remote following an individual assessment. This category includes exposures of customers who are in bankruptcy proceedings filing for liquidation, as well as transactions classified as stage 3 as a result of borrower arrears that have been in this category for more than four years, or less than four years, when any amounts not covered by effective guarantees have been kept on the balance sheet with a credit risk allowance covering 100% of that amount for more than two years, except for those balances that have sufficient effective guarantees. This also includes transactions which, despite not being in any of the previous situations, are undergoing a manifest and irreversible deterioration of their solvency.

The remaining amounts of transactions with portions that have been derecognised ('partial derecognition'), either because of the termination of the Bank's debt collection rights ('definitive loss') – for reasons such as debt remissions or debt reductions – or because they are considered irrecoverable even though debt collection rights have not been terminated ('write-downs'), will be fully classified in the corresponding category on the basis of their credit risk.

In the above situations, the Bank derecognises write-offs along with their associated provisions from the balance sheet, notwithstanding any actions that may be taken to collect payment until no more rights to collect payment exist, whether due to time-barring, debt remission, or for any other reasons.

Purchased or originated credit-impaired transactions

The expected credit loss on purchased or originated credit-impaired assets will not form part of the loss allowance or the gross carrying amount on initial recognition. When a transaction is purchased or originated with credit impairment, the loss allowance will be equal to the cumulative changes in lifetime expected credit losses since initial recognition. Interest income on these assets will be calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

Degree of alignment between the stage 3 accounting category and the prudential definition of default

The prudential definition of default adopted by the Bank bases materiality thresholds and the counting of days past due on regulatory technical standard EBA/RTS/2016/06 and all other conditions on guidelines EBA/GL/2016/07 (Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013).

In general, all contracts impaired from an accounting standpoint are also considered impaired for prudential purposes, except where they are impaired by reason of the accounting definition of default but where the past-due amounts are equal to or below a materiality threshold (exposures of 100 euros for the retail segment and of 500 euros for the non-retail segment, and where 1% of the total exposures are past-due for both cases).

Notwithstanding the foregoing, the prudential definition is generally more conservative than the accounting definition. The key differing aspects are set out here below:

– Under the prudential definition, the number of days in default are counted from the moment the first past-due amount goes above the materiality threshold. The counting cannot be restarted or reduced until the borrower has paid all past-due amounts or until the past-due amounts fall back below the materiality thresholds. Under the accounting definition, a FIFO criterion can be applied to past-due amounts when there have been partial repayments, enabling the number of days past due to be reduced for that reason.

– Under the prudential definition, a 3-month probation period exists for all amounts in default, while a 12-month probation period is used for amounts in default classified as refinancing. Under the accounting definition, the 3-month period applies only to amounts classified as stage 3 as a result of borrower arrears, while the 12-month period applies only to amounts classified as stage 3 that correspond to refinancing.

– In terms of unlikely-to-pay amounts in default (for reasons other than borrower arrears), there are explicit criteria defined at the prudential level, which are additional to those applied at the accounting level.

Transaction classification criteria

The Bank applies various criteria to classify borrowers and transactions into different categories based on their credit risk. These include:

– Automatic criteria;

– Criteria based on indicators (triggers); and

– Specific criteria for refinancing.

The automatic factors and specific classification criteria for refinancing make up what the Institution refers to as the classification and cure algorithm and are applied to the entire portfolio.

Furthermore, to enable an early identification of any significant increase in credit risk or vulnerabilities, or any transaction impairment, the Bank establishes different triggers for significant and non-significant borrowers. The details for each borrower group are described in the sections on "Individual assessment" and "Collective assessment". In particular, non-significant borrowers who, once the automatic classification algorithm has been applied, do not meet any of the conditions for reclassification as stages 2 or 3 are assessed by means of a process which aims to identify any significant increase in credit risk since the transaction was first approved and which could result in losses greater than those incurred on other similar transactions classified as stage 1. For significant borrowers, on the other hand, there is an automated system of triggers in place that generates a series of alerts, which serve to indicate, during a borrower's assessment, that a decision needs to be made with regard to their classification.

As a result of the application of these criteria, the Bank either classifies its borrowers as stage 2 or 3 or keeps them in stage 1.

Individual assessment

The Bank has established a significance threshold in terms of exposure, which is used to classify certain borrowers as significant, meaning that their risks need to be assessed individually.

The thresholds at the customer level used to classify borrowers as significant have been set at 10 million euros for customers classified in stage 1, and at 3 million euros for customers classified in stage 2 or 3. These thresholds comprise amounts drawn, amounts available and guarantees.

Exposures of more than 1 million euros of borrowers within the top 10 main risk groups classified in stage 3, identified on an annual basis, are also considered individually. Exceptionally, and with the sole purpose of classifying and more precisely impairing transactions, borrowers whose exposures are not above the significance threshold but who nevertheless belong to a group in which the individual assessment of its components is based on consolidated data may also be assessed individually.

To assess significant borrowers' transactions, a system of triggers is established. These triggers identify any significant increase in credit risk, as well as any signs of impairment.

A team of expert risk analysts carries out the individual assessment of borrowers, reviewing each transaction and assigning it the corresponding accounting classification.

The system of triggers for significant borrowers is automated and takes into account the particular characteristics of segments that perform differently within the loan portfolio, with specific triggers in place for certain segments. In any event, the system of triggers does not automatically or individually classify borrowers. Instead, it brings forward the due date for assessment of the borrower by the analyst and prompts decision-making with regard to their classification. The main aspects identified by the system of triggers are listed here below:

Stage 2 triggers:

- Adverse changes in the financial situation, such as a significant increase in levels of leverage or a sharp drop in turnover or equity.
- Adverse changes in the economy or market indicators, such as a significant fall in share prices or a reduction in the price of debt issues.
- Significant fall in the internal credit rating of the borrower.
- Significant increase in credit risk of other transactions of the same borrower, or in entities associated with the borrower's risk group.
- For transactions secured with collateral, significant decline in the value of the collateral received.

Stage 3 triggers:

- A negative value of Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), or a significant decrease in EBITDA, in turnover, or in general, in the borrower's recurrent cash flows.
- Increase in the borrower's leverage ratios.
- Negative equity or equity reduction as a result of the borrower sustaining equity losses of 50% or more in the past year.
- Existence of an internal or external credit rating showing that the borrower is in arrears.

The Bank carries out an annual review of the reasonableness of its thresholds and of the credit risk captured in the individual assessments carried out using those thresholds.

Collective assessment

For borrowers who have been classed below the significance threshold and who, in addition, have not been classified as stage 2 or 3 by the automatic classification rules, there is a process in place to identify transactions that show a significant increase in credit risk compared to when the transaction was approved, and which could give rise to greater losses than those incurred on other similar transactions classified as stage 1.

The Bank uses a statistical model that allows it to determine the Probability of Default (PD) term structure and, therefore, the residual lifetime PD of a contract (or the PD from a given moment in time up to the maturity of the transaction), based on different characteristics:

– Systemic: macroeconomic characteristics shared by all exposures.

– Cross-cutting: aspects that remain stable over time and which are shared by a group of transactions, such as the shared effect of lending policies in effect at the time the transaction was approved, or the transaction's approval channel.

– Idiosyncratic: aspects specific to each transaction or borrower.

With this specification, it is possible to measure the annualised residual lifetime PD of a transaction under the conditions that existed at the time the transaction was approved (or originated), or under the conditions existing at the time the provision is calculated. Therefore, the current annualised residual lifetime PD may fluctuate in relation to the PD at the time the transaction was approved, due to changes in the economic environment or in the idiosyncratic characteristics of the transaction or of the borrower.

The Bank uses a statistical model that estimates significant increase in credit risk for borrowers and transactions subject to collective assessment models. The estimate is made using a logistic regression that considers, as explanatory variables, the ratio of the absolute increase between the annualised lifetime PD under the economic and idiosyncratic circumstances at the time the provision is calculated relative to the annualised residual lifetime PD under the circumstances that existed at the time the transaction was approved, along with other defining variables of the borrower or exposure. For this model, thresholds for the increase in annualised lifetime PD, which require classification in stage 2, have been calibrated using historical data with the aim of maximising efficient and early detection of arrears at 30 days, refinancings and stage 3, thereby maximising risk discrimination among borrowers and/or transactions classified as stage 1 and 2.

The thresholds for significant increase in credit risk vary according to the portfolio, company size, product and level of PD upon approval, requiring higher relative increases if the PD upon approval is low.

Exceptionally, those thresholds are not applicable at certain low levels of current PD where there is practically no indication of any significant increase in credit risk over a 6-month horizon (low credit risk exemption); those levels vary according to the portfolio/segment and have been calibrated using historical data. The current PD thresholds to identify the population exempt from significant increases in credit risk have been calibrated differently for each of the portfolios under the collective model perimeter, i.e. companies differentiated by size, mortgages, and consumer loans.

In any case, as a general criterion and in addition to those described previously, for portfolios in Spain, borrowers included in the watchlist identified by the risk function (list of high-risk borrowers) and all transactions that have a current 12-month PD above a given threshold that varies according to portfolio/ segment and is statistically calibrated, are reclassified to stage 2. Similarly, all transactions with a current 12-month PD above 50% are reclassified to stage 3.

For the portfolios of retail mortgages, consumer loans and business lending items, the average multiplier of the current annualised lifetime PD relative to the annualised residual lifetime PD upon approval, which requires exposures to be reclassified from stage 1 to stage 2 depending on the annualised residual lifetime PD upon approval, varies between the values shown in the following table:

Annualised residual lifetime PD upon approval	Average multiplier
PD<0.5%	14
0.5%<=PD<1%	5
1%<=PD<2%	3
2%<=PD<3%	2.2
PD>3%	1.3

This multiplier will also vary depending on the portfolio to which each exposure is allocated.

In other less material portfolios, the multiplier between the annualised lifetime PD upon approval and the current annualised lifetime PD is used as a metric to identify the increase in credit risk and classify exposures as stage 2. More specifically, any exposures with a multiplier of more than 3 are reclassified to stage 2.

Forbearance

The credit risk management policies and procedures applied by the Bank ensure that borrowers are carefully monitored, identifying cases where provisions need to be allocated as there is evidence that their solvency is declining (see Note 3.4.2 - Credit risk). To that end, the Bank allocates loan loss provisions for the transactions that require them given the borrower's circumstances, before formally executing any refinancing/restructuring transactions, which should be understood as follows:

- Refinancing transaction: transaction which, irrespective of the borrower or guarantees involved, is approved or used for economic or legal reasons related to the current or foreseeable financial difficulties of the borrower (or borrowers) to repay one or more transactions approved by the Bank and granted to the borrower (or borrowers) or to another company or companies belonging to its group, or to bring outstanding payments fully or partially up to date, with a view to making it easier for holders of refinanced transactions to repay their debt (principal and interest) when they are unable, or will predictably soon be unable, to honour their payment obligations in good time and in the manner agreed.

- Restructured transaction: transaction in which, for economic or legal reasons related to the current or foreseeable financial difficulties of the borrower (or borrowers), the financial terms and conditions are modified to make it easier for them to repay their debt (principal and interest) when they are unable, or will predictably soon be unable, to honour their payment obligations in good time and in the manner agreed, even when such a modification is already provided for in the contract. In any case, transactions in which the debt is written down or assets are received to reduce the debt, or transactions whose terms are modified to extend the term to maturity, or to amend the repayment schedule so as to the reduce repayment instalment amounts in the short term or reduce their payment frequency, or to establish or extend the grace period for the repayment of principal, interest, or both, are all considered restructured transactions, except where it can be proven that the terms are being modified for reasons other than borrowers' financial difficulties and that the modified terms are analogous to those that would be applied in the market, on the date of such modification, to transactions granted to borrowers with a similar risk profile.

If a transaction is classified in a particular risk category, refinancing does not mean that its risk classification will automatically improve. The algorithm establishes the initial classification of refinanced transactions based on their characteristics, mainly, the existence of a borrower's financial difficulties (e.g. an inadequate business plan), the existence of certain clauses such as long grace periods, or the existence of amounts that have been written off as they are considered to be non-recoverable. The algorithm then changes the initial classification depending on the established cure periods. Reclassification into a lower risk category will only be considered if evidence exists of a continuous and significant improvement in the recovery of the debt over time; therefore, the act of refinancing does not in itself produce any immediate improvements.

Refinancing, refinanced and restructured transactions remain identified as such during a probation period until all of the following requirements are met:

- It is concluded, having reviewed the borrower's assets and financial position, that the borrower is unlikely to experience financial difficulties.
- A minimum of two years has elapsed since the date of the restructuring or refinancing or, if later, since the date of reclassification to the stage 3 category.
- The borrower has paid the instalments of principal and interest accrued since the date of the refinancing or restructuring or, if later, since the date of reclassification to the stage 3 category.
- The borrower has no other transactions with amounts more than 30 days past due at the end of the probation period.
- At least 12 months have passed since the grace period came to an end.
- The refinanced amount of both the contract and the borrower has been reduced, through payments made by the customer whose cumulative amount since the refinancing date is at least the amount equivalent to the write-down, the unpaid amount at the time of refinancing or the new risk approved.

Refinancing, refinanced and restructured transactions remain in the stage 3 category until it can be verified that they meet the general criteria for reclassification to the stage 2 category, particularly the following requirements:

- It is concluded, having reviewed the borrower's assets and financial position, that the borrower is unlikely to experience financial difficulties.
- One year has passed since the date of the refinancing or restructuring.
- The borrower has paid the accrued instalments of principal and interest.
- The borrower has no other transactions with amounts more than 90 days past due on the date on which the refinancing, refinanced or restructured transaction is reclassified to stage 2.
- At least 12 months have passed since the grace period came to an end.
- The refinanced amount of both the contract and the borrower has been reduced, through payments made by the customer whose cumulative amount since the refinancing date is at least the amount equivalent to the write-down, the unpaid amount at the time of refinancing or the new risk approved.

In the case of refinanced/restructured loans classified as stage 2, in addition to the general classification criteria, certain specific criteria are applicable which, if met, lead to reclassification into one of the higher risk categories described previously (i.e. to stage 3, as a result of borrower arrears, when payments are, in general, over 90 days past due, or for reasons other than borrower arrears, when there are reasonable doubts as to their recoverability).

1.3.3.1.2 Credit loss allowances

The Bank applies the following parameters to determine its credit loss allowances:

- Exposure at Default (EAD): the Institution defines exposure at default as the value to which it expects to be exposed when a loan defaults.

  The exposure metrics considered by the Bank in order to cover this value are the currently drawn balances and the estimated amounts that it expects to disburse in the event its off-balance sheet exposures enter into default, by applying a Credit Conversion Factor (CCF).

- Probability of Default (PD): estimation of the probability that a borrower will default within a given period of time.

  The Bank has tools in place to help in its credit risk management that predict the probability of default of each borrower and which cover practically all lending activity.

  In this context, the Bank reviews the quality and stability of the rating tools currently in use on an annual basis. The review process includes the definition of the sample used and the methodology to be applied when monitoring rating models (see Note 3.4.2.2 "Risk management models").

- Loss Given Default (LGD): expected loss on transactions which are in default. This loss also takes into account outstanding debt, late-payment interest and expenses relating to the recovery process. Additionally, for each cash flow (amounts outstanding and amounts recovered), an adjustment is applied to consider the time value of money.

- Effective Interest Rate (EIR): the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

- Multiple scenarios: in order to estimate expected losses, the Bank applies different scenarios to identify the effect of the non-linearity of losses. To that end, the provisions required are estimated in the different scenarios for which a probability of occurrence has been defined (see Note 3.4.2.5 "Calculation of credit loss allowances").

Summary of criteria for classification and allowances

The classification of credit risk and the measurement of allowances are determined based on whether or not there has been a significant increase in credit risk since the transaction was originated, and on whether or not any default events have occurred:

<table>
<tr><th colspan="5">Observed credit impairment since initial recognition</th></tr>
<tr><th>Credit risk category</th><th>Stage 1</th><th>Stage 2</th><th>Stage 3</th><th>Write-off</th></tr>
<tr><td rowspan="2">Criteria for classification into stages</td><td rowspan="2">Transactions in which there has been no significant increase in credit risk since initial recognition and which do not meet the requirements for classification into other categories</td><td rowspan="2">Transactions which show a significant increase in credit risk since initial recognition</td><td>Transactions whose full recovery is considered doubtful, even if no amounts are more than ninety days past due</td><td rowspan="2">Transactions whose possibility of recovery is considered remote due to a manifest and irreversible deterioration of the solvency of the transaction or the borrower</td></tr>
<tr><td>Transactions with amounts more than 90 days past due</td></tr>
<tr><td>Calculation of allowance</td><td>12-month expected credit loss</td><td colspan="2">Lifetime expected credit loss</td><td>Write-off from balance sheet and recognition of the loss in the income statement, at the carrying amount of the transaction</td></tr>
<tr><td>Accrual of interest</td><td colspan="2">Calculated by applying the effective interest rate to the gross carrying amount of the transaction</td><td>Calculated by applying the effective interest rate to the amortised cost (adjusted to account for any impairment allowances)</td><td>Not recognised in the income statement</td></tr>
<tr><td rowspan="3">Transactions included, by stage</td><td rowspan="3">Initial recognition</td><td>Transactions which show a significant increase in credit risk since initial recognition</td><td>Transactions classified as stage 3 as a result of borrower arrears:
Amount of debt instruments with one or more amounts more than 90 days past due</td><td>Transactions whose possibility of recovery is considered remote</td></tr>
<tr><td>Refinancing, refinanced and restructured transactions that do not meet the conditions for classification as stage 3</td><td rowspan="2">Transactions classified as stage 3 for reasons other than borrower arrears:
· Transactions with no amounts more than 90 days past due but whose full recovery is considered doubtful
· Refinancing, refinanced and restructured transactions that do not meet the conditions for classification as stage 2
· Purchased or originated credit-impaired (POCI) transactions</td><td rowspan="2">Transactions partially deemed to be irrecoverable even though debt collection rights have not yet been terminated (write-downs)</td></tr>
<tr><td>Transactions with amounts more than 30 days past due</td></tr>
</table>

The methodology used to estimate losses on refinanced and restructured transactions is generally similar to that used for other financial assets at amortised cost, but it is considered that, in principle, the estimated loss on a transaction that has had to be restructured to enable payment obligations to be satisfied should be greater than the estimated loss on a transaction with no history of non-payment, unless sufficient additional effective guarantees are provided to justify otherwise.

Classification of credit risk and allowances for country risk

Country risk is the risk arising in counterparties resident in a particular country for reasons other than ordinary business risk (sovereign risk, transfer risk or risks arising from international financial activity). The Bank classifies transactions carried out with third parties into different groups, based on the economic development of those countries, their political situation, regulatory and institutional framework, and payment capacity and experience.

Debt instruments and off-balance sheet exposures whose end obligors are residents of countries that have long experienced difficulties in servicing their debt, and whose recovery is therefore deemed unlikely, are classified as stage 3, unless they should be classified as write-offs.

There are two stages involved in estimating allowances: first, the credit loss allowance is estimated, and then the additional country risk provision is determined. This way, exposures not fully provisioned for by the amount that can be recovered with either effective collateral or credit loss allowances are provisioned for by applying the coverage percentages established in Circular 4/2017, based on the country risk group in which the transaction has been included and its credit risk classification in the accounts.

Allowances for country risk are not significant in relation to the impairment allowances allocated by the Bank.

Guarantees

Effective guarantees are collateral and personal guarantees proven by the Bank to be a valid means of mitigating credit risk.

Under no circumstances will guarantees whose effectiveness substantially depends on the credit quality of the debtor or, where applicable, of the economic group of which the debtor forms part, be accepted as effective guarantees.

Based on the foregoing, the following types of guarantees can be considered to be effective guarantees:

- Real estate guarantees applied as first mortgage liens:
  - Completed buildings and building components:
    - Housing units.
    - Offices, commercial premises and multi-purpose industrial buildings.
    - Other buildings, such as non-multi-purpose industrial buildings and hotels.
  - Urban land and regulated building land.
  - Other real estate.
- Collateral in the form of pledged financial instruments:
  - Cash deposits.
  - Equity instruments in listed entities and debt securities issued by creditworthy issuers.
- Other collateral:
  - Personal property received as collateral.
  - Subsequent mortgages on properties.
- Personal guarantees such that direct liability to the customer falls to the new guarantors, who are persons or entities whose solvency is sufficiently verified to ensure the full redemption of the transaction under the terms set forth.

The Bank has collateral valuation criteria for assets located in Spain that are in line with prevailing legislation. In particular, the Bank applies criteria for the selection and engagement of appraisers that are geared towards assuring their independence and the quality of the appraisals. All of the appraisers used are appraisal companies that have been entered in the Bank of Spain Special Register of Appraisal Firms, and the appraisals are carried out in accordance with the criteria established in Order ECO/805/2003 on rules for the appraisal of real estate and particular rights for specific financial purposes.

Real estate guarantees for loan transactions are valued on the date they are granted, while real estate assets are valued on the date on which they are recognised, whether as a result of a purchase, foreclosure or deed in lieu, and also whenever there is a significant reduction in value. In addition, the criteria for updating the appraisal, established in Annex 9 to Circular 4/2017 published by the Bank of Spain, are applied for assets subject to the calculation of provisions for impairment risk. Similarly, statistical methodologies may be used to update appraisals but only for properties that have a certain level of homogeneity among them, in other words, those with low exposure and low risk whose characteristics are likely to be shared by other properties and which are located in an active market with frequent transactions, although a full appraisal is carried out in accordance with the aforesaid ECO Order (an "ECO appraisal") at least once every three years.

Assets located in other EU countries are appraised in accordance with that set forth in Royal Decree 716/2009 of 24 April, while those in the rest of the world are appraised by companies and/or experts with recognised expertise and experience in the country in question. Real estate assets located in a foreign country will be appraised using the method approved by the Royal Institution of Chartered Surveyors (RICS), through prudent and independent appraisals carried out by authorised experts in the country where the property is located or, where appropriate, by appraisal firms or services accredited in Spain, and in accordance with the appraisal rules applicable in that country insofar as these are compatible with generally accepted appraisal practices.

The Bank has developed internal methodologies to estimate credit loss allowances. These methodologies use the appraisal value as a starting point to determine the amount that can be recovered with the enforcement of real estate guarantees. This appraisal value is adjusted to account for the time required to enforce such guarantees, price trends and the Bank's ability and experience in realising the value of properties with similar prices and enforcement timeframes, as well as the costs of enforcement, maintenance and sale.

Credit losses on State-guaranteed loans granted as part of the government support scheme designed to address the impact of Covid-19, irrespective of the credit risk category or categories into which the transaction is classified throughout its life, are calculated based on their expected credit loss less the positive impact of cash flows expected to be recovered with that guarantee.

1.3.4 Hedging transactions

The Bank applies the criteria established by Circular 4/2017, based on IAS 39 on hedge accounting.

The Bank uses financial derivatives to (i) provide these instruments to customers that request them, (ii) manage risks associated with the Bank's proprietary positions (hedging derivatives), and (iii) realise gains as a result of their price fluctuations. To that end, it uses both financial derivatives traded in organised markets and those traded bilaterally with counterparties outside organised markets (Over The Counter, or OTC).

Financial derivatives that do not qualify for designation as hedging instruments are classified as derivatives held for trading. To be designated as a hedging instrument, a financial derivative must meet the following conditions:

- The financial derivative must hedge against the exposure to changes in the value of assets and liabilities caused by interest rate and/or exchange rate fluctuations (fair value hedge), the exposure to variability in estimated cash flows that is attributable to a particular risk of financial assets and financial liabilities, firm commitments or highly probable forecast transactions (cash flow hedge), or the exposure associated with net investments in foreign operations (hedge of net investments in foreign operations).

- The financial derivative must effectively eliminate some portion of the risk inherent in the hedged item or position throughout the entire expected life of the hedge. This effectiveness should be measured both prospectively and retrospectively. To that end, the Bank analyses whether, at the time of its inception, a hedge is expected to operate with a high level of effectiveness in business-as-usual conditions. It also runs effectiveness tests throughout the life of the hedge, in order to verify that the results of these tests show an effectiveness that falls within a range of between 80% and 125%.

- Suitable documentation must be available to show that the financial derivative was acquired specifically to hedge against certain balances or transactions and to show the intended method for achieving and measuring hedge effectiveness, provided that this method is consistent with the Bank's own risk management processes.

Hedges are applied to either individual items and balances (micro-hedges) or to portfolios of financial assets and financial liabilities (macro-hedges). In the latter case, the set of financial assets and financial liabilities to be hedged must share the same type of risk, a condition that is met when the individual hedged items have a similar interest rate sensitivity.

Changes that take place after the designation of the hedge, changes in the measurement of financial instruments designated as hedged items and changes in financial instruments designated as hedging instruments are recognised in the following way:

– In fair value hedges, differences arising in the fair value of the derivative and the hedged item that are attributable to the hedged risk are recognised directly in the income statement, with a balancing entry under the headings of the balance sheet in which the hedged item is included, or under the heading "Derivatives – Hedge accounting", as appropriate.

  In fair value hedges of interest rate risk of a portfolio of financial instruments, gains or losses arising when the hedging instrument is measured are recognised directly in the income statement. Losses and gains arising from fair value changes in the hedged item that can be attributed to the hedged risk are recognised in the income statement with a balancing entry under the heading "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on either the asset side or the liability side of the balance sheet, as appropriate. In this case, hedge effectiveness is assessed by comparing the net position of assets and liabilities in each time period against the hedged amount designated for each of them, immediately recognising the ineffective portion under the heading "Net profit or net loss on financial operations" of the income statement.

– In cash flow hedges, differences in the value of the effective portion of hedging instruments are recognised under the heading "Accumulated other comprehensive income – Hedging derivatives. Cash flow hedges reserve [effective portion]" of the statement of equity. These differences are recognised in the income statement when the losses or gains on the hedged item are recognised through profit or loss, when the envisaged transactions are executed, or on the maturity date of the hedged item.

– In hedges of net investments in foreign operations, measurement differences in the effective portion of hedging instruments are recognised temporarily in the statement of equity under "Accumulated other comprehensive income – Hedge of net investments in foreign operations [effective portion]". These differences are recognised in the income statement when the investment in foreign operations is disposed of or derecognised from the balance sheet.

– Measurement differences in hedging instruments corresponding to the ineffective portion of cash flow hedges and net investments in foreign operations are recognised under the heading "Net profit or net loss on financial operations" of the income statement. Hedges of non-monetary items are treated as fair value hedges due to the exchange rate component.

If a derivative assigned as a hedging derivative does not meet the above requirements due to its termination, discontinuance, ineffectiveness, or for any other reason, it will be treated as a trading derivative for accounting purposes. Therefore, changes in its measurement will be recognised with a balancing entry in the income statement.

Where a fair value hedge is discontinued, any previous adjustments made to the hedged item are recognised in the income statement using the effective interest rate method, recalculated as at the date on which the item ceased to be hedged, and must be fully amortised upon maturity.

Where a cash flow hedge is discontinued, the accumulated gains or losses on the hedging instrument that had been recognised under "Accumulated other comprehensive income" in the statement of equity while the hedge was still effective will continue to be recognised under that heading until the hedged transaction takes place, at which time the gain or loss will be recognised in the income statement, unless the hedged transaction is not expected to take place, in which case it will be recognised in the income statement immediately.

1.3.5 Financial guarantees

Contracts whereby the Bank undertakes to make specific payments on behalf of a third party in the event of that third party failing to do so, irrespective of their legal form, are considered financial guarantees. These can be bonds, bank guarantees, insurance contracts or credit derivatives, among other items.

The Bank recognises financial guarantee contracts under the heading "Financial liabilities at amortised cost – Other financial liabilities" at their fair value which, initially and unless there is evidence to the contrary, is the present value of the expected fees and income to be received. Fees and similar income received upon commencement of the operations, as well as receivables measured at the present value of future cash flows pending collection, are simultaneously recognised as a credit item on the asset side of the balance sheet.

In the particular case of long-term guarantees given in cash to third parties under service contracts, where the Bank guarantees a particular level or volume in terms of the provision of such services, it initially recognises those guarantees at fair value. The difference between their fair value and the disbursed amount is considered an advance payment made or received in exchange for the provision of the service, and this is recognised in the income statement for the period in which the service is provided. Subsequently, the Bank applies analogous criteria to debt instruments measured at amortised cost.

Financial guarantees are classified according to the risk of incurring loan losses attributable to either the customer or the transaction and, where appropriate, an assessment is made of whether provisions need to be allocated for these guarantees by applying criteria similar to the criteria used for debt instruments measured at amortised cost.

Income from guarantee instruments is recognised under the heading "Fee and commission income" in the income statement and calculated applying the rate laid down in the related contract to the nominal amount of the guarantee. Interest from long-term guarantees given in cash to third parties is recognised by the Bank under the heading "Interest income" in the income statement.

1.3.6 Transfers and derecognition of financial instruments from the balance sheet

Financial assets are only derecognised from the balance sheet when they no longer generate cash flows or when their inherent risks and rewards have been substantially transferred to third parties. Similarly, financial liabilities are only derecognised from the balance sheet when there are no further obligations associated with the liabilities or when they are acquired for the purpose of their termination or resale.

Note 3 provides details of asset transfers in effect at the end of 2024 and 2023, indicating those that did not involve the derecognition of the asset from the balance sheet.

1.3.7 Offsetting of financial instruments

Financial assets and financial liabilities are only offset for the purpose of their presentation in the balance sheet when the Bank has a legally enforceable right to offset the amounts recognised in such instruments and intends to settle them at their net value or realise the asset and settle the liability simultaneously.

1.3.8 Non-current assets and assets and liabilities included in disposal groups classified as held for sale and discontinued operations

The "Non-current assets and disposal groups classified as held for sale" heading on the balance sheet includes the carrying amounts of assets – stated individually or combined in a disposal group, or as part of a business unit intended to be sold (discontinued operations) – which are very likely to be sold in their current condition within one year of the date of the annual financial statements.

It can therefore be assumed that the carrying amount of these assets, which may be of a financial or non-financial nature, will be recovered through the disposal of the item concerned rather than through its continued use.

Specifically, real estate or other non-current assets received by the Bank for the full or partial settlement of debtors' payment obligations are treated as non-current assets and disposal groups classified as held for sale, unless the Bank has decided to make continued use of those assets or to include them in its rental operations. Similarly, investments in joint ventures or associates that meet the above criteria are also recognised as non-current assets and disposal groups classified as held for sale. For all of these assets, the Bank has specific units that focus on the management and sale of real estate assets.

The heading "Liabilities included in disposal groups classified as held for sale" includes credit balances associated with assets or disposal groups, or with the Bank's discontinued operations.

Non-current assets and disposal groups classified as held for sale are measured, both on the acquisition date and thereafter, at the lower of their carrying amount and their fair value less estimated selling costs. The carrying amount at the acquisition date of non-current assets and disposal groups classified as held for sale deriving from foreclosure or recovery is defined as the outstanding balance of the loans or credit that gave rise to those purchases (less any associated provisions). Tangible and intangible assets that would otherwise be subject to depreciation or amortisation are not depreciated or amortised while they remain classified as non-current assets held for sale.

In order to determine the net fair value of real estate assets, the Bank uses its own internal methodology, which uses as a starting point the appraisal value, adjusting this based on its past experience of selling properties that are similar in terms of prices, the period during which each asset remains on the balance sheet and other explanatory factors. Similarly, agreements entered into with third parties for the disposal of these assets are also taken into account.

The appraisal value of real estate assets recognised in this heading is obtained following the policies and criteria described in the section entitled “Guarantees” in Note 1.3.3. The main appraisal firms and agencies used to obtain market appraisal values are listed in Note 5.

Profit or loss generated on the disposal of non-current assets and assets and liabilities included in disposal groups classified as held for sale, as well as impairment losses and their reversal, where appropriate, are recognised under the heading “Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” in the income statement. The remaining income and expenses relating to these assets and liabilities are disclosed according to their nature.

Discontinued operations are components of the Institution that have been disposed of or classified as held for sale and which (i) represent a business line or geographical area that is significant and separate from the rest or is part of a single coordinated plan to dispose of that business or geographical area, or (ii) are subsidiaries acquired solely in order to be resold. Income and expenses of any kind generated by discontinued operations, if any, during the year, including those generated before they were classified as discontinued operations, are presented net of the tax effect as a single amount under the heading “Profit or (-) loss after tax from discontinued operations” in the income statement, regardless of whether the business has been derecognised from or remains on the asset side of the balance sheet as at year-end. This heading also includes the profit or loss obtained on their sale or disposal.

1.3.9 Tangible assets

Tangible assets include (i) property, plant and equipment held by the Bank for current or future use that is expected to be used for more than one year, (ii) property, plant and equipment leased out to customers under operating leases, and (iii) investment properties, which include land, buildings and other structures held in order to be leased out or to obtain a capital gain on their sale. This heading also includes tangible assets received in payment of debts classified on the basis of their final use.

As a general rule, tangible assets are measured at their acquisition cost less accumulated depreciation and, if applicable, less any impairment losses identified by comparing the net carrying amount of each item against its recoverable amount.

Depreciation of tangible assets is systematically calculated on a straight-line basis, applying the estimated years of useful life of the various items to the acquisition cost of the assets less their residual value. The land on which buildings and other structures stand is considered to have an indefinite life and is therefore not depreciated.

The annual depreciation charge on tangible assets is recognised in the income statement and generally calculated based on the remaining years of the estimated useful life of the different groups of components:

	Useful life (years)
Land and buildings	17 to 75
Fixtures and fittings	5 to 20
Furniture, office equipment and other	3 to 15
Vehicles	3 to 6
Computer equipment	4 to 6

The Bank reviews the estimated useful life of the various components of tangible assets at the end of every year, if not more frequently, in order to detect any significant changes. Should any such changes occur, the useful life is adjusted, correcting the depreciation charge in the income statements for future years as required to reflect the new estimated useful life.

At each year-end closing, the Bank analyses whether there are any internal or external signs that a tangible asset might be impaired. If there is evidence of impairment, the Bank assesses whether this impairment actually exists by comparing the asset's net carrying amount against its recoverable amount (the higher of its fair value, less selling costs, and its value in use). Where the asset's carrying amount is higher than its recoverable amount, the Bank reduces the carrying amount of the corresponding component to its recoverable amount and adjusts future depreciation charges in proportion to the adjusted carrying amount and new remaining useful life, in the event this needs to be re-estimated. Where there are signs that the value of a component has been recovered, the Bank records the reversal of the impairment loss recognised in previous years and adjusts future depreciation charges accordingly. The reversal of an impairment loss on an asset component shall in no circumstances result in its carrying amount being increased to a value higher than the value that the asset component would have had if no impairment losses had been recognised in previous years.

In particular, certain items of property, plant and equipment are assigned to cash-generating units in the banking business. Impairment tests are conducted on these units to verify whether sufficient cash flows are generated to support the assets' value. To that end, the Bank (i) calculates the recurring net cash flow of each branch based on the cumulative contribution margin less the allocated recurring cost of risk, and (ii) that recurring net cash flow is regarded as a perpetual cash flow and a valuation is effected using the discounted cash flow method applying the cost of capital and growth rate in perpetuity determined by the Bank (see Note 15).

For investment properties, the Bank uses valuations carried out by third parties entered in the Bank of Spain Special Register of Appraisal Firms, in accordance with criteria set forth in Order ECO/805/2003.

The costs of preserving and maintaining tangible assets are recognised in the income statement for the year in which they are incurred.

1.3.10 Leases

The Bank evaluates the existence of a lease contract at its inception or when its terms are changed. A contract is deemed to be a lease contract when the asset is identified in that contract and the party receiving the asset has the right to control its use.

Leases in which the Bank acts as lessee

The Bank recognises, for leases in which it acts as lessee, which mostly correspond to lease contracts for real estate and office spaces linked to its operating activity, a right-of-use asset of the leased asset and a liability for payments outstanding at the date on which the leased asset was made available to the Bank for use.

For lease contracts with a specified lease term that include, or not, a unilateral option for early termination that can be exercised by the Bank and in which the cost associated with such termination is not significant, the term of the lease is generally equivalent to the duration initially stipulated in the contract. However, if there are any circumstances that could result in contracts being terminated early, these will be taken into account.

For lease contracts with a specified lease term that include a unilateral option for extension that can be exercised by the Bank, the choice to exercise that option will be made on the basis of economic incentives and past experience.

The lease liability is initially recognised in the heading "Financial liabilities at amortised cost – Other financial liabilities" of the balance sheet (see Note 20), at a value equal to the present value of the estimated payments outstanding, based on the envisaged maturity date. Lease payments are discounted using the implicit interest rate, if this can be easily determined and, if not, using the incremental borrowing rate, understood as the rate of interest that the Bank would have to pay to borrow the funds necessary to purchase assets with a value similar to the rights of use acquired over the leased assets for a term equal to the estimated duration of the lease contracts.

These payments comprise fixed payments (less any lease incentives receivable), variable payments determined by reference to an index or rate, amounts expected to be paid for residual value guarantees given to the lessor, the exercise price of a purchase option (if the Bank is reasonably certain to exercise that option) and payments of penalties for terminating the lease (if the lease term shows that an option to terminate the lease is exercised).

The payments settled by the lessee in each period reduce the lease liability and accrue an interest expense that is recognised in the income statement over the lease term.

A right-of-use asset, which is classified as a fixed asset based on the nature of the leased asset, is initially recognised at cost, which comprises the amount of the initial measurement of the lease liability, payments made before or on the commencement date of the lease, initial direct costs and, where appropriate, the estimated costs of dismantling or restoring the asset to the condition required under the lease.

The right-of-use asset is depreciated on a straight-line basis at the shorter of the useful life of the asset or the lease term.

The criteria for impairing these assets are similar to those used for tangible assets (see Note 1.3.9).

The Bank exercises the option to recognise, as an expense during the year, the payments made on short-term leases (those that, at the commencement date, have a lease term of 12 months or less) and leases in which the leased asset has a low value.

<u>Sale and leaseback</u>

If the Bank does not retain control over the asset, (i) the asset sold is derecognised from the balance sheet and the right-of-use asset arising from the leaseback is recognised at the proportion of the leased asset's previous carrying amount that relates to the right of use retained, and (ii) a lease liability is recognised.

If the Bank retains control over the asset, (i) the asset sold is not derecognised from the balance sheet and (ii) a financial liability is recognised for the amount of consideration received.

The profit or loss generated on the transaction is immediately recognised in the income statement, if a sale is determined to exist (only for the amount of the gain or loss relating to the rights over the transferred asset), as the buyer-lessor has acquired control over the asset.

Leases in which the Bank acts as lessor

<u>Finance leases</u>

Where the Bank is the lessor of an asset, the sum of the present values of amounts receivable from the lessee is recorded as financing provided to a third party and is therefore included under the heading "Financial assets at amortised cost" on the balance sheet. This financing includes the exercise price of the purchase option payable to the lessee upon termination of the contract in cases where that exercise price is sufficiently lower than the fair value of the asset at the maturity date of the option, such that it is reasonably likely to be exercised.

<u>Operating leases</u>

In operating leases, ownership of the leased asset and a substantial proportion of all of the risks and rewards incidental to ownership of the asset remain with the lessor.

The acquisition cost of the leased asset is recognised under the heading "Tangible assets". These assets are depreciated in accordance with the same policies followed for similar tangible assets for own use and the revenue from the lease contracts is recognised in the income statement on a straight-line basis.

<u>1.3.11 Intangible assets</u>

Intangible assets are identifiable, non-monetary assets without physical substance that arise as a result of an acquisition from third parties or which are generated internally by the Bank. An intangible asset will be recognised when, in addition to meeting this definition, the Bank considers it likely that economic benefits deriving from the asset and its cost can be reliably estimated.

Intangible assets are initially recognised at their acquisition or production cost and are subsequently measured at cost less the accumulated amortisation and any impairment loss that may have been sustained.

Goodwill

Positive differences between the cost of a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired and subsequently merged entities are recognised as goodwill on the asset side of the balance sheet. These differences represent an advance payment made by the Bank of the future economic benefits derived from the acquired entities that are not individually identified and separately recognised.

Goodwill is only recognised when acquired for valuable consideration and it is amortised over a period of 10 years.

Goodwill is assigned to one or more Cash-Generating Units (CGUs) that are expected to benefit from the synergies arising from the business combinations. These CGUs are the smallest identifiable group of assets which, as a result of their continuous operation, generate cash flows for the Bank, separately from other assets or groups of assets.

CGUs (or groups of CGUs) to which goodwill has been assigned are tested at least once a year for impairment, or whenever there is evidence that impairment might have occurred. To that end, the Bank calculates their value in use using mainly the distributed profit discount method, in which the following parameters are taken into account:

– Key business assumptions: these assumptions are used as a basis for the cash flow projections considered in the valuation. For businesses engaging in financial activities, projections are made for variables such as changes in lending volumes, default rates, customer deposits, interest rates under a forecast macroeconomic scenario, and capital requirements.

– Estimates of macroeconomic variables and other financial parameters.

– Projection period: this is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take into account the existing economic situation at the time of the valuation.

– Discount rate (post-tax): the present value of future dividends, from which a value in use is obtained, is calculated using the Institution's cost of capital (Ke), from the standpoint of a market participant, as a discount rate. To determine the cost of capital, the Capital Asset Pricing Model (CAPM) is used in accordance with the formula: "$Ke = Rf + \beta (Pm) + \alpha$", where: Ke = Required return or cost of capital, Rf = Risk-free rate, β = Company's systemic risk coefficient, Pm = Market premium and α = Non-systemic risk premium.

– Growth rate used to extrapolate cash flow projections beyond the period covered by the most recent forecasts: this is based on long-term estimates of the main macroeconomic figures and key business variables, and bearing in mind the existing financial market circumstances and outlooks at all times.

If the carrying amount of a CGU (or group of CGUs to which goodwill has been assigned) is higher than its recoverable amount, the Bank recognises an impairment loss that is allocated, firstly, by reducing the goodwill attributed to that CGU and, secondly, if any losses remain to be allocated, by reducing the carrying amount of the remaining allocated assets on a pro rata basis. Impairment losses recognised for goodwill cannot subsequently be reversed.

Other intangible assets

This heading mainly includes intangible assets acquired in business combinations, such as the value of the brands and contractual rights arising from customer relationships of the acquired businesses, as well as computer software.

These intangible assets have a finite useful life and are amortised based on their useful lives, applying similar criteria to those used for tangible assets. The useful life of brands and contractual rights arising from relationships with customers of the acquired businesses varies between 10 and 15 years, while for computer software the useful life ranges from 7 to 15 years. In particular, the software applications corresponding to infrastructure, communications, architecture and corporate functions of the banking platforms used by Group entities to carry out their activity generally have a useful life of between 10 and 15 years, while the useful life of applications corresponding to channels and to data & analytics ranges from 7 to 10 years.

The criteria for recognising impairment losses on these assets and any reversals of impairment losses recognised in earlier financial years are similar to those applied to tangible assets. To that end, the Bank determines whether there is evidence of impairment by comparing actual changes against the initial assumptions applied in the parameters used when they were first recognised. These include possible loss of customers, average customer balances, average revenue and the assigned cost-to-income ratio.

Changes in the estimated useful life of intangible assets are treated in a similar way to changes in the estimated useful life of tangible assets.

1.3.12 Own equity instruments

Own equity instruments are defined as equity instruments that meet the following conditions:

- They do not involve any contractual obligation for the issuer that entails delivering cash or another financial asset to a third party, or exchanging financial assets or financial liabilities with a third party under terms that are potentially unfavourable to the issuer.

- In the case of a contract that will or may be settled with the issuer's own equity instruments: if it is a non-derivative financial instrument, it does not entail an obligation to deliver a variable number of its own equity instruments; or, if it is a derivative instrument, it is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments.

All transactions involving own equity instruments, including their issuance or redemption, are recognised directly with a balancing entry in equity.

Changes in the value of instruments classified as own equity instruments are not recognised in the financial statements. Any consideration received or paid in exchange for such instruments is directly added to or deducted from equity net of the associated transaction costs.

Equity instruments issued in full or partial settlement of a financial liability are initially recognised at fair value unless this cannot be reliably determined. In this case, the difference between the carrying amount of the financial liability (or any part thereof) that has been settled and the fair value of the equity instruments issued is recognised in the income statement for the year.

On the other hand, compound financial instruments, which are contracts that have both a financial liability and an own equity instrument from the issuer's perspective (e.g. convertible bonds that grant their holder the right to convert them into equity instruments of the issuing entity), are recognised at issuance, separating their component parts and presenting them according to their substance (see Note 1.3.2).

1.3.13 Remuneration in equity instruments

The delivery of own equity instruments to employees in payment for their services (where these instruments are determined at the start of, and delivered upon completion of, a specified period of service) is recognised as a service cost over the period during which the services are being provided, with a balancing entry under the heading "Other equity" in the statement of equity. On the date these instruments are awarded, the services received are measured at fair value unless this cannot be reliably estimated, in which case they are measured by reference to the fair value of the committed equity instruments, bearing in mind the tenors and other conditions envisaged in the commitments.

The amounts recognised in equity cannot subsequently be reversed, even when employees do not exercise their right to receive the equity items.

For transactions involving share-based remuneration paid in cash, the Bank recognises a service cost over the period during which the services are provided by the employees, with a balancing entry on the liabilities side of the balance sheet. The Bank measures this liability at fair value until it is settled. Changes in value are recognised in the income statement for the year.

1.3.14 Provisions, contingent assets and contingent liabilities

Provisions are present obligations of the Bank resulting from past events and whose nature as at the date of the financial statements is clearly specified, but which are of uncertain timing and value. When such obligations mature or become due for settlement, the Bank expects to settle them with an expenditure.

In general, the Bank's annual financial statements include all significant provisions based on which it is estimated that it is more likely than not that the obligation will need to be settled. These provisions include, among other items, pension commitments undertaken with employees (see Note 1.3.15), as well as provisions for tax litigation and other contingencies.

Contingent liabilities are any possible obligations in the Bank that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Bank. Contingent liabilities include present obligations of the Bank whose settlement is unlikely to originate any reduction of funds, or whose value, in extremely rare cases, cannot be reliably measured. Contingent liabilities are not recognised in the annual financial statements, rather, they are disclosed in the notes to the annual financial statements.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of events not wholly within the control of the Bank. These contingent assets are not recognised on the consolidated balance sheet or in the income statement, but they are disclosed in the accompanying notes to those statements where an inflow of economic benefits is probable.

1.3.15 Provisions for pensions

The Bank's pension commitments to its employees are as follows:

Defined contribution plans

These are plans under which fixed contributions are made to a separate entity in accordance with the agreements entered into with each particular group of employees, without any legal or constructive obligation to make further contributions if the separate entity is unable to pay all employee benefits relating to employee service in the current and prior periods.

These contributions are recognised each year in the income statement (see Note 30).

Defined benefit plans

Defined benefit plans cover all existing commitments arising from the application of the Collective Bargaining Agreement for Banks (*Convenio Colectivo de Banca*).

These commitments are financed through the following vehicles: the Banco Sabadell employee pension plan, insurance contracts, the voluntary social welfare agency (E.P.S.V.) and internal funds.

The "Provisions – Pensions and other post employment defined benefit obligations" heading on the liabilities side of the balance sheet includes the actuarial present value of pension commitments, which is calculated individually using the projected unit credit method on the basis of the financial and actuarial assumptions set out below. This is the same method used for the sensitivity analysis described in Note 21.

The fair value of the plan assets is deducted from the obligations calculated in this way. Plan assets are assets that will be used to settle obligations, including insurance policies, since they meet the following conditions: (i) they are not owned by the Bank but by a legally separate third party not qualifying as a related party, (ii) they are only available to pay or fund employee benefits and are not available to creditors of the Bank, even in the event of insolvency, (iii) they cannot be returned to the Bank unless the assets remaining in the plan are sufficient to settle all obligations, either of the plan or of the Institution, relating to employee benefits, or unless assets are to be returned to the Bank to reimburse it for employee benefits previously paid, and (iv) they are not non-transferable financial instruments issued by the Bank.

The assets that back pension commitments shown in the standalone balance sheet of the insurance company BanSabadell Vida, S.A. de Seguros y Reaseguros, also called reimbursement rights or pension-linked insurance contracts, are not plan assets, as the company is a related party of the Group (see Note 16).

Pension commitments are recognised in the following way:

- In the income statement, net interest on the defined benefit liability (asset) net of pension commitments as well as the service cost, which includes (i) the service cost in the current period, (ii) the past service cost arising from changes made to existing commitments or from the introduction of new benefits, and (iii) any gain or loss arising from a settlement of the plan.

- Under the heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss - Actuarial gains or (-) losses on defined benefit pension plans" in the statement of equity, the remeasurement of the net defined benefit liability (asset) for pension commitments, which includes (i) actuarial gains and losses generated in the year arising from differences between the previous actuarial assumptions and the reality, and from changes in the actuarial assumptions made, and (ii) the return on plan assets. The amounts included in net interest on the defined benefit liability (asset) are not included in either case.

- The heading "Provisions – Other long term employee benefits" on the liabilities side of the balance sheet mainly includes the value of commitments undertaken with early retirees. Changes occurring during the year in the value of liabilities are recognised in the income statement.

Actuarial assumptions

The most relevant financial/actuarial assumptions used in the measurement of pension commitments are as follows:

	2024	2023
Mortality tables	PER2020_Col_1er.orden	PER2020_Col_1er.orden
Discount rate, pension plan	3.00% per annum	3.75% per annum
Discount rate, related insurance	3.00% per annum	3.75% per annum
Discount rate, non-related insurance	3.00% per annum	3.75% per annum
Inflation	2.00% per annum	2.00% per annum
Rate of increase in salaries	3.00% per annum	3.00% per annum
Employee disability	SS90-Absolute	SS90-Absolute
Employee turnover	Not considered	Not considered
Early retirement	Considered	Considered
Normal retirement age	65 or 67 years	65 or 67 years

In 2024, the discount rate on all commitments was determined by reference to the return on AA-rated corporate bonds (iBoxx € Corporates AA 7-10), with an average duration of 7.58 years (in 2023, the iBoxx € Corporates AA 10+ curve was used, with an average duration of 11.96 years).

The early retirement age considered is the earliest retirement date after which pension entitlements cannot be revoked by the employer for 100% of the employees.

The return on long-term assets corresponding to plan assets and reimbursement rights (pension-linked insurance contracts) was determined by applying the same discount rate used in actuarial assumptions (3.00% and 3.75% in 2024 and 2023, respectively).

1.3.16 Foreign currency transactions

The Bank's functional and reporting currency is the euro. Consequently, all balances and transactions denominated in currencies other than the euro are treated as being denominated in a foreign currency.

On initial recognition, debit and credit balances denominated in foreign currencies are translated to the functional currency at the spot exchange rate, defined as the exchange rate for immediate delivery, on the recognition date. Subsequent to the initial recognition, the following rules are used to translate foreign currency balances to the functional currency:

- Monetary assets and liabilities are translated at the closing rate, defined as the average spot exchange rate as at the reporting date.
- Non-monetary items measured at historical cost are translated at the exchange rate ruling at the acquisition date.
- Non-monetary items measured at fair value are translated at the exchange rate ruling at the date when the fair value was determined.
- Income and expenses are translated at the exchange rate ruling at the transaction date.

In general, exchange differences arising in the translation of debit and credit balances denominated in foreign currency are recognised in the income statement. However, for exchange differences arising in non-monetary items measured at fair value where the fair value adjustment is recognised under the heading "Accumulated other comprehensive income" in the statement of equity, a breakdown is given for the exchange rate component of the remeasurement of the non-monetary item.

1.3.17 Recognition of income and expenses

Interest income and expenses and other similar items

Interest income and expenses and other similar items are generally accounted for over the period in which they accrue using the effective interest rate method, under the headings "Interest income" or "Interest expenses" of the income statement, as applicable. Dividends received from other entities are recognised as income at the time the right to receive them originates.

Commissions, fees and similar items

Generally, income and expenses in the form of commissions and similar fees are recognised in the income statement based on the following criteria:

- Those linked to financial assets and financial liabilities measured at fair value through profit or loss are recognised at the time of disbursement.
- Those related to transactions carried out or services rendered over a given period of time are recognised throughout that period.
- Those related to a transaction or service that is carried out or rendered in a single act are recognised when the originating act takes place.

Financial fees and commissions, which form an integral part of the effective cost or yield of a financial transaction, are accrued net of associated direct costs and recognised in the income statement over their expected average life.

Assets managed by the Bank but owned by third parties are not included in the balance sheet. Fees generated by this activity are recognised under the heading "Fee and commission income" in the income statement.

Non-financial income and expenses

These items are recognised in the accounts upon delivery of the non-financial asset or upon provision of the non-financial service. To determine the carrying amount and establish when this item should be recognised, a model is used that consists of five steps: identification of the contract with the customer, identification of the separate obligations of the contract, calculation of the transaction price, distribution of the transaction price between the identified obligations and, lastly, recognition of the revenue when, or as, the obligations are settled.

Deferred payments and collections

Deferred payments and collections are accounted for at the carrying amount obtained by discounting expected cash flows at market rates.

Levies

For levies and tax obligations whose amount and date of payment are certain, the obligation is recognised when the event that leads to its payment takes place in the terms provided in legislation. Therefore, the item to be paid is recognised when there is a present obligation to pay the levy.

Deposit Guarantee Fund (DGF)

The Bank is a member of the Deposit Guarantee Fund (hereinafter, DGF). The Management Committee of the DGF of credit institutions, in accordance with that established in Royal Decree-Law 16/2011 and Royal Decree 2606/1996, set the annual contribution for the year 2024 in the following terms: (i) no annual contribution needs to be made for the deposit guarantee offered by the Fund, as the financial resources available in that guarantee as at 31 December 2023 already represented 0.8% of the amount of the guaranteed deposits, and (ii) the contribution to the securities guarantee offered by the Fund has been set at 0.2% of 5% of the value of the securities guaranteed as at 31 December 2024 (see Note 29).

Single Resolution Fund (SRF)

Law 11/2015 of 18 June, together with its implementing regulation through Royal Decree 1012/2015, entailed the transposition into Spanish law of Directive 2014/59/EU. This Directive established a new framework for the resolution of credit institutions and investment firms, and it is also one of the standards that have contributed to the establishment of the Single Resolution Mechanism, created through Regulation (EU) No 806/2014. This Regulation sets out standard rules and procedures for the resolution of credit institutions and investment firms within the framework of a Single Resolution Mechanism and a Single Resolution Fund (hereinafter, SRF) at a European level.

As part of the implementation of this Regulation, on 1 January 2016 the SRF came into effect, to operate as a financing instrument which the Single Resolution Board can use. The Single Resolution Board is the European authority that makes decisions on the resolution of failing banks, in order to efficiently undertake the resolution measures that have been adopted. The SRF receives contributions from credit institutions and investment firms subject to the same.

The calculation of each entity's contribution to the SRF, governed by Regulation (EU) 2015/63, is based on the proportion that each entity represents with respect to the aggregate total liabilities of the Fund's member entities, after deducting own funds and the guaranteed amount of the deposits. The latter is then adjusted to the Institution's risk profile (see Note 29).

In 2024, the Bank made no contributions to the Single Resolution Fund.

Temporary levy of credit institutions and financial credit establishments

Law 38/2022 of 27 December was published on 28 December 2022. Among other aspects, it established a temporary levy for credit institutions and financial credit establishments. This levy was to be paid during 2023 and 2024 by credit institutions and financial credit establishments operating in Spain whose sum of interest income and fee and commission income in 2019 was 800 million euros or more. The payment amount was set at 4.8% of the sum of net interest income plus net fees and commissions stemming from their activities in Spain recognised on the income statement for the calendar year immediately preceding the year in which the payment obligation arose. The payment obligation arose every 1 January and had to be paid during the first 20 calendar days of the month of September of each year, without prejudice to a 50% advance payment of the total levy, which had to be made during the first 20 calendar days of the first February following the date on which the payment obligation arose (see Note 29).

1.3.18 Income taxes

Corporation tax, as well as similar taxes applicable to foreign branches, is considered to be an expense and is recognised under the heading "Tax expense or (-) income related to profit or loss from continuing operations" in the income statement, except when it arises as a result of a transaction that has been directly recognised in the statement of equity, in which case it is recognised directly in the latter.

The total corporation tax expense is equivalent to the sum of current tax, calculated by applying the relevant levy to taxable income for the year (after applying fiscally admissible deductions and benefits), and the variation in deferred tax assets and deferred tax liabilities recognised in the income statement.

Taxable income for the year may be at variance with the income for the year shown in the income statement, as it excludes items of income or expenditure that are taxable or deductible in other years as well as items that are non-taxable or non-deductible.

Deferred tax assets and deferred tax liabilities relate to taxes expected to be payable or recoverable arising from differences between the carrying amounts of the assets and liabilities appearing in the financial statements and the related tax bases ("tax value"), as well as tax losses carried forward and unused tax credits that might be offset or applied in the future. They are calculated by applying to the relevant timing differences or tax credits the tax rate at which they are expected to be recovered or settled (see Note 35).

A deferred tax asset, such as a tax prepayment or a credit in respect of a tax deduction or tax benefit, or a credit in respect of tax losses carried forward, is recognised provided that the tax group is likely to obtain sufficient future taxable profits against which the tax asset can be realised, and that these are not derived from the initial recognition (except in a business combination) of other assets and liabilities in an operation that does not affect either the tax result or the accounting result.

Deferred tax assets arising due to deductible timing differences resulting from investments in subsidiaries, branches and associates, or from equity interests in joint ventures, are only recognised insofar as that difference is expected to be reversed due to the dissolution of the company.

Deferred tax liabilities arising from timing differences associated with investments in subsidiaries and associates are recognised in the accounts unless the Bank is capable of determining when the timing difference will reverse and, in addition, such a reversal is unlikely.

The "Tax assets" and "Tax liabilities" on the balance sheet include all tax assets and tax liabilities, differentiating between current tax assets/liabilities (to be recovered/paid in the next twelve months) and deferred tax assets/liabilities (to be recovered/paid in future years).

Income or expenses recognised directly in the statement of equity that do not affect profits for tax purposes, and income or expenses that are not recognised directly and do affect profits for tax purposes, are recorded as timing differences.

At each year-end closing, recognised deferred tax assets and liabilities are reviewed to ascertain whether they are still current and to ensure that there is sufficient evidence of the likelihood of generating future tax profits that will allow them to be realised, in the case of assets, adjusting them as required.

To conduct the aforesaid review, the following variables are taken into account:

- Forecasts of results of each Spanish tax group and of all other entities, based on the financial budgets approved by the Bank's directors for a five-year period, subsequently applying constant growth rates similar to the mean long-term growth rates of the sector in which the various companies of the group operate;
- Estimate of the reversal of timing differences on the basis of their nature;
- The period or limit set forth by prevailing legislation in each country for the reversal of the different tax assets.

1.3.19 Statement of recognised income and expenses

This statement sets out the recognised income and expenses resulting from the Bank's activity during the year, distinguishing between items recognised as profit or loss in the income statement and those recognised directly in equity.

1.3.20 Statement of total changes in equity

This statement sets out all changes in the Bank's equity, including those arising from accounting changes and corrections of errors. It sets out a reconciliation of the carrying amount at the beginning and end of the year of all items that comprise equity, grouping changes together by type in the following items:

- Adjustments due to changes in accounting criteria and corrections of errors: includes changes in equity that arise as a result of the retroactive restatement of financial statement balances, distinguishing between those that arise from changes in accounting criteria and those that correspond to the correction of errors.
- Total recognised income and expenses: includes, in aggregate form, the total of items recognised in the aforesaid statement of recognised income and expenses.
- Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of dividends, transactions with own equity instruments, payments with own equity instruments, transfers between equity items and any other increase or decrease of equity.

1.3.21 Cash flow statement

Cash flow statements have been prepared using the indirect method, in such a way that, based on the Bank's profit or loss, the non-monetary transactions and all types of deferred payment items and accruals which have been or will be the cause of operating income and expenses have been taken into account, in addition to the income and expenses associated with cash flows from activities classified as investing or financing activities.

No situations requiring the application of significant judgements to classify cash flows have arisen during the year.

There have been no significant transactions that have generated cash flows not reflected in the cash flow statement.

1.4 Comparability

The information contained in these annual financial statements corresponding to 2023 is provided solely and exclusively for purposes of comparison against the information for the year ended 31 December 2024 and therefore does not constitute the Bank's annual financial statements for 2023.

1.5 Other information (tender offer)

Proposed merger and voluntary tender offer for the acquisition of shares of Banco Sabadell put forward by Banco Bilbao Vizcaya Argentaria, S.A.

In an Inside Information disclosure dated 30 April 2024, entered in the register of the Spanish National Securities Market Commission (CNMV) under number 2,227, Banco Sabadell confirmed that it had received, on that same day, an indicative written proposal from Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) for a merger (the Proposal). It also advised that the Board of Directors of Banco Sabadell would properly analyse all aspects of the Proposal.

Further to the aforementioned Inside Information disclosure, on 6 May 2024, through a separate Inside Information disclosure entered in the CNMV's register under number 2,234, Banco Sabadell submitted a press release on the decisions taken by its Board of Directors on that date, informing that Banco Sabadell, in fulfilment of its duties and with the assistance of financial advisors and a legal advisor, had carefully considered the Proposal and believed that it significantly undervalued the potential of Banco Sabadell and its standalone growth prospects. The press release also stated that the Board of Directors was highly confident in Banco Sabadell's growth strategy and its financial targets and was of the view that Banco Sabadell's standalone strategy would create superior value for its shareholders. Therefore, based on the detailed assessment of the Proposal, the Board of Directors had concluded that it was not in the best interest of Banco Sabadell and its shareholders and had therefore rejected BBVA's Proposal; this decision was, moreover, thought to be aligned with the interest of Banco Sabadell's customers and employees.

Furthermore, as part of its strong commitment to shareholder value creation and supported by the company's business plan and solid capital generation, the Board of Directors reiterated its commitment to distribute, on an ongoing basis, any excess capital above the 13% CET1 ratio pro forma Basel IV[1] to its shareholders. The overall excess capital amount to be generated over 2024 and 2025, together with recurrent dividends during this period according to a successful completion of the current business plan, was projected to be 2.4 billion euros[2], with part of the distribution to shareholders potentially subject to supervisory approval.

In addition, on 8 May 2024, through an Inside Information disclosure entered in the CNMV's register under number 2,240, with regard to the news published in the press on that same day, and to ensure that the market had complete and transparent information in respect thereto, the Bank published the verbatim text of the communication which, without any prior contact or exchange between the parties, was received by the Chairman of the Board of Directors of Banco Sabadell from the Chairman of the Board of Directors of BBVA on 5 May 2024. In that communication, the Chairman of BBVA's Board of Directors stated that, in connection with the terms of the proposed merger, BBVA had no room to improve its economic terms.

On 9 May 2024, BBVA sent the CNMV the prior announcement of a tender offer (the Offer) for the acquisition of all shares issued by Banco Sabadell, conditional upon its acceptance by 50.01% of the share capital of Banco Sabadell (subsequently amended to acceptance of the tender offer for a number of shares that allows BBVA to acquire at least more than half of the effective voting rights of Banco Sabadell, excluding any treasury shares held by Banco Sabadell at that time, which BBVA undertakes to redeem at the bank's first General Meeting of Shareholders following the tender offer) further conditional upon approval by the General Shareholders' Meeting of BBVA of the increase of its share capital through the issuance of new ordinary shares with non-cash contributions in an amount sufficient to fully cover the consideration offered, and further conditional upon obtaining authorisation by the National Markets and Competition Commission (CNMC) in Spain and by the Prudential Regulation Authority (PRA) in the United Kingdom. The transaction also requires approval by the CNMV and a statement of non-opposition from the European Central Bank.

On 24 May 2024, BBVA filed an application for authorisation of the tender offer with the CNMV, which was admitted for processing by the latter on 11 June 2024. The aforesaid offer initially consisted of one newly issued BBVA share for every 4.83 shares of Banco Sabadell.

[1] Basel IV marks the final phase of the Basel III standards.

[2] Subsequently, in July 2024, the estimation of Banco Sabadell's shareholder remuneration to be charged to the earnings of 2024 and 2025 was updated, announcing to the market that the expected amount would change from the 2.4 billion euros announced on 6 May 2024 (to be increased by the 250 million euros pending execution under Banco Sabadell's share buyback programme suspended on 13 May 2024 following publication of the prior announcement of the tender offer, which represented a total of 2.65 billion euros) to 2.9 billion euros (already including the aforesaid 250 million euros pending execution under the Bank's share buyback programme), representing a net increase of 250 million euros. Similarly, at its meeting of 6 February 2025, the Board of Directors updated its estimated total shareholder remuneration amount against earnings of 2024 and 2025 to 3.3 billion euros.

On 1 October 2024, BBVA released an Other Relevant Information disclosure entered in the CNMV's register under number 30,745 announcing the adjustment of the consideration under the tender offer in the terms set forth in section 8 of the prior announcement of the offer, establishing, as from 10 October 2024 and following payment by Banco Sabadell and BBVA of their respective interim cash dividends charged to 2024, an exchange ratio of one newly issued ordinary share of BBVA and 0.29 euros in cash for every 5.0196 ordinary shares of Banco Sabadell that accept the offer.

On 5 July 2024, during the BBVA Extraordinary General Shareholders' Meeting, shareholders approved an increase of its share capital through the issuance of ordinary shares, up to a maximum nominal amount of 551,906,524.05 euros, with non-cash contributions in order to cover the consideration in kind of the voluntary tender offer put forward by BBVA for the acquisition of up to 100% of Banco Sabadell's shares.

Later, in September 2024, BBVA obtained authorisation from the UK's Prudential Regulation Authority (PRA) for the acquisition of indirect control over TSB and the ECB's decision not to oppose the takeover of Banco Sabadell.

As at the sign-off date of these annual financial statements, the tender offer remains pending receipt of regulatory authorisation from the CNMC (which on 12 November 2024 announced that its concentration analysis was moving to phase 2) and from the CNMV. It also remains pending acceptance of the offer by a number of shares that allows BBVA to acquire at least more than half of the effective voting rights of Banco Sabadell at the end of the offer acceptance period (therefore excluding any treasury shares held by Banco Sabadell at that time), in accordance with the amended offer released by BBVA on 9 January 2025 through an Inside Information disclosure entered in the CNMV's register under number 2,544.

For as long as the tender offer remains pending, it will generate uncertainty for the Group, which is inherent in the very nature of the offer put forward. At the present time, there can be no certainty as to how long it will take for the tender offer to be authorised, nor of the ultimate outcome of the tender offer, if approved.

Note 2 – Shareholder remuneration and earnings per share

Set out below is the proposed distribution of the profits earned by Banco de Sabadell, S.A. in 2024, which the Board of Directors will submit to shareholders for approval at the Annual General Meeting, together with the proposed distribution of profits earned by Banco de Sabadell S.A. in 2023, which was approved by shareholders at the Annual General Meeting of 10 April 2024.

Thousand euro

	2024	2023
To dividends (*)	1,095,867	326,413
To Canary Island investment reserve	145	183
To voluntary reserves	409,803	761,418
Profit for the year of Banco de Sabadell, S.A.	**1,505,815**	**1,088,014**

(*) Amount corresponding to the interim cash dividend paid on 1 October 2024 of 0.08 euros (gross) per share and to the estimated dividend amount of 0.1244 euros (gross) per share, to be paid in cash. This estimate has been calculated taking into account (a) that, as at the sign-off date of these annual financial statements, the Bank is the holder of 78,840,390 treasury shares, (b) that, as a result of the restrictions placed on treasury stock transactions stemming from the voluntary tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A. for the acquisition of Banco Sabadell shares representing its total share capital (see Note 1.5), the Institution does not expect those shares to be placed back in circulation on the market prior to the dividend payment date, and (c) that, as required by the Capital Companies Act, treasury shares do not carry rights to obtain dividends.

At its meeting held on 22 July 2024, the Board of Directors of Banco Sabadell agreed to distribute an interim dividend in cash, to be paid out of its earnings for 2024, of 0.08 euros (gross) per share, which was paid on 1 October 2024.

In fulfilment of the mandatory requirement indicated in Article 277 of Spain's Capital Companies Act (Ley de Sociedades de Capital), the provisional statement of accounts provided below was created by the Bank to confirm the existence of sufficient liquidity and profit at the time of its approval of the aforesaid interim dividend:

Thousand euro

Available for the payment of dividends according to the provisional statement as at:	30/06/2024
Banco Sabadell profit as at the date indicated, after provisions for taxes	788,703
Estimated statutory reserve	—
Estimated Canary Island investment reserve	36
Maximum amount available for distribution	788,667
Interim dividend proposed	428,915
Cash balance available at Banco de Sabadell, S.A. (*)	22,669,798

(*) Includes the balance of the heading "Cash, cash balances at central banks and other demand deposits".

In addition to the cash interim dividend, during the aforesaid meeting, the Board of Directors of Banco Sabadell agreed to set the percentage of profits to be distributed to shareholders, in other words the Group's payout ratio, at 60% of the Group's net attributable profit for 2024. This payout ratio is at the top of the range established by the Group's Shareholder Remuneration Policy.

Later, on 6 February 2025, Banco Sabadell's Board of Directors agreed to submit a proposal to the Annual General Meeting for the distribution of a final dividend of 0.1244 euros (gross) per share, to be paid in cash out of the earnings of 2024. This dividend, together with the one mentioned previously, result in a total cash dividend to be paid out of the earnings of 2024 of 0.2044 euros (gross) per share.

In addition, during the aforementioned meeting of 6 February 2025, the Board of Directors of Banco Sabadell, having obtained prior authorisation from the competent authority, decided that a proposal would be submitted at the next Annual General Meeting to resume execution of the share buyback programme approved at the Annual General Meeting of April 2024, in the amount of 247 million euros, equivalent to 0.0461 euros (gross) per share, which was temporarily suspended as per the request of the CNMV received on 13 May 2024 in light of the publication of the announcement of the tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A. (see Note 1.5). Similarly, during that meeting, and also having obtained the previous authorisation from the competent authority, the Board of Directors agreed to submit a proposal to the next Annual General Meeting to distribute excess capital above the 13% fully-loaded CET1 ratio (post-impact of Basel IV[3]), through a share buyback programme, in the amount of 755 million euros, equivalent to 0.1408 euros (gross) per share.

Based on the foregoing, total shareholder remuneration in 2024 will amount to 2,098 million euros, equivalent to 0.3913 euros (gross) per share, of which 1,096 million euros (0.2044 euros gross per share) correspond to the cash dividend and 1,002 million euros (0.1869 euros gross per share) correspond to buyback programmes.

At its meeting of 31 January 2024, the Board of Directors submitted a proposal to the Annual General Meeting concerning the distribution of a final gross cash dividend of 0.03 euros per share to be paid out of 2023 earnings, which was approved at the Annual General Meeting on 10 April 2024 and paid out in the same month. Previously, the Board of Directors of Banco Sabadell had agreed, on 25 October 2023, to distribute an interim dividend in cash, to be paid out of its earnings in 2023, of 0.03 euros (gross) per share, which was paid on 29 December 2023. Consequently, the cash dividend reached 0.06 euros per share, paid out of 2023 earnings, which the Bank had intended to complement with the share buyback programme that was subsequently suspended, as described in the following section.

Share buyback programme

Share buyback programme in 2024

On 10 April 2024, the Ordinary Annual General Meeting of Banco Sabadell approved a resolution to reduce share capital by the par value of the treasury shares that may be acquired by Banco Sabadell under the share buyback programme, against earnings for 2023, for a maximum pecuniary amount of 340 million euros.

[3] Basel IV marks the final phase of the Basel III standards.

Subsequently, on 25 April 2024, Banco Sabadell announced, through an Inside Information disclosure entered in the CNMV's register under number 2,203, the terms and the start date of the treasury share buyback programme approved by the Board of Directors on 24 April 2024, in accordance with the provisions of Article 5 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

As indicated above, on 13 May 2024, pursuant to the request received from the CNMV on that same date, the Bank released an Other Relevant Information disclosure, entered in the CNMV's register under number 28,561, giving notice of the interim suspension of the aforementioned share buyback programme in light of the publication of the prior announcement of the voluntary tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A. for the acquisition of Banco Sabadell shares representing its total share capital (see Note 1.5).

The operation of the buyback programme was discontinued before the opening of the session of 9 May 2024, the amount paid for the shares purchased under the buyback programme up to (and including) 8 May 2024 being 92,864,152.55 euros, representing approximately 27.31% of the maximum pecuniary amount of the buyback programme, therefore approximately 72.69% of the said maximum amount remains to be executed.

At its meeting of 29 January 2025, the Bank's Board of Directors agreed to partially execute the capital reduction resolution approved by the Annual General Meeting on 10 April 2024, in the amount of 6,566,420.625 euros, through the redemption of the 52,531,365 shares acquired by virtue of the aforesaid buyback programme up to the time of its suspension. The aforesaid resolution already envisaged the possibility of it not being executed or only partially executed due to unforeseen circumstances (see Note 22).

Share buyback programme in 2023

On 30 June 2023, after receiving the required authorisation from the European Central Bank, Banco Sabadell gave notice, by means of an Inside Information disclosure, of the establishment and execution of a temporary share buyback programme for a maximum amount of 204 million euros for the purpose of reducing the Bank's share capital through the redemption of the treasury shares acquired. The buyback programme was carried out in accordance with the provisions of Article 5 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

On 13 November 2023, the Bank gave notice, by means of an Other Relevant Information disclosure, of the end of the share buyback programme as the maximum pecuniary amount mentioned above had been reached, having acquired 186,743,254 treasury shares with a par value of 0.125 euros each, representing approximately 3.32% of Banco Sabadell's share capital.

On 30 November 2023, the Board of Directors agreed to execute Banco Sabadell's share capital reduction through the redemption of all the treasury shares acquired under the share buyback programme. Execution of the capital reduction was approved under the powers conferred to the Board of Directors at the Ordinary Annual General Meeting held on 23 March 2023 in the amount of 23,342,906.75 euros. The public deed corresponding to the capital reduction was entered with the Companies Register of Alicante on 11 December 2023 (see Note 22).

Earnings per share

Basic earnings (or loss) 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 year, excluding any treasury shares acquired by the Group. Diluted earnings (or loss) per share are calculated by applying adjustments for the estimated effect of all 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 below:

	2024	2023
Profit or loss attributable to owners of the parent (thousand euro)	1,826,805	1,332,181
Adjustment: Remuneration of other equity instruments (thousand euro)	(98,155)	(115,391)
Profit or (-) loss after tax from discontinued operations (thousand euro)	—	—
Profit or loss attributable to owners of the parent, adjusted (thousand euro)	1,728,650	1,216,790
Weighted average number of ordinary shares outstanding (**)	5,376,450,440	5,401,123,639
Assumed conversion of convertible debt and other equity instruments	—	—
Weighted average number of ordinary shares outstanding, adjusted	5,376,450,440	5,401,123,639
Earnings (or loss) per share (euros)	0.32	0.23
Basic earnings (or loss) per share adjusted for the effect of mandatory convertible bonds (euros)	0.32	0.23
Diluted earnings (or loss) per share (euros)	0.32	0.23

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

As at 31 December 2024 and 2023, there were no other financial instruments or share-based commitments with employees with a significant impact on the calculation of diluted earnings (or loss) per share for the periods presented. For this reason, basic earnings (or loss) per share coincide with diluted earnings (or loss) per share.

Note 3 – Risk management

Throughout 2024, Banco Sabadell Group has continued to strengthen its risk management and control framework by incorporating improvements in accordance with supervisory expectations and market trends.

Bearing in mind that Banco Sabadell Group takes risks during the course of its activity, good management of these risks is a central part of the business. The Group has established a set of principles, set out in policies and rolled out through procedures, strategies and processes, which aim to increase the probability of achieving the strategic objectives of the Group's various activities, facilitating management in an uncertain environment. This set of principles is called the Global Risk Framework.

3.1. Macroeconomic, political and regulatory environment

Macroeconomic environment

When managing risks, the Group considers the macroeconomic environment. The most salient aspects of 2024 are set out below:

- The year 2024 was marked by the US economy maintaining its momentum, showing greater-than-expected resilience, and the Eurozone being particularly weighed down by Germany's weakness.

- Spain continued to outperform other Eurozone countries. Growth was underpinned by factors such as flows of immigration, the recovery of real incomes, the good financial situation of households and businesses, interest rate cuts and the ongoing rollout of Next Generation European Union (NGEU) funds.

- The emerging economies, in general, continued to show resilience, despite the high interest rate environment at a global level. The adjustment of China's real estate sector continued, which led authorities to announce a significant package of stimulus measures.

- As for Mexico, activity was subdued, weighed down by restrictive monetary policy and domestic and foreign political uncertainty.

- Inflation moved closer towards the targets set by central banks during 2024, although the services component continued to be sticky.
- Geopolitics continued to be a source of uncertainty for the economic environment. The conflict in the Middle East saw several episodes of instability, but continued to have a limited impact on the markets.
- The domestic policy of several countries also captured the markets' attention, with the presidential elections in the United States and the subsequent victory of Donald Trump, and with the increasing political noise in France and Mexico after their own elections.
- Central banks gained confidence regarding their inflation forecasts and at the mid-year mark started to cut official interest rates, although they were cautious about the future evolution of interest rates.
- The European Central Bank began its series of interest rate cuts in June and placed the deposit rate at 3.00% (down from 4.00%). Furthermore, its balance sheet continued to be reduced, due to the discontinuation of reinvestments under the Pandemic Emergency Purchase Programme (PEPP) and the repayment of all liquidity from TLTRO III.
- The Federal Reserve (Fed) cut the target range of the Fed funds rate by 100 basis points to 4.25%-4.50% and indicated that the pace of cuts going forward will be gradual.
- The Bank of England (BoE) started its series of cuts by slashing the base rate by 25 basis points in August and November, to 4.75%.
- Financial markets once again performed well in 2024, building up from last year's positive performance.
- Yields on long-term government bonds of the main developed countries ended the year at levels above those of 2023 year-end, although with clear signs of volatility during the year as the market progressively adjusted its policy rate cut expectations.
- The risk premiums on peripheral sovereign debt stood at levels lower than those seen at the end of 2023, underpinned by credit rating agencies' positive actions, good activity data, the ECB's emergency programmes and the disbursement of the NGEU funds.
- Meanwhile, France's risk premium significantly rebounded in the face of considerable political uncertainty, the bad shape of its public finances and the negative actions of credit rating agencies.
- The euro ended the year at more depreciated levels than the dollar, impacted by differences in monetary policy between the Eurozone and the United States, as well as the US presidential elections.
- As for the financial markets of emerging countries, sovereign risk premiums rose slightly, in an environment in which tax risks continued to attract attention in countries such as Brazil and Colombia and in which political uncertainty increased in Mexico. This, compounded by falling oil prices, also weighed on these countries' currencies.
- The banking sector continued to improve its metrics amidst increased profitability, driven by the positive evolution of net interest income and fee and commission income.
- The financial authorities deemed that the risks associated with global financial stability had moderated. The main concerns revolved around financial and geopolitical factors, while strictly macroeconomic concerns started to fade away.

<u>Political and regulatory environment</u>

DANA response measures

In November 2024, the Spanish government launched the Immediate Response, Rebuilding and Relaunch Plan in the aftermath of the natural disaster caused by the isolated high altitude depression phenomenon known in Spain as DANA that took place last October and mainly affected the Community of Valencia. This plan was initially implemented through Royal Decree-Law 6/2024 of 5 November, followed by Royal Decree-Law 7/2024 of 11 November, and finally by Royal Decree-Law 8/2024 of 28 November. These decrees include a set of measures aimed at addressing the liquidity needs of households, self-employed professionals and businesses, such as the rollout of the ICO-DANA line of guarantees, furnished with up to 5 billion euros, and statutory moratoria.

Specifically, the Spanish Ministry of Economy, Trade and Business, at a meeting of the Council of Ministers held on 11 November 2024, adopted an agreement establishing the terms and conditions of the first tranche of this line of guarantees for 1 billion euros, setting the guarantee's percentage at 80% of the capital. In addition, the aforementioned agreement allows obligors released under Article 29 of Royal Decree-Law 8/2020 of 17 March, Article 1 of Royal Decree-Law 25/2020 of 3 July and Article 29 of Royal Decree-Law 6/2022 of 29 March, who meet the requirements laid down in Article 32 of Royal Decree-Law 6/2024 to request the suspension of principal and interest repayments. At a meeting of the Council of Ministers of 28 November 2024, an agreement was signed to open up a new tranche of the ICO-DANA line of guarantees for self-employed persons and SMEs for 240 million euros.

Furthermore, a three-month statutory moratorium for households, self-employed professionals and businesses (with turnover of up to 6 million euros) on principal and interest repayments and an additional nine-month moratorium on principal repayments were put in place.

The Group carried out a preliminary assessment of its exposure potentially affected by the event. To that end, the potentially affected perimeter was identified using the postcodes of the municipalities included in the scope of application of Royal Decree-Law 6/2024 of 5 November, taking into account:

- Mortgage-backed exposures which, using the coordinates in which the main collateral was located, coincided with a flooded location;
- Corporate exposures in which the company's registered office, using the coordinates of the same, coincided with a flooded location; or
- Unsecured retail exposures which were part of a list of most affected municipalities compiled internally using the same satellite information provided by Copernicus.

Based on these criteria, the Bank's exposure that met any of the aforementioned conditions stood at 370 million euros as at the date of the event, 30 October 2024. The Bank has estimated DANA's impact as at 2024 year-end on the accounting classification on the basis of credit risk and on the expected loss based on the updated exposure, reclassifying exposures as stage 2 or stage 3 in the amount of 250 million euros and 90 million euros, respectively, and applying an adjustment to the expected loss in the amount of 41 million euros (see Note 3.4.2.5 - Calculation of credit loss allowances).

As at 31 December 2024, the Bank had arranged 1,229 statutory moratoria for a total amount of 57 million euros, distributed between 644 transactions granted to households amounting to 32 million euros, 250 transactions granted to self-employed professionals amounting to 11 million euros, and 335 transactions granted to companies and businesses amounting to 14 million euros, as well as one ICO guarantee transaction amounting to 3 million euros.

War between Russia and Ukraine

The war between Russia and Ukraine continues after three years of conflict. The Group's credit risk with both individuals and companies from these countries is limited, and the same is true of its counterparty credit risk with financial institutions from Russia and Ukraine. Specifically, the largest exposures relate to mortgage loans granted to customers of Russian, Ukrainian or Belarusian nationality residing outside Spain, which amounted to 181 million euros and 233 million euros as at 31 December 2024 and 2023, respectively. The real estate assets securing those exposures are located in Spain and have an average loan-to-value of 35.2% and 37.7% as at 31 December 2024 and 2023, respectively. Furthermore, these are all transactions that, on average, were originated more than eight years ago.

Measures to ease the mortgage burden and strengthen financial inclusion

On 22 November 2022, the government adopted a package of measures to help ease the mortgage burden and support vulnerable families and those at risk of vulnerability in a context of increasing mortgage costs as a result of interest rate hikes. The aforementioned measures were implemented through three pillars: improving the treatment of vulnerable families, by amending and extending the 2012 Code of Good Practice (principal grace period, interest rate reduction, extension of the mortgage term); the creation of a new framework of action for middle-class families at risk of vulnerability (new temporary Code of Good Practice, lasting two years, which entailed a 12-month freeze on repayments, a lower interest rate on the deferred principal and an extension of the term of up to seven years); and, lastly, the early repayment of loans and switching from a mortgage with a variable rate to one with a fixed rate was made easier through the temporary elimination and subsequent reduction of the penalty or fee charged for these items.

Subsequently, on 27 December 2023, Royal Decree-Law 8/2023 prolonging certain anti-crisis measures was adopted, which extended the duration of most of the measures adopted in 2022 and 2023. These measures also included a series of measures aimed at strengthening the financial inclusion of older and/or disabled persons, including the removal of fees charged for cash withdrawals at bank counters, and the preventive framework to provide relief to at-risk mortgage holders was extended.

In the aftermath of the DANA emergency, Royal Decree-Law 8/2023 was amended on 11 November 2024 by Royal Decree-Law 7/2024, extending the Code of Good Practice by a further 12 months, and by a further 18 months for those affected by DANA.

3.2 Key milestones during the year

3.2.1 The Group's risk profile during the year

The following milestones have been achieved in relation to the Group's risk profile during 2024:

I. Non-performing assets:

– During 2024, non-performing assets were reduced by 1,068 million euros. The NPL ratio for the year stands at 2.84% compared to 3.52% in 2023.

II. Lending performance:

– Gross performing loans granted to customers ended the year 2024 with a balance of 156,913 million euros, increasing by 4.7% year-on-year.

– In Spain, gross performing loans in year-on-year terms posted a 5.3% improvement, driven by the increase of lending to corporates and individuals, as well as the good performance of foreign branches.

– In TSB, at a constant exchange rate, gross performing loans remained stable.

– In Mexico, at a constant exchange rate, gross performing loans fell -4.6% in year-on-year terms.

III. Concentration:

– From a sectoral point of view, the loan portfolio is diversified and has limited exposure to the sectors most sensitive to the current economic environment.

– Similarly, in terms of individual concentration, the risk metrics relating to concentration of large exposures showed a slight downward trend and remained within the appetite level. The credit rating of large exposures also improved over the year.

– Geographically speaking, the portfolio is positioned in dynamic regions, both in Spain and worldwide. International exposures account for 37% of the loan book.

IV. Strong capital position:

– The CET1 ratio stood at 13.02% as at 2024 year-end compared to 13.19% in 2023.

– The Total Capital ratio stood at 17.60% as at the end of 2024, thus remaining above the requirements for 2025 with an MDA buffer of 406 basis points. The Leverage Ratio stood at 5.20%.

V. Sound liquidity position:

– The short-term Liquidity Coverage Ratio (LCR) stood at 210% (compared with 228% at the end of 2023), with total liquid assets of 65,257 million euros (61,783 million euros as at the end of 2023).

3.2.2 Strengthened credit risk management and control environment

2024 was a year marked by lower interest rates once the inflationary pressures that characterised 2022 and 2023 as a result of the geopolitical situation were overcome. This, together with the strengthened risk management and control tools, led to a reduced impact on customers' default rates and a significant reduction in inflows of non-performing loans.

In the area of credit risk management, in 2024 the Bank continued to reinforce the control environment by reviewing and updating credit risk frameworks, as well as annually reviewing the Sector Guidance Strategy, in which the Institution sets its positioning (asset allocation) at the sub-sectoral level, this aspect being particularly important given the current macroeconomic environment.

In addition, credit risk management activities focused on healthily growing the loan book. For instance, it is worth noting the evolution seen in the retail consumer loan portfolio in recent years, on which, prior to the growth in terms of volumes, improvements to credit risk valuation models, procedures and workflows were made to ensure the quality of new lending items. As a result, the Institution has significantly grown the amount of new loans of this portfolio, also underpinned by an improvement in its risk profile, with granting focused on pre-approvals. This same process is being replicated with some adaptations, and it is expected to have positive impacts on the other segments, and the Bank can already see growth in this regard in 2024 in the retail mortgage book.

As for business loans, the Institution also continued to strengthen the origination and monitoring processes. For smaller segments, the probability of default gains more relevance, and the risk granting and rollover process is more closely linked to provisions and the credit cost of risk of this segment. These actions are already yielding positive results in asset quality, but the Bank expects that these results will gradually and progressively lead to a continuous improvement of the loan book's risk profile.

The Credit Risk Control unit paid special attention to strengthening the framework of RAS metrics, risk frameworks were revised and the risk exposure to the sectors most severely impacted by the current environment was assessed, proactively managing the counterparties could potentially be hit the hardest.

The measures adopted to support companies and individuals over the last few years to help mitigate the effects of the various events that have occurred (pandemic, rising energy prices with a big impact on some industries, inflation, rapid increase in interest rates, and the DANA emergency at the end of 2024, among others) proved effective. Exposure to the support lines granted in previous years, especially the ICO lines to deal with the effects of the pandemic, continued to mature in 2024 (an annual drop of 34% to 3.1 billion euros).

3.3 General principles of risk management

Global Risk Framework

The Global Risk Framework aims to establish the common basic principles relating to the risk management and control activity of Banco Sabadell Group including, among other things, all actions associated with the identification, decision-making, measurement, assessment, monitoring and control of the different risks to which the Group is exposed. With the Global Risk Framework, the Group aims to:

- Take risks following a well-structured approach that is consistent throughout the Group.
- Foster an open and transparent culture in relation to risk management and control, encouraging the involvement of the entire organisation.
- Facilitate the decision-making process.
- Align the accepted risk with the risk strategy and the risk appetite.
- Understand the risk environment in which the Institution operates.
- Ensure, following the guidelines of the Board of Directors, that critical risks are identified, understood, managed and controlled efficiently.

The Group's Global Risk Framework comprises the following elements:

- The Group's Global Risk Framework Policy.
- The Risk Appetite Framework (RAF) of the Group and subsidiaries.
- The Risk Appetite Statement (RAS) of the Group and subsidiaries.
- Specific policies for the various material risks to which the Group and subsidiaries are exposed.

3.3.1 Global Risk Framework Policy

As an integral part of the Global Risk Framework, the Global Risk Framework Policy establishes the common basic principles for Banco Sabadell Group's risk management and control activities, including, among other things, all actions associated with the identification, decision-making, measurement, assessment, monitoring and control of the different risks to which the Group is exposed. These activities comprise the duties carried out by the various areas and business units of the Group as a whole.

Consequently, the Global Risk Framework Policy sets out a general framework for the establishment of other policies related to risk management and control, determining core/common aspects that are applicable to the various risk management and control policies.

The Global Risk Framework is applied in all of the Group's business lines and entities, taking into account proportionality criteria in relation to their size, the complexity of their activities and the materiality of the risks taken.

Principles of the Global Risk Framework

For risk management and control to be effective, the Group's Global Risk Framework must comply with the following principles:

- Risk governance and involvement of the Board of Directors through the model of three lines of defence, among others.

  The risk governance arrangements established in the various policies that form part of the Global Risk Framework promote a sound organisation of risk management and control activities, categorising risk, defining limits and establishing clear responsibilities at all levels of the organisation through policies, procedures and manuals specific to each risk.

  Among other duties, the Board of Directors of Banco de Sabadell, S.A. is responsible for identifying the Group's main risks, implementing and monitoring appropriate internal control and reporting systems, which include challenging and monitoring the Group's strategic planning and supervising the management of material risks and their alignment with the risk profile defined by the Group.

  Similarly, the equivalent bodies of the Group's various subsidiaries have the same level of involvement in risk management and control activities at the local level.

  The Group's risk governance arrangements are designed to organise risk management and control activities by means of the model of three lines of defence, granting independence, hierarchical authority and sufficient resources to the Risk Control function. In the same way, the governance model seeks to ensure that risk management and control processes offer an end-to-end vision of the phases involved.

- Alignment with the Group's business strategy, particularly through the implementation of the risk appetite throughout the entire organisation;

  Through the set of policies, procedures, manuals and other documents that comprise it, the Group's Global Risk Framework is aligned with the Group's business strategy, adding value as it is designed to contribute to the achievement of objectives and improve medium-term performance. It is therefore embedded in key processes such as strategic and financial planning, budgeting, capital and liquidity planning and, in general, business management.

- Integration of the risk culture, focusing on aligning remuneration with the risk profile;

  Corporate culture and corporate values are key elements, as they reinforce ethical and responsible behaviour by all members of the organisation.

  The Group's risk culture is based on compliance with the regulatory requirements applicable to all of its areas of activity, ensuring compliance with supervisory expectations and best practices in risk management, monitoring and control.

  One of the priorities established by the Group is the maintenance of a sound risk culture in the aforesaid terms, on the understanding that this lays the groundwork for appropriate risk-taking, makes it easier to identify and manage emerging risks, and encourages employees to carry out their activities and engage in the business in a legal and ethical manner.

- A holistic view of risk that translates into the definition of a taxonomy of first- and second-tier risks based on their nature; and

  The Global Risk Framework, through the set of documents that comprise it, considers a holistic view of risk: it includes all risks, paying particular attention to the correlation between them (inter-risk) and within the risk itself (intra-risk), as well as the effects of concentration.

– Alignment with the interests of stakeholders

  The Group regularly makes material disclosures to the public, so that market participants can maintain an informed opinion as to the suitability of the management and control framework for these risks, thus ensuring transparency in risk management.

  Similarly, risks are managed and controlled with a view to safeguarding the interests of the Group and its shareholders at all times.

3.3.2 Risk Appetite Framework (RAF)

The risk appetite is a key element in setting the risk strategy, as it determines the scope of action. The Group has a Risk Appetite Framework (RAF) Policy that sets out the governance framework governing its risk appetite.

Consequently, the RAF establishes the structure and mechanisms associated with the governance, definition, communication, management, measurement, monitoring and control of the Group's risk appetite established by the Board of Directors of Banco de Sabadell, S.A.

Effective implementation of the RAF requires an adequate combination of policies, processes, controls, systems and procedures, not only to achieve a set of defined targets and objectives, but also to do so in an efficient and continuous way.

The RAF covers all the Group's business lines and units, in accordance with the principle of proportionality, and it is designed to enable suitably informed decisions to be made, taking into account the material risks to which it is exposed, including both financial and non-financial risks.

The RAF is aligned with the Group's strategy and with the strategic planning and budgeting processes, the internal capital and liquidity adequacy assessments, the Recovery Plan and the remuneration framework, among other things, and takes into account the material risks to which the Group is exposed, as well as their impact on stakeholders, such as shareholders, customers, investors, employees and the general public.

3.3.3 Risk Appetite Statement (RAS)

The RAS is a key element in determining the Institution's risk strategies. It establishes qualitative expressions and quantitative limits for the different risks that the Institution is willing to accept, or wishes to avoid, in order to achieve its business objectives. Depending on the nature of each risk, the RAS includes both qualitative aspects and quantitative metrics, which are expressed in terms of capital, asset quality, liquidity, profitability or any other measure deemed to be relevant. The RAS is therefore a key element in setting the risk strategy, as it determines the scope of action.

Qualitative aspects of the RAS

The Group's RAS includes the definition of a set of qualitative aspects, which essentially help to define the Group's position with regard to certain risks, especially when those risks are difficult to quantify.

These qualitative aspects complement the quantitative metrics, establish the general tone of the Group's approach to risk-taking and define the reasons for taking or avoiding certain types of risks, products, geographical exposures and other matters.

Quantitative aspects of the RAS

The set of quantitative metrics defined in the RAS is intended to provide objective elements with which to compare the Group's situation against the goals or challenges proposed at the risk management level. These quantitative metrics follow a hierarchical structure, as established in the RAF, with three levels: board (or first-tier) metrics, executive (or second-tier) metrics and operational (or third-tier) metrics.

Each of these levels has its own approval, monitoring and action arrangements that should be followed in the event a threshold is ruptured.

In order to gradually detect possible situations of deterioration of the risk position and thus be able to monitor and control it more effectively, the RAS sets out a system of thresholds associated with the quantitative metrics. These thresholds reflect the desirable levels of risk for each metric, as well as the levels that should be avoided. A rupture of these thresholds can trigger the activation of remediation plans designed to rectify the situation.

These thresholds are established to reflect different levels of severity, making it possible to take preventive action before excessive levels are reached. Some or all of the thresholds will be established for a given metric, depending on the nature of that metric and its hierarchical level within the structure of RAS metrics.

3.3.4 Specific policies for the various material risks

The set of policies for each of the risks, together with the procedures and operational and conceptual manuals that form part of the body of regulations of the Group and its subsidiaries, are tools that the Group and its subsidiaries rely on to expand on more specific aspects of each risk.

For each of the Group's material risks, the policies describe the principles and critical management parameters, the main people and units involved and their duties (including the roles and responsibilities of the various units and committees in relation to risks and their control systems), the associated procedures, as well as monitoring and control mechanisms.

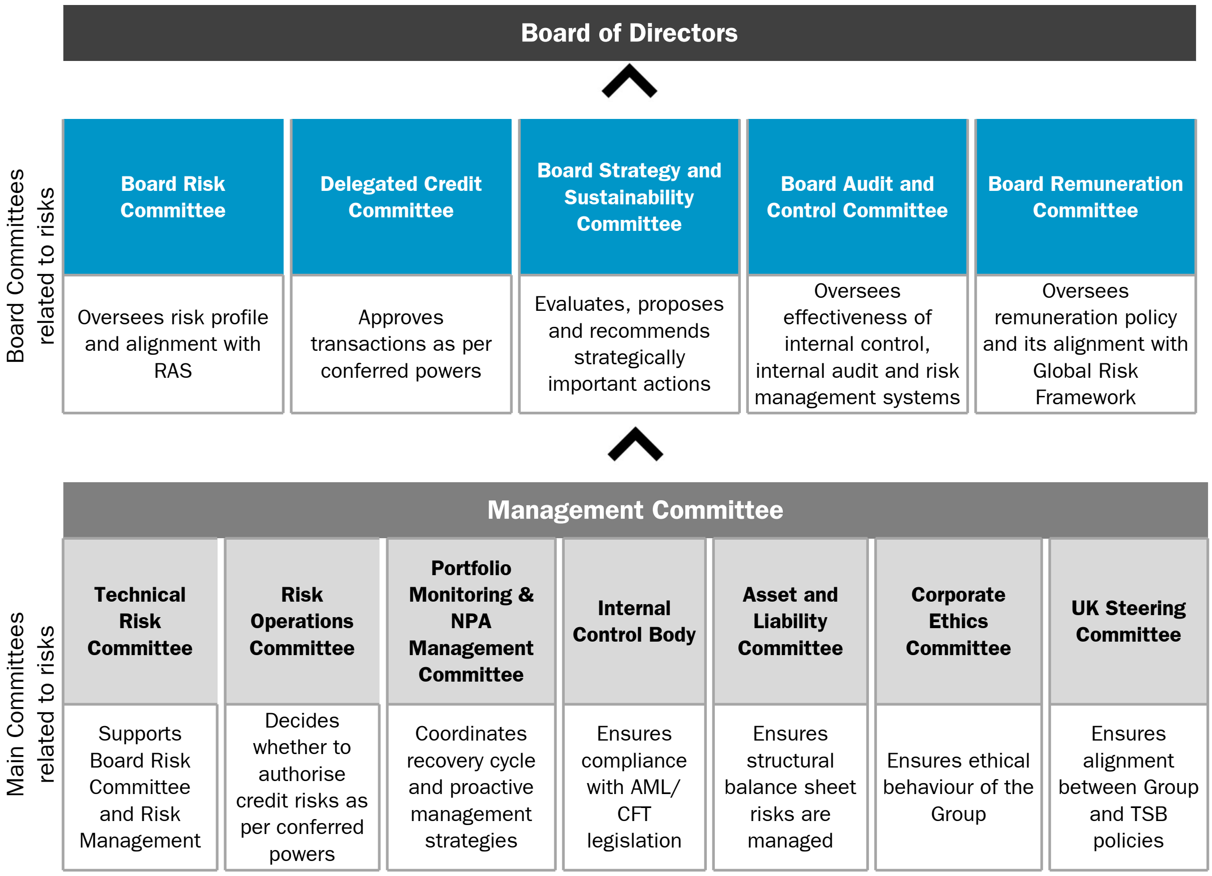
3.3.5 Risk governance

Governance structure

The Board of Directors of Banco de Sabadell, S.A. is the body responsible for establishing the general guidelines for the organisational distribution of the risk management and control functions, as well as determining the main strategies in this regard, and for ensuring consistency with the Group's short- and long-term strategic objectives, as well as with the business plan, capital and liquidity planning, risk-taking capacity and remuneration schemes and policies.

The Board of Directors of Banco de Sabadell, S.A. is also responsible for approving the Group's Global Risk Framework.

In addition, within the Board of Directors of Banco de Sabadell, S.A. itself, there are five Board Committees involved in the Group's Global Risk Framework and, therefore, in risk management and control (the Board Risk Committee, the Board Strategy and Sustainability Committee, the Delegated Credit Committee, the Board Audit and Control Committee and the Board Remuneration Committee). There are also other Committees and Divisions with a significant level of involvement in the risk function.



The defined governance structure aims to ensure the adequate development and implementation of the Global Risk Framework and, therefore, the risk management and control activity within the Group, while at the same time it aims to facilitate:

- The participation and involvement of the Group's governing bodies and Senior Management in decisions regarding risks, and also in their supervision and control.
- The alignment of targets and objectives at all levels, monitoring their achievement and implementing corrective measures where necessary.
- The existence of an adequate management and control environment for all risks.

Organisation

The Group establishes an organisational model for assigning and coordinating risk control responsibilities based on the three lines of defence. For each risk, the model draws on the various policies included in the Group's body of regulations, which set out the specific responsibilities of each of the three lines of defence.

For each line of defence, the risk policies describe and assign responsibilities, as appropriate, to the following functions (or any other additional ones that ought to be considered):

- First line of defence: responsible for maintaining adequate and effective internal control and implementing corrective actions to rectify deficiencies in its processes and controls. The responsibilities attributed to this line under the Global Risk Framework are as follows:
  - Maintain effective internal controls and systematically execute the control framework.
  - Identify, quantify, control and mitigate risks, complying with the established internal policies and procedures and ensuring that activities are consistent with the established goals and objectives.
  - Implement suitable processes to manage and mitigate material risks.
  - Participate in decision-making processes, identifying, assessing, controlling and mitigating the risks inherent in the implementation of significant changes and one-off transactions.
  - Define the strategy for each risk.
- Second line of defence: broadly speaking, the second line of defence ensures that the first line of defence is well designed and performs its assigned duties. It also puts forward suggestions for its continuous improvement. The core duties attributed to this line are the following:
  - Propose the Global Risk Framework, for risk management and control.
  - Participate in the decision-making process where it concerns the implementation of significant changes and one-off transactions.
  - Monitor the risk strategy approved by the Board of Directors through its approval of the RAS.
  - Keep the risk inventory up to date, justifying those not considered to be material, and review the inventory of material risks.
  - Establish and maintain an equivalence between subsidiaries' local taxonomies and the Group taxonomy.
  - Conduct a risk assessment of the Group's risk profile on an annual basis.
  - Supervise the risk management and control activities carried out by the first line of defence to ensure they conform to the established policies and procedures, bearing in mind the tasks specifically assigned to it, and identify potential improvements within risk management.
  - The Validation division gives opinions regarding the suitability of new proposals, changes or adjustments to models, tools and processes with material methodological components. It also designs and rolls out the model risk management and control framework and monitors the Group's model risk profile.
  - The Compliance division identifies and periodically assesses compliance risks in the different areas of activity.
- Third line of defence: helps the Group to achieve its objectives, carrying out verification activities and providing independent and objective advice. Provides regular oversight of governance processes and of the established risk management and internal control activities.

3.4 Management and monitoring of the main material risks

The most salient aspects concerning the management of the first-tier risks identified in Banco Sabadell Group's risk taxonomy and concerning the actions taken in this regard in 2024 are set out below:

3.4.1 Strategic risk

Strategic risk is associated with the risk of losses or negative impacts materialising as a result of strategic decisions or their subsequent implementation. It also includes the inability to adapt the Group's business model to changes in the environment in which it operates.

The Group develops a Strategic Plan which sets out the Bank's strategy for a specified period of time. In 2021, Banco Sabadell defined a new Strategic Plan which sets out the key courses of action and transformation for each business line over the coming years, in order to seize the opportunity of consolidating its position as a major domestic bank.

As part of the Strategic Plan, the Group carries out five-year financial projections, which are the result of the implementation of the strategies defined in the Plan. These projections are carried out on the basis of the most likely economic scenario for the key geographies (baseline scenario) and they are also included in the ICAAP as a baseline scenario. The economic scenario is described in terms of the key risk factors impacting the Group's income statement and balance sheet. In addition, the Plan is regularly monitored in order to analyse the Group's most recent performance and changes in the environment, as well as the risks taken.

The projection exercises and their monitoring are integrated into management arrangements, as they set out the key aspects of the Group's medium- and long-term strategy. The Plan is drawn up at the business unit level, on the basis of which the Group manages its activities, and annual results are also assessed in terms of compliance with the risk appetite.

Strategic risk includes the management and control of four risks:

- Solvency risk: this is the risk of not having sufficient capital, in terms of either quality or quantity, to achieve strategic and business objectives, withstand operational losses or meet regulatory requirements and/or the expectations of the market in which the Institution operates.

- Business risk: this refers to the possibility of incurring losses as a result of adverse events that negatively affect the Institution's capacity to operate, either in the short term (viability) or in the medium term (sustainability), or to deliver healthy, recurrent profits.

- Reputational risk: current or future risk of the Bank's competitive capacity being negatively affected as a result of (i) actions or omissions, carried out by or attributed to the Group, Senior Management or its governing bodies, or (ii) maintaining business relationships with counterparties with poor reputation, resulting in a negative perception by its stakeholders (regulators, employees, customers, shareholders, investors and the general public).

- Environmental risk: risk of incurring losses as a result of the impacts, both those existing at present and those that may exist in the future, of environmental risk factors on counterparties or invested assets, as well as aspects affecting financial institutions as legal entities. Environmental factors are related to the quality and functioning of natural systems and resources, and include factors such as climate change and environmental degradation. Any one of them can have a positive or negative impact on the financial performance or solvency of an institution, sovereign state or individual. These factors can materialise mainly in physical aspects (effects of climate change and environmental degradation, including more frequent extreme weather events and gradual changes in weather patterns and in the balance of ecosystems) and transitional aspects (arising from processes to adjust to an environmentally sustainable economy, for example, lower emissions, greater energy efficiency and reduced consumption of natural resources, among others).

3.4.1.1 Solvency risk

Banco Sabadell's ratios are above the minimum capital requirements established by the European Central Bank (ECB). Therefore, the Group is not subject to any caps on the distribution of dividends, variable remuneration or coupon payments made to holders of AT1 capital instruments.

Banco Sabadell is also compliant with MREL, which coincides with supervisory expectations and is in line with its funding plans.

Details on the closing data as at 31 December 2024 for solvency risk and capital management are available in Note 5 to the consolidated annual financial statements.

3.4.1.2 Business risk

During 2024, global growth outperformed expectations, in an environment of stabilising inflation, which enabled central banks to start a series of interest rate cuts, although monetary authorities remained cautious and indicated that rate cuts would be subject to the performance of economic indicators. In addition, both the demand for credit and economic activity showed signs of improvement, with a better economic outlook for Spain, although some degree of deterioration can be seen in certain European countries, for example Germany.

On the other hand, this year was also marked by the publication, at the end of April, of BBVA's interest in a merger with Banco Sabadell, as well as the subsequent rejection by the Bank's Board of Directors. In response, in the month of May, BBVA issued a voluntary tender offer for the acquisition of 100% of Banco Sabadell's shares (see Note 1.5).

Instability lingered in the global geopolitical environment with a series of uncertainties and threats arising from the armed conflicts in Ukraine and the Middle East, as well as the result of the presidential elections in the United States, increasing the risk of a resurgence of trade and/or financial tensions on a global scale. Furthermore, there were increasing concerns over the sustainability of public finances in key economies, which heightened the probability of a more restrictive fiscal policy and episodes of instability.

Against this backdrop, in year-on-year terms, Banco Sabadell significantly increased its net earnings, driven by (i) sound core results, (ii) increased net interest income, (iii) reduced cost of risk, (iv) an active and growing commercial dynamic, and (v) contained growth of costs.

All these aspects are clearly reflected in the Group's improved profitability, shown by an improvement of its ROTE, which increased from 11.5% as at 31 December 2023 to 14.93% as at 31 December 2024.

3.4.1.3 Reputational risk

Banco Sabadell Group bases its business model on corporate values such as ethics, professionalism, rigour, transparency, quality and long-term business relationships that are beneficial to both the Group and its counterparties.

The Bank is aware that, since the last financial crisis, society in general has become more sensitive to the service offered by banking institutions and, in particular, to the service offered to vulnerable customers, who have gained more visibility as a result of regulatory developments aimed at protecting this cohort.

Given the cross-cutting nature of reputational risk, the Institution follows a holistic approach to identify, analyse and monitor reputational risk in each sphere of management of the risks to which it is exposed.

The Institution's reputation may be affected by not only its own banking activity, but also that of its counterparties (customers and suppliers) or third-party initiatives (media campaigns or partnerships) that could impact the Institution's reputation and the public perception of its brand. Therefore, for reputational risk management, the Institution takes into account several internal and external factors or events that enable any challenging situations that could have an impact on the Institution's reputation to be detected early.

3.4.1.4 Environmental risk

Banco Sabadell has adopted environmental commitments through a cross-cutting strategy (Sabadell's Commitment to Sustainability) and is moving closer to achieving them by rolling out various measures in the area of environmental risk laid down in the Bank's Sustainable Finance Plan. Both the commitments and the measures are aimed at complying with the wide range of regulatory requirements, supervisory expectations and voluntary initiatives adhered to by the Institution.

Banco Sabadell has mechanisms in place for identifying, managing, controlling and governing environmental risk. The Institution views it as a risk of a cross-cutting nature, which could affect the Institution as an additional risk driver to traditional banking risks (e.g. credit risk, market risk, liquidity risk, operational risk), where environmental risk is identified, managed and controlled.

It regularly carries out various assessments related to this risk, including the following: (i) a qualitative analysis of the impact of environmental risk factors on the aforesaid risks, (ii) a quantitative estimate of the impacts stemming from environmental risk on credit risk, market risk, liquidity risk and operational risk, (iii) a quantitative analysis of the exposure of its credit portfolios to the most carbon-intensive sectors, and (iv) a measurement of its sustainable exposure (green, social and sustainability-linked transactions). During this year, environmental risk indicators have continued to be defined and developed and are gradually being converted to metrics that are included in the Risk Appetite Framework in order to manage and monitor these risks.

It is worth mentioning that the Group has incurred no material losses relating to environmental risk in 2024 or before then, except for the financial impact stemming from the DANA emergency that took place in October 2024, mainly on credit risk (for more information, see Notes 3.1 and 3.4.2.5 to these annual financial statements). Furthermore, it should be noted that following a review of the qualitative assessment of the materiality of environmental risk factors on risks that could be significantly impacted, it was concluded that the potential impacts were concentrated in credit portfolios. Specifically, transition risks were found to be the most material, from the point of view of regulatory factors and technological change. While the short-term impact was not very significant, the potential medium- and long-term impacts should continue to be monitored and assessed on an ongoing basis, depending on the sector.

Further information on environmental risk can be found in the Consolidated Non-Financial Disclosures and Sustainability Disclosures Report of Banco de Sabadell, S.A. and subsidiaries (Sustainability Report), which forms part of the consolidated Directors' Report.

3.4.2. Credit risk

Credit risk refers to the risk of incurring losses as a result of borrowers failing to fulfil their payment obligations, or of losses in value materialising due simply to the deterioration of borrowers' credit quality.

3.4.2.1 Credit risk management framework

Acceptance and monitoring

Credit risk exposures are rigorously managed and monitored through regular assessments of borrowers' creditworthiness and their ability to honour their payment obligations undertaken with the Group, adjusting the exposure limits established for each counterparty to levels that are deemed to be acceptable and also assessing environmental, social and governance factors. It is also normal practice to mitigate credit risk exposures by requiring borrowers to provide collateral or other guarantees to the Bank.

The Board of Directors grants powers and discretions to the Delegated Credit Committee to allow the latter in turn to delegate responsibilities to different decision-making levels. The implementation of authority thresholds in credit approval systems ensures that the conferral of approval powers established at each level is linked to the expected loss calculated for each transaction, also considering the total amount of the total risk exposure with an economic group and the amount of each transaction.

To optimise the business opportunities provided by each customer and guarantee an appropriate level of security, responsibility for accepting and monitoring risks is shared between the account manager and the risk analyst who, by maintaining effective communication, are able to obtain a comprehensive (360°) and forward-looking insight into each customer's individual circumstances and needs.

The account manager monitors the business aspect through direct contact with customers and by handling their day-to-day banking activity, while the risk analyst takes a more systematic approach making use of their specialised knowledge.

The implementation of advanced risk management methodologies benefits the process by allowing proactive measures to be taken once a risk has been identified. It is worth highlighting the use of tools such as credit ratings for business borrowers and credit scores for natural persons, as well as early warning indicators to monitor risks. These are integrated into a single tool that provides a comprehensive and forward-looking vision of customers.

The analysis of indicators and early warnings, in addition to credit rating reviews, allow credit risk quality to be measured continuously and in an integrated way. The establishment of efficient procedures to manage performing loans also benefits the management of past-due loans as it enables a proactive policy to be devised based on the early identification of any cases with propensity to default.

Risk monitoring is carried out for all exposures in order to identify potentially problematic situations and prevent credit impairment. In general, this monitoring is based on an early warnings system at both the transaction/borrower level and at the portfolio level, and both systems use the firm's internal information and external information to obtain results. Risk monitoring is carried out prior to any default and on a forward-looking basis, i.e. with an outlook based on the foreseeable future development of circumstances, in order to determine both actions to strengthen the business (increase lending) and to prevent risk (risk mitigation, improvement of guarantees, etc.).

The early warnings system allows credit risk quality to be measured in an integrated way and transferred, as necessary, to recovery management specialists, who determine the different types of procedures that should be implemented. Groups or categories are established for risks that exceed a given limit and according to predicted delinquency rates, so that they can be treated separately. These warnings are additionally managed by the account manager and the risk analyst.

Responsible lending

In accordance with the nature of the Group's financial transactions and in order to ensure suitable customer protection in banking services, policies and procedures are implemented in relation to the evaluation and granting of responsible loans and credits, in relation to which it is particularly worth mentioning the importance of the general principles governing responsible lending, as detailed in Annex 6 to Bank of Spain Circular 5/2012 of 27 June on transparency of banking services and responsible lending.

The Bank's internal regulations, reflected in the updated Group Credit Risk Granting and Monitoring Policy, approved by the Board of Directors on 27 June 2024, explicitly address the application of responsible lending principles when granting and monitoring various types of finance. This commitment is aligned with the guidelines established in the third paragraph of Article 29.1 of Law 2/2011 of 4 March on Sustainable Economy, and covers policies, methods and procedures designed to comply with applicable legislation, such as Order EHA/2899/2011 and Bank of Spain Circular 5/2012, specifically its Rule 12. Effective control mechanisms have also been implemented to ensure these policies are continuously monitored as part of the comprehensive credit risk management arrangements.

Management of non-performing exposures

The purpose of managing non-performing exposures is to find the best solution for the customer upon detecting the first signs of impairment, reducing the entry into default of customers with financial difficulties, ensuring intensive management and avoiding downtime between the different phases.

Generally, during stages of weakness in the economic cycle, debt refinancing and restructuring are the main risk management techniques used. The Bank's aim, when faced with debtors and borrowers that have, or are expected to have, financial difficulties to honour their payment obligations under the prevailing contractual terms, is to facilitate the repayment of the debt by reducing the probability of default as much as possible. A number of common policies to achieve this are in place in the Institution, as well as procedures for the approval, monitoring and control of potential debt forbearance (refinancing and restructuring) processes, the most significant of which are the following:

- The existence of a sufficiently long good payment history by the borrower and a manifest intention to repay the loan, assessing the period of time during which the customer is likely to continue to experience financial difficulties (in other words, whether they are facing short-term or long-term difficulties).

- Refinancing and restructuring conditions based on a realistic repayment schedule that is in line with borrowers' current and expected payment capacity, also taking into account the macroeconomic situation and outlooks, avoiding their postponement to a later date.

- If new guarantees are provided, these must be regarded as a secondary and exceptional means of recovering the debt, so as to avoid adversely affecting existing means. In any case, the ordinary interest accrued should be paid up to the refinancing or restructuring date.

- Limits are applied to the length of grace periods and to the granting of successive refinancing.

The Group continually monitors compliance with the agreed terms and with the above policies. Furthermore, the Group has an advanced model in place for managing non-performing exposures in the impaired assets portfolio.

For further quantitative information, see Schedule IV "Other risk information - Credit risk exposure: Forbearance" to these consolidated annual financial statements.

Internal risk models

Banco Sabadell Group also has a system in place which is made up of three lines of defence to ensure the quality and oversight of internal models, as well as a governance process specifically designed to manage and monitor these models and to ensure compliance with regulations and the supervisor's instructions.

The governance framework of internal credit risk and impairment models (management of risk, calculation of regulatory capital and provisions) is based on the following pillars:

- Effective management of changes to internal models.
- Ongoing monitoring of the performance of internal models.
- Regular reporting, both internal and external.
- Management tools for internal models.

One of the main bodies within the governance framework of internal credit risk and impairment models is the Models Committee, which meets on a monthly basis and has internal approval responsibilities, depending on the materiality of the risks, and which also monitors internal credit risk models.

Real estate credit risk management

As part of its general policy on risks and, in particular, its policy on the real estate development sector, the Group has a number of specific policies in place for mitigating risks.

The main measure that is implemented in this portfolio is the ongoing monitoring of projects, both during the construction phase and once the works have been completed. This monitoring makes it possible to validate the progress made, ensuring everything is moving forward as planned, and to take action in the event of any possible deviations. The aim at all times is for the available funding to be sufficient to complete the works and for the existing sales to be able to significantly reduce the risks. The Bank has established three strategic courses of action:

- New lending: real estate development business

  New lending to developers is governed by a "Real Estate Development Framework", which defines the optimal allocation of the new business on the basis of the quality of the customer and development project. This analysis is based on models that allow an objective appraisal to be obtained, taking into account the views of real estate experts.

  To this end, the Bank has:

  - The Real Estate Business division (a unit within the Business Banking division), with a team of real estate specialists who exclusively manage the Bank's developer customers. This unit has an acceptance and monitoring methodology that allows the Group to gain in-depth knowledge about all the projects analysed by the unit.
  - Two Real Estate Investment Analysis and Monitoring divisions (reporting to the RE Developer Risk division), whose role is to analyse all real estate projects from a technical and real estate point of view. They analyse both the location and suitability of the product, as well as the potential supply and demand. They also compare them against the figures of the business plan submitted by the customer (particularly costs, income, margin and timelines). This analysis process goes hand in hand with a model used to track real estate developments through monitoring reports, which validate the progress made in each development project in order to keep track of drawdowns and compliance with the business plan (income, costs and timelines).
  - The Real Estate Risk division, with specialised analysts at the Territorial Division. This makes it possible to ensure that newly accepted risks are in line with the policies and acceptance framework for this type of risk.

– Management of non-performing real estate credit

  Non-performing exposures are managed in line with the defined policy. In general, they are managed taking into account:

  - The customer.
  - The guarantees.
  - The status of the loan (from the time when a warning is triggered, warning of a potential deterioration of the current status, up until refinancing or restructuring takes place, or until the properties are surrendered in payment of debt (payment in kind)/purchased in an amicable settlement/settlement with debt reduction, or until an auction is held following a mortgage enforcement process and whenever there is a ruling in favour of foreclosure).

  After analysing the three aforementioned aspects, an optimal solution is sought to stabilise or settle the position (whether through an amicable settlement or through judicial proceedings), which differs depending on the evolution of each customer/case.

  Cases in which the stabilisation of the loan or its settlement by the customer is not a feasible option are managed using support models depending on the type of loan or financed item.

  In the case of completed real estate developments or completed non-residential properties, these can be put on sale at prices that drive market traction.

  For other funded real estate, the possibility of entering into sale agreements with third parties is considered, out-of-court settlement solutions are proposed (purchase, payment in kind, which in the case of properties owned by individuals can be arranged under favourable conditions for relocation or social rental depending on the needs of the customer, or with a settlement with debt reduction), or else court proceedings are initiated.

– Management of foreclosed assets

  Once the loan has been converted into a real estate asset, a management strategy is defined depending on the type of asset, in order to maximise the potential of each asset during the sale.

  The main disposal mechanism is the sale of the asset, for which the Bank has developed different channels depending on the type of property and customer.

The Group, which has had high concentrations of this type of risk in the past, has a first-tier RAS metric in place which establishes a maximum level of concentration of exposures associated with real estate development based on Tier 1 capital in Spain. This metric is monitored on a monthly basis and reported to the Technical Risk Committee, the Board Risk Committee and the Board of Directors.

Lastly, it is worth highlighting that the Risk Control division, together with the Business and Risk Management divisions, regularly monitors the adequacy of new loans granted to real estate developers. The monitoring process includes a review of compliance with policies and asset allocation. The results of this monitoring exercise are escalated to the Technical Risk Committee for information.

For further quantitative information, see Schedule IV “Other risk information – Concentration risk: Exposure to construction and real estate development sector” to these annual financial statements.

<u>Environmental risk management associated with credit risk</u>

Environmental risk is one of the three aspects assessed as part of Environmental, Social and Governance (ESG) risks and includes both climate risk, which is in turn subdivided into climate-related transition risk and climate-related physical risk, and environmental degradation risk (see Note 3.4.1.4 - Environmental risk).

Banco Sabadell has a set of tools in place facilitating the integration of environmental risks in credit risk management and control arrangements, most notably the ESG Guidelines, which are the only ESG credit risk management framework and comprise the rules that are currently applied to the granting of credit transactions, encompassing:

- An environmental and social risk framework at the customer level: to identify from the outset whether a new transaction could be associated with any of the restricted activities.

- A Climate-related and Environmental Risk Indicator (CERI, or IRCA by its Spanish acronym): an indicator that allows the Institution to distinguish between the ESG risk of the companies to which it grants finance, taking into account their performance when managing climate risks, environmental degradation risks, environmental controversies, and social and governance risks. It is used to define ESG credit risk management policies and to identify potential opportunities for investment to support emissions-intensive companies in their transition towards more sustainable activities.

- Decarbonisation pathways: for borrowers operating in sectors affected by the decarbonisation pathways defined by the Group, the Institution evaluates the suitability and the alignment of their activities, starting as soon as they are originated.

Thus, it is worth noting that the CERI includes, as part of an integrated assessment, a modular assessment of climate-related transition risk and physical risk, of environmental degradation risk, and of controversies, of both an environmental and social or governance nature, of the counterparties. The process to assess climate-related and environmental risk through the CERI of the borrowers in question can be done in two ways.

i. A top-down approach of climate risk and environmental degradation risk models, which is conducted for, and applied to, the entire loan book. Its output is an environmental performance rating obtained through a model, the automated CERI, which aggregates in a single assessment the outcomes, at the modular level, of climate-related transition and physical risks and environmental degradation risk assessments. This simplified, more automated approach is applied to companies not subject to non-financial disclosure requirements or that currently do not have an advanced CERI analysis.

ii. A bottom-up approach, which applies to large enterprises subject to non-financial disclosure requirements through the advanced CERI. The advanced CERI is a numerical indicator that, with the same modular structure and approach as the automated CERI, enables the categorisation of borrowers according to their impact associated with climate-related and environmental risks, taking into account the management, attitude, specific characteristics and progress made by the borrower in this regard, supplemented by an analysis of any controversies associated with the borrower.

As regards the inclusion of environmental risks in the calculation of the expected loss, through the PD, the Institution adjusts the ratings of large enterprises when the Climate-related and Environmental Risk Indicator, explained above, is classified as high or when the counterparty is involved in significant controversies that have not been mitigated. It is thus included directly, as the rating is an input of the expected loss parameters (specifically, the PD).

Furthermore, in order to reflect the impact of these risks in the appraisal values of loan book collateral, the Institution applies adjustments that lower the appraisal value. In the case of physical risk, this adjustment reflects, for each collateral item, the level of its deterioration in the event of flood, fire or water stress, as well as the probability of occurrence of this event. In the case of transition risk, the appraisal value is lowered for collateral with an energy rating below D.

The methodology used for the aforementioned collateral adjustments coincides with that applied in the top-down approach described above, i.e. based on an internal methodology for the quantitative assessment of climate-related physical risk where a differentiation is made between acute and chronic events in line with the three scenarios of Orderly Transition, Disorderly Transition and Hot House World of the Network for Greening the Financial System (NGFS) adapted to a 30-year time horizon. This makes it possible to assess physical risk drivers that could have a more significant impact on the portfolio, based on the location and activities of customers.

For further details, see section “5.1. Environmental: Climate change” in the Sustainability Report.

3.4.2.2. Risk management models

Credit ratings

Credit risks incurred with corporates, real estate developers, specialised lending projects, financial institutions and countries are rated using a rating system. The rating model estimates the risk rating in the medium term, based on qualitative information provided by risk analysts, financial statements and other relevant information. The rating system is based on factors that predict the probability of default over a one-year period. It has been designed for different segments.

This rating model is reviewed annually based on the analysis of actual delinquency performance patterns. An estimated delinquency rate is assigned to each internal credit rating level, which also allows a uniform comparison to be made against other segments and ratings issued by external credit rating agencies using a master ratings scale.

Credit ratings have a variety of uses in risk management. Most notably, they form part of the transaction approval process (system of discretions), risk monitoring and pricing policies.

The percentage distribution by credit rating of Banco Sabadell's portfolio of companies as at 31 December 2024 and 2023 is detailed below:

%

Distribution, by credit rating, of Banco Sabadell's portfolio of companies 2024										
9	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**	**TOTAL**
1.84%	3.89%	8.58%	18.12%	25.15%	21.25%	13.84%	5.31%	1.87%	0.13%	**100%**

In this scale of 0 to 9, probability of default (PD) goes from high to low. The PD used is the risk management PD.

%

Distribution, by credit rating, of Banco Sabadell's portfolio of companies 2023										
9	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**	**TOTAL**
0.80%	2.20%	8.90%	24.40%	28.14%	19.69%	11.58%	3.69%	0.53%	0.06%	**100%**

In this scale of 0 to 9, probability of default (PD) goes from high to low. The PD used is the risk management PD.

Credit scores

The tools designed to assess the probability of default of debtors who are natural persons are credit scoring systems, which are in turn based on quantitative modelling of historical statistical data, where the relevant predictive factors are identified. In geographical areas where credit scoring takes place, credit scores are divided into two types:

- Reactive credit scores: these are used to assess applications for consumer loans, mortgage loans and credit cards. Once all of the data relating to the transaction has been entered, the system calculates a result based on the estimated borrowing power, financial profile and, if applicable, the profile of assets pledged as collateral. The resulting credit score is integrated into risk management processes using the system of discretions.

- Behavioural credit scores: the system automatically classifies all customers using information regarding their activity based on their financial situation (balances, activity, non-payments), their personal characteristics and the features of each of the products that they have acquired. These credit scores are mainly used to authorise transactions, establish (authorised) overdraft limits, design advertising campaigns and adjust the initial stages of the debt recovery management process.

The percentage distribution by behavioural score of Banco Sabadell's portfolio of individuals (retail customers) as at 31 December 2024 and 2023 is detailed below:

%

Distribution, by behavioural score, of Banco Sabadell's portfolio of individuals 2024										
9	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**	**TOTAL**
1.23%	8.38%	27.51%	38.60%	16.28%	4.60%	1.92%	0.87%	0.41%	0.20%	**100%**

In this scale of 0 to 9, probability of default (PD) goes from high to low. The PD used is the risk management PD.

%

Distribution, by behavioural score, of Banco Sabadell's portfolio of individuals 2023										
9	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**	**TOTAL**
0.99%	7.74%	26.28%	35.61%	17.67%	6.73%	2.64%	1.33%	0.66%	0.35%	**100%**

In this scale of 0 to 9, probability of default (PD) goes from high to low. The PD used is the risk management PD.

Warning tools

In general, the Group has a system of warning tools in place, which include both individual warnings and advanced early warning models for both the Business Banking and Retail Banking customer segments. These warning tools are based on performance factors obtained from available sources of information (credit ratings or credit scores, customer files, balance sheets, CIRBE (Bank of Spain Central Credit Register), information relating to the industry or past banking activity, etc.). They measure the risk associated with the customer on a short-term basis (prediction of arrears), obtaining a high level of predictability to detect potential delinquent customers. The resulting rating or score, which is obtained automatically, is used as a basic input when monitoring the risk of customers in the retail and business segments.

This warnings system enables:

- Efficiency to be improved, as monitoring exercises focus on customers with the lowest credit rating or credit score (different cut-off points for each group).
- Proactive management in the event of any negative change in the situation of the customer (change in rating/score, new severe warnings, etc.).
- Customers whose situation remains unchanged and who have been assessed by the Basic Management Team to be regularly monitored.

3.4.2.3 Credit risk exposure

The table below shows the distribution, by headings of the balance sheet and off-balance sheet exposures, of the Bank's maximum gross credit risk exposure as at 31 December 2024 and 2023, without deducting collateral or credit enhancements received in order to ensure the fulfilment of payment obligations, broken down by portfolios and in accordance with the nature of the financial instruments:

Thousand euro

Maximum credit risk exposure	Note	2024	2023
Financial assets held for trading		**1,420,956**	**142,495**
Equity instruments	8	541,005	—
Debt securities	7	879,951	142,495
Non-trading financial assets mandatorily at fair value through profit or loss		**132,074**	**149,792**
Equity instruments	8	2,832	4,335
Debt securities	7	26,326	39,038
Loans and advances	10	102,916	106,419
Financial assets at fair value through other comprehensive income		**6,277,010**	**6,435,662**
Equity instruments	8	191,197	180,090
Debt securities	7	6,085,813	6,255,572
Financial assets at amortised cost		**151,254,446**	**137,448,994**
Debt securities	7	21,640,991	18,266,198
Loans and advances	10	129,613,455	119,182,796
Derivatives	9, 11	**2,067,873**	**2,485,555**
Total credit risk due to financial assets		**161,152,359**	**146,662,498**
Loan commitments given	24	22,044,023	20,500,850
Financial guarantees given	24	3,855,851	7,052,638
Other commitments given	24	9,426,660	7,988,420
Total off-balance sheet exposures		**35,326,534**	**35,541,908**
Total maximum credit risk exposure		**196,478,893**	**182,204,406**

Schedule IV to these annual financial statements shows quantitative data relating to credit risk exposures, broken down by geographical area and by activity sector.

3.4.2.4. Credit risk mitigation

Credit risk exposures are rigorously managed and monitored through regular assessments of borrowers' creditworthiness and their ability to honour their payment obligations undertaken with the Group, adjusting the exposure limits established for each counterparty to levels that are deemed to be acceptable and also assessing environmental, social and governance factors. It is also normal practice to mitigate credit risk exposures by requiring borrowers to provide collateral or other guarantees to the Bank.

Generally, these take the form of collateral, mainly mortgages on properties used as housing, whether completed or under construction. The Group also accepts, although to a lesser degree, other types of collateral, such as mortgages on retail properties, industrial warehouses, etc., as well as financial assets. Another credit risk mitigation technique commonly used by the Institution is the acceptance of guarantors, in this case subject to the guarantor presenting a certificate of good standing.

All of these mitigation techniques are established ensuring their legal certainty, i.e. under contracts that are legally binding on all parties and which are legally enforceable in all relevant jurisdictions, thus guaranteeing the possibility of liquidating the collateral at any time. The entire process is subject to an internal verification of the legal enforceability of the contracts, and legal opinions of international specialists can be requested and applied where the contracts have been entered into under foreign legislation.

All collateral is executed before a notary through a public document, thus ensuring its enforceability before third parties. In the case of property mortgages, these public documents are also filed with the corresponding land registries, thus gaining constitutive effect before third parties. In the case of pledges, the pledged items are generally deposited with the Institution. Unilateral cancellation by the obligor is not permitted, and the guarantee remains valid until the debt has been fully repaid.

Personal guarantees or sureties are established in favour of the Institution and, except in certain exceptional cases, these are also executed before a notary through a public document, to vest the agreement with the highest possible legal certainty and to allow legal claims to be filed through executive proceedings in the event of non-payment. They constitute a credit claim with respect to the guarantor that is irrevocable and payable on first demand.

The Bank has not received any significant guarantees which it is authorised to sell or pledge, irrespective of any non-payment by the owner of the referred guarantees, except for those intrinsic in treasury activities, which are mostly reverse repos with maturities of no more than twelve months, therefore their fair value does not differ substantially from their carrying amount (see Note 5). The fair value of the assets sold in connection with reverse repos is included under the heading “Financial liabilities held for trading” as part of the short positions of securities.

Assets assigned under the same transactions amount to 1,370,354 thousand euros (1,012,508 thousand euros as at 31 December 2023) and are included by type under the repos heading in Notes 17 and 18.

There have been no significant changes in Banco Sabadell’s policies on the topic of guarantees during this year. Neither have there been any significant changes in the quality of the Group’s guarantees with respect to the preceding year.

The values of the guarantees received to ensure collection, broken down into collateral and other guarantees, as at 31 December 2024 and 2023 are as follows:

Thousand euro

Guarantees received	**2024**	**2023**
Value of collateral	53,147,618	52,169,085
Of which: securing stage 2 loans	*3,038,805*	*3,566,575*
Of which: securing stage 3 loans	*1,546,440*	*1,286,456*
Value of other guarantees	13,538,966	13,980,144
Of which: securing stage 2 loans	*1,597,377*	*1,761,736*
Of which: securing stage 3 loans	*663,564*	*1,021,772*
Total value of guarantees received	**66,686,584**	**66,149,229**

The main risk concentration in relation to all of these types of collateral and credit enhancements corresponds to the use of mortgage guarantees as a credit risk mitigation technique in exposures of loans intended for the financing or construction of housing or other types of real estate. On a like-for-like basis, as at 31 December 2024, the exposure to home equity loans and credit lines represented 43.3% of total gross performing lending items granted to customers (44.2% as at 31 December 2023).

In addition, the Bank has carried out six synthetic securitisation transactions since 2020. Details of the outstanding transactions as at 2024 year-end are shown below:

– In December 2024, the Bank carried out one synthetic securitisation transaction of a 1.23 billion US dollar portfolio of project finance and loans to large corporates, having received an initial guarantee from Sabadell Hermes 1-2024 Designated Activity Company for 111 million US dollars, which covers losses of up to 9.0% on the securitised portfolio.

– In June 2024, the Bank carried out one synthetic securitisation transaction of a 1.1 billion euro portfolio of project finance loans, having received an initial guarantee from Sabadell Boreas 2-2024 Designated Activity Company for 110 million euros (105 million as at 31 December 2024), which covers losses of up to 10.0% on the securitised portfolio.

- In September 2023, the Bank carried out one synthetic securitisation of a 1,139 million euro portfolio of loans to SMEs and mid-corporates, having received an initial guarantee from Sabadell Galera 3-2023 Designated Activity Company in the amount of 58 million euros (45 million as at 31 December 2024), covering losses of between 0.95% and 5.05% on the securitised portfolio.

- In September 2022, the Bank carried out one synthetic securitisation transaction of a 1 billion euro portfolio of project finance loans, having received an initial guarantee from Sabadell Boreas 1-2022 Designated Activity Company in the amount of 105 million euros (65 million as at 31 December 2024), which covers losses of up to 10.5% on the securitised portfolio.

- In September 2021, the Bank carried out one synthetic securitisation of a 1.5 billion portfolio of loans to SMEs and mid-corporates, having received an initial guarantee of 75 million euros (38 million as at 31 December 2024), covering losses of between 0.9% and 5.9% on the securitised portfolio.

These transactions do not meet the requirements of the accounting standards for derecognising assets in securitised portfolios from the balance sheet.

These transactions are given preferential treatment for capital consumption purposes, in accordance with Article 26 of Regulation (EU) 2021/557, with the exception of the transaction carried out in December 2024.

In the case of market transactions, counterparty credit risk is managed as explained in section 3.4.2.7 of these annual financial statements.

3.4.2.5. Calculation of credit loss allowances

The amount of impairment allowances is calculated based on whether or not there has been a significant increase in credit risk since initial recognition, and on whether or not a default event has occurred. This way, the impairment allowance for transactions is equal to:

- 12-month expected credit losses, where the risk of a default event materialising has not significantly increased since initial recognition (assets classified as stage 1).

- Lifetime expected credit losses, if the risk of a default event materialising has increased significantly since initial recognition (assets classified as stage 2).

- Expected credit losses, where a default event has materialised (assets classified as stage 3).

12-month expected credit losses are defined as:

$$PE_{12M} = EAD_{12M} \cdot PD_{12M} \cdot LGD_{12M}$$

Where:

EAD_{12M} is the exposure at default at 12 months, PD_{12M} is the probability of a default occurring within 12 months and LGD_{12M} is the expected loss given default.

Lifetime expected credit losses are defined as:

$$PE_{LT} = \sum_{i=1}^{m} \frac{EAD_i \cdot PD_i \cdot LGD_i}{(1 + EIR)^{i-1}}$$

Where:

EADi is the exposure at default for each year, taking into account both the entry into default and the (agreed) amortisation, PDi is the probability of a default occurring within the next twelve months for each year, LGDi is the expected loss given default for each year, and EIR is the effective interest rate of each transaction.

For transactions identified as having negligible risk (see section entitled “Collective allowance estimates” within this note), an allowance percentage of 0% is applied, with the exception of transactions classified as stage 3, whose impairment is assessed individually. During this estimation process, a calculation is made of the allowance necessary to cover, on one hand, the credit risk attributable to the borrower in question and, on the other hand, country risk.

The Bank includes forward-looking information when calculating expected losses and determining whether there has been a significant increase in credit risk, using scenario forecasting models to this end.

The agreed amortisation schedule for each transaction is used. Subsequently, these expected credit losses are updated by applying the effective interest rate of the instrument (if its contractual interest rate is fixed) or the contractual effective interest rate ruling on the date of the update (if the interest rate is variable). The amount of effective guarantees received is also taken into account.

The following sections describe the different methodologies applied by the Bank to determine impairment loss allowances:

Individual allowance estimates

The Bank monitors credit risk on an individual basis for all risks deemed to be significant. To estimate the individual allowance for credit risk, an individual estimate is made for all individually significant borrowers classified as stage 3 and for certain borrowers classified as stage 2. Individual estimates are also made for transactions identified as having negligible risk classified as stage 3.

The Bank has developed a methodology to estimate these allowances, calculating the difference between the gross carrying amount of the transaction and the present value of the estimated cash flows it expects to receive, discounted using the effective interest rate. To this end, effective guarantees received are taken into account (see the section entitled “Guarantees” of Note 1.3.3).

Three methods are established to calculate the recoverable amount of assets assessed individually:

– Discounted cash flow method (going concern): debtors who are estimated to be able to generate future cash flows through their own business activity, thereby allowing them to fully or partially repay the debt owed through the performance of their business activity and the economic and financial structure of the company. This involves estimating the cash flows obtained by the borrower during the course of their business activity.

– Collateral recovery method (gone concern): debtors who are not able to generate cash flows during the course of their own business activities and who are forced to liquidate assets in order to fulfil their payment obligations. This involves estimating cash flows based on the enforcement of guarantees.

– Combined method: debtors who are estimated to be able to generate future cash flows and also have non-core assets. These cash flows can be supplemented with potential sales of non-core assets, insofar as they are not required for the performance of their activity and, consequently, for the generation of the aforesaid future cash flows.

Collective allowance estimates

Exposures that are not assessed using individual allowance estimates are subject to collective allowance estimates.

When calculating collective impairment losses, the Bank mainly takes the following aspects into account:

– The impairment estimation process takes all credit exposures into account, except for those with negligible risk not classified as stage 3, for which, in general, the methods established by the Bank of Spain are used based on data and statistical models that aggregate the average performance of all institutions in the banking industry. The Bank recognises an impairment loss equal to the best estimate available from internal models, taking into account all of the relevant information which it holds on the existing conditions at the end of the reported period. The Bank has identified the following transactions with negligible risk for the estimation of credit loss allowances:

    - transactions with central banks;

    - transactions with general governments of European Union countries, including those arising from reverse repurchase agreements of debt securities;

- transactions with central governments of countries classified in group 1 for the purpose of country risk;

- transactions in the name of deposit guarantee schemes and resolution funds, provided their credit quality is such that they are equivalent to those of the European Union;

- transactions in the name of credit institutions and financial credit establishments from countries of the European Union and, in general, from countries classified in group 1 for the purpose of country risk;

- transactions with Spanish mutual guarantee societies and government agencies or bodies from other countries classified in group 1 for the purpose of country risk whose main activity is credit insurance or guarantees;

- transactions with non-financial corporations considered to belong to the public sector;

- advances on the following month's pensions or wages, provided the paying entity is a government agency and the wage or pension is direct credited to Banco Sabadell; and advances other than loans.

– In order to collectively assess impairment, internal models estimate a different PD and LGD for each contract. To that end, various types of historical information are used that allow the risk to be individually classified for each exposure (ratings, non-payments, vintage, exposure, collateral, characteristics of the borrower or contract). Available historical information representative of the Institution and past losses (defaults) is therefore taken into account. It is worth highlighting that the estimation obtained from the models is adjusted to account for the existing economic climate and the forecasts in the scenarios considered, the latter being representative of expected credit losses. The estimates of impairment loss allowance models are directly integrated in some activities related to risk management and the input data that they use (e.g. credit ratings and credit scores) are those used for approving risks, monitoring risks, for pricing purposes and in capital calculations. In addition, recurring back-testing exercises are carried out at least once a year and adjusted in the event any significant deviations are detected. The models are also reviewed regularly in order to incorporate the most recent information available and to ensure that they perform adequately and that they are suitably representative when applied to the current portfolio for the calculation of impairment loss allowances.

Segmentation of models

Specific models exist depending on the segment or product of the customer (portfolio) and each one uses explanatory variables that uniformly catalogue all of the portfolio's exposures. The purpose of the segmentation of models is to optimise the capture of customers' default risk profile based on a set of common risk drivers. Therefore, the exposures of these segments can be considered to reflect a uniform collective treatment.

The models for companies calculate PD at the borrower level and are fundamentally segmented according to the size of the company (annual turnover).

The PD models for natural persons, including the self-employed, follow a segmentation that centres primarily on the lending product. Models broken down by product are available: mortgage and consumer loans, taking into account the purpose of the transaction (individual or business), credit cards and lines of credit. PDs are estimated at the contract level, meaning that a single borrower can have different PDs depending on the lending product being quantified.

The models for Significant Increase in Credit Risk (SICR) carry out calculations at the contract level, in order to consider the characteristics specific to each transaction (date of origination, maturity date).

Where LGD is concerned, contracts with similar risk characteristics are grouped together for collective assessment, using the following segmentation hierarchy:

– By type of borrower: companies, developers and natural persons.

– By type of guarantee: mortgage, unsecured, monetary/financial, and guarantors.

– By type of product: credit cards, overdrafts, leases, credits and loans.

Different LGDs are estimated for each segment, which are representative of the borrowers, of the recovery processes and of the recoverability assigned to each one based on the Institution's past experience.

Risk drivers

The risk drivers or explanatory variables of models are the shared credit risk characteristics. In other words, they are common elements that can be used to rate borrowers in a homogeneous way within a portfolio and which explain the credit risk rating assigned to each exposure. Risk drivers are identified by means of a rigorous process that combines historical data analysis, explanatory power and expert judgment, as well as knowledge about the risk/business.

The main risk drivers are presented here below, grouped together by type of model (PD, SICR and LGD).

PD models use credit ratings or credit scores as input data (Internal Ratings-Based (IRB) models used for both risk management and capital calculations). They incorporate additional information to give a more faithful reflection of the risk at a given moment in time (point-in-time). For companies, the early warnings tool known as HAT and the credit rating are used. For individuals, the behavioural credit score is used. A description of these tools can be found earlier in this same note.

In both cases, other recent risk events (refinancing, exit from default status, non-payments, lending restrictions) also explain the probability of default.

The SICR models mainly use as an explanatory factor the ratio between the residual lifetime PD at the time of approval (i.e. for the residual life of the transaction but using the information existing at the time the transaction is originated) and the current lifetime PD (using the information existing at the present time).

LGD models use additional risk drivers that enable a more in-depth segmentation to take place. More specifically, for mortgage guarantees, the Loan-to-Value (LTV) is used, or the order of priority in the event the mortgage guarantee is enforced. Similarly, the amount of debt and the type of product are also factors taken into account.

For those borrowers included within business in Spain whose coverage has been assessed using internal models as at 31 December 2024 and 2023, the following tables show the breakdown by segment of the average EAD-weighted PD and LGD parameters, distinguishing between on-balance sheet and off-balance sheet exposures, and the stage in which the transactions are classified according to their credit risk:

%

	31/12/2024							
	Average ECL parameters for on-balance sheet exposures							
	Stage 1		*Stage 2*		*Stage 3*		Total portfolio	
	PD	LGD	PD	LGD	PD	LGD	PD	LGD
Loans and advances	**0.60%**	**21.80%**	**22.30%**	**22.70%**	**100.00%**	**58.40%**	**3.60%**	**22.40%**
Other financial corporations	0.40%	27.40%	9.30%	31.40%	100.00%	61.30%	0.70%	27.50%
Non-financial corporations	0.80%	29.20%	15.70%	27.00%	100.00%	60.70%	3.90%	29.60%
Households	0.40%	15.80%	33.10%	15.70%	100.00%	56.20%	3.40%	16.50%

%

	31/12/2024							
	Average ECL parameters for off-balance sheet exposures							
	Stage 1		*Stage 2*		*Stage 3*		Total portfolio	
	PD	LGD	PD	LGD	PD	LGD	PD	LGD
Loans and advances	**0.70%**	**36.80%**	**15.50 %**	**35.00%**	**100.00%**	**83.90%**	**1.10%**	**36.80%**
Other financial corporations	0.90%	30.30%	26.10 %	27.90%	100.00%	12.00%	1.00%	30.30%
Non-financial corporations	0.70%	29.70%	14.50 %	34.60%	100.00%	85.10%	1.20%	29.90%
Households	0.60%	58.50%	23.30 %	37.50%	100.00%	60.00%	0.90%	58.30%

%

	31/12/2023							
	Average ECL parameters for on-balance sheet exposures							
	Stage 1		***Stage 2***		***Stage 3***		**Total portfolio**	
	PD	**LGD**	**PD**	**LGD**	**PD**	**LGD**	**PD**	**LGD**
Loans and advances	**0.70%**	**23.20%**	**21.50%**	**23.90%**	**100.00%**	**59.90%**	**4.10%**	**24.00%**
Other financial corporations	0.70%	27.10%	8.90%	30.20%	100.00%	67.80%	1.10%	27.20%
Non-financial corporations	1.20%	32.00%	15.40%	28.20%	100.00%	63.80%	4.50%	32.20%
Households	0.40%	16.40%	29.80%	18.00%	100.00%	56.90%	3.90%	17.30%

%

	31/12/2023							
	Average ECL parameters for off-balance sheet exposures							
	Stage 1		***Stage 2***		***Stage 3***		**Total portfolio**	
	PD	**LGD**	**PD**	**LGD**	**PD**	**LGD**	**PD**	**LGD**
Loans and advances	**1.00%**	**38.80%**	**16.80 %**	**38.40%**	**100.00%**	**77.20%**	**1.60%**	**38.90%**
Other financial corporations	1.40%	35.60%	1.80 %	35.50%	0.00%	0.00%	1.40%	35.60%
Non-financial corporations	1.10%	32.70%	17.00 %	38.20%	100.00%	77.80%	1.90%	33.00%
Households	0.70%	59.60%	15.50 %	40.80%	100.00%	58.00%	0.90%	59.30%

During 2024, the usual model maintenance processes have been continued, as have the independent reviews conducted by the internal control units (Models Validation and Internal Audit). The adjustment processes follow the internal governance arrangements established for their validation, review and approval by the corresponding units.

Inclusion of forward-looking information in expected loss models

The Bank has considered three macroeconomic scenarios: one baseline scenario, the most likely of all (65%); alternative scenario 1, which is more optimistic and envisages productivity gains and non-existent inflation (15%); and alternative scenario 2, which is more adverse and envisages financial instability and recession (20%). To carry out the forecasts of these scenarios, five-year time horizons are used. The main variables considered are changes in GDP, the unemployment rate and house prices. In 2023, the Group considered three macroeconomic scenarios with weights of 60%, 10% and 30%, respectively, and the same macroeconomic variables as in 2024.

Baseline scenario

- Uncertainty and Trump’s protectionist policies impact global economic growth. Trump’s arrival at the White House compounds other structural factors that act as a drag, including the following: (i) the turbulent geopolitical environment and its consequences on international trade and value chains, (ii) structural weaknesses of economies such as China, Germany and Italy, and (iii) the fiscal situation of some large, developed economies, especially the United States, France and Italy. The labour market shows a more even balance between supply and demand for jobs.

- Growth in the Eurozone is negatively affected by the adoption of tariffs and the repatriation of earnings of US companies as a result of tax cuts and greater geopolitical uncertainty. Spain is one of the countries least directly affected by Trump’s tariffs, although some sectors can be affected by the impact on international trade.

- The volatile and erratic nature of inflation is exacerbated by new supply shocks (new tariffs, more volatile energy prices, reconfiguration of production chains, convulsive geopolitics, climate shocks, etc.) and an expansionary fiscal policy.

- The geopolitical environment becomes more complex with Trump’s arrival to the White House. Trump imposes tariffs on the United States’ trade partners, especially China, but these tariffs are only imposed partially, as he takes a pragmatic approach and seeks to negotiate measures that benefit the US economy. The resulting scenario is similar to what happened during Trump’s first term in office. In any event, the climate of uncertainty and a trend towards greater protectionism in several regions mount. In general, the greater uncertainty over the United States’ economic and foreign policy could cause episodes of volatility in the markets for some particularly sensitive variables, such as oil (tensions in the Middle East) or the Mexican peso (uncertainty over trade policy).

- The US public finances further deteriorate. Despite improvement in growth figures, the loss of tax revenue from companies adds to the existing deficit. In the Eurozone, the entry into force of the new fiscal rules entails tighter control over public finances. The focus is especially placed on France and Italy, due to high public deficits affecting these economies and which will lead to an increase in public debt in the next few years if no fiscal consolidation takes place. In the United Kingdom, the fiscal situation has also deteriorated. Concerns over the state of public finances in these economies take centre stage and could lead to isolated episodes of instability in the financial markets.

- The monetary policy gap between the United States and the Eurozone widens. The Federal Reserve is more cautious with its monetary policy, and the target interest rate remains at relatively high levels amidst more erratic fiscal policy, sustained growth and slightly higher inflation. The ECB, for its part, ends up cutting the policy rate below monetary neutrality, in response to a scenario of greater deterioration in activity. In the medium term, the policy rate is held around the estimates of monetary neutrality, due to the upside risk associated with inflation arising from public finances in a more deteriorated state than in the past, fragility in global production chains, the emergence of potential shocks and the environment of uncertainty. Meanwhile, central banks continue to make progress on their quantitative tightening policies, although they are eventually forced to stop this process to avoid causing liquidity problems in the financial markets.

- With interest rates still relatively high, the environment is prone to further episodes of financial stress, although the banking sector is resilient. Against this backdrop, there could be occasional spikes of instability related to some current financial vulnerabilities, which relate to the capital market infrastructure and the non-bank financial sector. In any event and in general, the baseline scenario considers that these events are localised and that the authorities manage to control them; therefore, they do not end up having severe and long-lasting economic repercussions.

- The Spanish economy continues to grow above its potential in the first years of the scenario's horizon and is more dynamic than the rest of the Eurozone. After a period in which the external sector has played a prominent role, domestic demand takes on a bigger role. Activity is underpinned by the increase in population (a consequence of migration), the favourable evolution of the labour market, the absence of imbalances in private agents' balance sheets and in the external sector, lower interest rates and a greater rollout of NGEU funds.

- Private sector lending in Spain gains traction and increases across all portfolios. Its momentum is similar to that of nominal GDP over the entire time horizon. Credit is supported by factors such as (i) a lower interest rate environment, (ii) higher corporate financing needs stemming from higher investment, (iii) a healthy financial position, and (iv) good labour market dynamics.

- In relation to the financial markets, yields on long-term government bonds are still maintained at relatively high levels by higher target official interest rates, a higher term premium due to volatility in growth and inflation figures, high sovereign financing needs, progress made in Quantitative Tightening (QT) and tighter monetary policy in Japan, which may alter international financial flows.

- Sovereign debt risk premiums in the European periphery remain at contained levels and in line with their respective ratings. Sovereign ratings in Spain and Italy remain unchanged.

- The US dollar, in its currency pair against the euro, shows greater resilience and reaches parity with the EU currency due to the widening of the pro-US rate differential, the improved performance of the US economy and the uncertainty caused by political and geopolitical risks.

Alternative scenario 1: Greater potential growth and non-existent inflation

- The scenario focuses on productivity gains stemming from an improved geopolitical environment and global supply conditions, a greater positive impact of interest rate cuts than that envisaged in the baseline scenario and a swift and far-reaching deployment of artificial intelligence, comparable to other big technological revolutions such as electricity and IT.

- The geopolitical environment improves as a result of the various ongoing wars coming to an end, which dissipates a current source of uncertainty. With that, global supply conditions improve substantially and recover features similar to those pre-Covid. Furthermore, the global supply of energy and commodities remains broad with relatively low prices.

- Artificial intelligence applications are deployed across multiple sectors of the economy and faster than envisaged in the baseline scenario. Additionally, this technology enhances the capabilities of previous innovations, such as robotisation. All of this results in productivity gains, with productivity growth at near record-high levels. Global economic growth is thus stronger and more synchronised than in the baseline scenario.
- Inflation falls faster than in the baseline scenario and remains at levels close to the monetary policy targets of the respective central banks. This is explained by a lack of disruptions in production chains and productivity gains, which makes cost absorption easier and results in more moderate second-round effects. In turn, this improves economic agents' expectations that the level of prices will remain close to central banks' targets.
- This environment allows central banks to ease their monetary policies in the near term.
- Global financing conditions remain lax, with no episodes of risk aversion.
- The macroeconomic and financial environment allows risk premiums on both peripheral debt and corporate bonds to remain contained.
- In Spain, the economy maintains significant growth momentum thanks to productivity gains, the resolution of the conflict in Ukraine, lower interest rates and the use of the NGEU funds.

Alternative scenario 2: Disinflationary slowdown, financial instability and recession

- The scenario centres on the potential materialisation of risks to financial stability. The financial vulnerabilities in the current environment have the potential to trigger significant financial instability. The main vulnerabilities notably include (i) the systemic nature of non-bank financial institutions and their interconnections with the banking system, (ii) microstructure problems in core markets, such as treasuries, (iii) the situation in the Commercial Real Estate (CRE) sector, and (iv) vulnerabilities in China's real estate and financial sectors.
- Factors such as the reduction of central bank balance sheets (QT) or the Bank of Japan's monetary policy shift may be other events that exacerbate these vulnerabilities.
- The global economy falls into a recession, as a result of this financial instability and more restrictive financial conditions. Labour markets deteriorate with sharp rises in unemployment.
- Inflation falls due to damage to the credit channel, financial market dislocation and the economic recession, and reaches a level below the monetary policy target. The prices of oil and other commodities fall significantly and also contribute to this lower rate of inflation.
- Central banks take action to safeguard financial stability through their balance sheet policies and reinstate their liquidity programmes. Authorities also rapidly cut official interest rates to expansionary levels.
- Global financing conditions tighten, in terms of both capital markets and credit. In the financial markets, risk asset prices fall, further exacerbated by market infrastructure and illiquidity problems.
- Government bond yields decline in the face of official interest rates cuts, economic recession and falling inflation.
- Periphery risk premiums rise sharply, reducing fiscal headroom in some countries.
- The Spanish economy falls into a recession in the first half of 2025 and records negative growth until the second half of 2026. This is influenced by tightened credit supply, the economic weakness of its main trading partners and the uncertainty characterising this scenario.

As at 31 December 2024 and 2023, the main forecast variables considered for Spain are those shown below:

%

	31/12/2024				
	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth					
Baseline scenario	2.2	1.8	1.8	1.8	1.8
Alternative scenario 1	4.4	3.5	2.2	2.2	2.2
Alternative scenario 2	-0.3	-0.7	1.2	1.6	1.6
Unemployment rate					
Baseline scenario	11.2	10.9	10.7	10.5	10.5
Alternative scenario 1	9.9	8.6	8.0	7.7	7.6
Alternative scenario 2	14.6	15.7	14.1	12.6	11.1
House price growth (*)					
Baseline scenario	5.4	4.5	4.5	4.5	4.5
Alternative scenario 1	6.9	7.1	6.5	5.5	5.5
Alternative scenario 2	-3.7	-1.9	1.4	1.9	1.9

(*) The price variation is calculated at year-end.

%

	31/12/2023				
	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth					
Baseline scenario	1.6	1.9	1.8	1.6	1.6
Alternative scenario 1	4.1	3.5	2.2	2.0	2.0
Alternative scenario 2	-0.2	-1.0	1.0	1.2	1.2
Unemployment rate					
Baseline scenario	11.4	11.2	10.9	10.7	10.5
Alternative scenario 1	10.3	9.0	8.4	8.1	8.0
Alternative scenario 2	15.3	16.0	14.5	13.0	11.5
House price growth (*)					
Baseline scenario	0.5	1.7	1.8	1.9	1.9
Alternative scenario 1	5.6	4.6	3.5	3.5	3.5
Alternative scenario 2	-3.6	-2.1	0.0	1.9	1.9

(*) The price variation is calculated at year-end.

In the Bank, macroeconomic scenarios have been incorporated into the impairment calculation model.

Further adjustments to expected losses

The Bank applies a series of additional adjustments to the outputs of its credit risk models, referred to as Post Model Adjustments (PMAs) or overlays, in order to address situations in which the outputs of those models are not sufficiently sensitive to uncertainty or to capture events that cannot be modelled. These adjustments are temporary and remain in place until the reasons for which they were originally applied cease to exist. In all cases, the aforesaid overlays followed the policies and procedures set by the Bank, as well as their internal governance workflow, which includes a review by the second line of defence.

As at 31 December 2023, the additional adjustments applied to expected losses stemming from credit risk models amounted to around 80 million euros, of which 50 million euros corresponded to adjustments relating to sectoral factors and 30 million euros to adjustments arising from the macroeconomic environment. Both adjustments were due to an environment of high inflation and high interest rates, given the greater sensitivity of certain business and variable-rate mortgage sectors to this environment, and were included as an overlay on the Probability of Default (PD).

As at 31 December 2024, the overlays recorded in the balance sheet amount to 83 million euros. The change in the year corresponds to the specific allocation of the overlays applied in 2023 through the annual model review process and to the inclusion of 25 million euros of new overlays estimated based on the results of the backtests carried out on PD models. Furthermore, due to the DANA emergency that took place last October, the potentially affected perimeter was identified and a reclassification was carried out, using collective overlays, reclassifying 250 million euros to stage 2 and 90 million euros to stage 3, corresponding to the most affected perimeter and on which an adjustment to the expected loss of 41 million euros was applied (see Note 3.1). Finally, the Group applied an overlay of 13 million euros to reflect climate-related and environmental risks in the expected loss (see section "Environmental risk management associated with credit risk" in Note 3.4.2.1).

The Bank transferred the impact on the different stages stemming from the overlays made on the expected losses through collective assessment PMAs. The 83 million euros of overlays recognised as credit impairment as at 31 December 2024 involved overlays that led to an increase in exposures classified as stage 2 and stage 3 of 506 million euros and 129 million euros, respectively. These overlays include the impacts of the DANA emergency mentioned above.

Sensitivity analysis of the key variables of macroeconomic scenarios

An analysis of the sensitivity of the expected loss of the Group and of the main geographies and its impact, by segment, on impairment allowances in the event of a change in the key variables, *ceteris paribus*, from the actual macroeconomic environment, with respect to the most probable baseline macroeconomic scenario envisaged in the Group's business plan, is set out below.

Spain			
	Change in the variable (*)	Impact on expected loss	
		Corporates	Individuals
GDP growth deviation	-100 pb	6.6%	1.5%
	+100 pb	(5.5)%	(1.4)%
Unemployment rate deviation	+100 pb	2.0%	1.6%
	-100 pb	(2.0)%	(1.5)%
House price growth deviation	-100 pb	0.5%	1.0%
	+100 pb	(0.5)%	(0.9)%

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

Overall comparison between financial asset and real estate asset impairment allowances

The Bank has established backtesting methodologies to compare estimated losses against actual losses.

Based on this backtesting exercise, the Bank makes amendments to its internal methodologies when this regular backtesting exercise reveals significant differences between estimated losses and actual losses.

The backtests carried out show that the credit loss allowances are adequate given the portfolio's credit risk profile.

3.4.2.6. Credit quality of financial assets

As stated earlier, in general terms, the Group uses internal models to rate most borrowers (or transactions) through which credit risk is incurred. These models have been designed considering the best practices proposed by the New Basel Capital Accord (NBCA). However, not all portfolios in which credit risk is incurred have internal models, partly due to the fact that these models can only be reasonably designed if a minimum of historical non-payment case data is available. The standardised approach is followed for these portfolios, for solvency purposes.

The exposure percentage calculated by the Group using internal models, for solvency purposes, is 90%. This percentage has been calculated following the specifications of the ECB guide to internal models (Article 28a) published in June 2023.

The breakdown of the Bank's total exposures rated, excluding "Other valuation adjustments (interest, fees and commissions, and other)", according to the various internal rating levels, as at 31 December 2024 and 2023, is set out here below:

Million euro

Breakdown of on-balance sheet exposure by rating	Note	Loans assigned rating/score				
		2024				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
AAA/AA		11,243	107	—	—	11,350
A		17,264	32	—	—	17,296
BBB		69,988	229	—	—	70,217
BB		33,283	176	—	—	33,459
B		14,101	1,491	—	—	15,593
Other		597	4,318	3,663	—	8,578
No rating/score assigned		1,461	277	13	—	1,750
Total gross amount	**10**	**147,937**	**6,630**	**3,676**	**—**	**158,243**
Impairment allowances	**10**	**(199)**	**(295)**	**(1,927)**	**—**	**(2,421)**
Total net amount		**147,738**	**6,335**	**1,749**	**—**	**160,664**

Million euro

Breakdown of on-balance sheet exposure by rating	Note	Loans assigned rating/score				
		2023				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
AAA/AA		15,489	1	—	—	15,490
A		11,221	4	—	—	11,225
BBB		59,197	246	—	—	59,443
BB		24,625	497	—	—	25,122
B		18,134	1,981	—	—	20,115
Other		2,794	4,353	4,604	—	11,751
No rating/score assigned		844	19	14	—	876
Total gross amount	**10**	**132,304**	**7,101**	**4,618**	**—**	**144,023**
Impairment allowances	**10**	**(257)**	**(392)**	**(2,107)**	**—**	**(2,756)**
Total net amount		**132,047**	**6,710**	**2,511**	**—**	**141,268**

The breakdown of the Bank's total off-balance sheet exposures rated according to the various internal rating levels, as at 31 December 2024 and 2023, is set out here below:

Million euro

Breakdown of off-balance sheet exposure by rating	Note	Loans assigned rating/score 2024				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	**Total**
AAA/AA		1,396	36	15	—	1,447
A		3,577	4	—	—	3,581
BBB		14,907	16	—	—	14,923
BB		10,495	25	—	—	10,520
B		3,583	215	—	—	3,798
Other		99	638	239	—	976
No rating/score assigned		80	—	—	—	80
Total gross amount	**10**	**34,137**	**935**	**254**	**—**	**35,327**
Impairment allowances	**10**	**(30)**	**(26)**	**(75)**	**—**	**(131)**
Total net amount		**34,107**	**909**	**180**	**—**	**35,195**

Million euro

Breakdown of off-balance sheet exposure by rating	Note	Loans assigned rating/score 2023				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	**Total**
AAA/AA		1,066	44	17	—	1,127
A		2,648	—	—	—	2,648
BBB		15,703	32	—	—	15,735
BB		8,053	87	—	—	8,139
B		6,445	358	—	—	6,803
Other		148	500	314	—	961
No rating/score assigned		128	1	—		129
Total gross amount	**10**	**34,191**	**1,021**	**330**	**—**	**35,542**
Impairment allowances	**10**	**(43)**	**(26)**	**(84)**	**—**	**(154)**
Total net amount		**34,147**	**995**	**246**	**—**	**35,388**

Further details on the credit rating and credit scoring models are included in section 3.4.2.2 of these annual financial statements.

The Group's exposures classified as stage 3 decreased by 933 million euros in 2024. This reduction was accompanied by an increase in the risk base of 6,077 million euros, which led to a decrease in the Group's NPL ratio, as shown in the table below:

%

	2024	**Proforma 2024 (*)**	**2023**	**Proforma 2023 (*)**
NPL ratio	2.84	3.31	3.52	4.22
Stage 3 coverage ratio	46.34	51.38	42.33	45.55
Stage 3 coverage ratio, with total provisions	61.73	66.09	58.29	60.25

(*) Corresponds to the ratio excluding TSB.

A more detailed quantitative breakdown of allowances and assets classified as stage 3 can be found in Note 10, and a more detailed breakdown of refinancing and restructuring transactions is included in Schedule IV.

3.4.2.7. Concentration risk

Concentration risk refers to the level of exposure to a series of economic groups which could, given the size of that exposure, give rise to significant credit losses in the event of an adverse economic situation.

Exposures can be concentrated within a single customer or economic group, or within a given sector or geography.

Concentration risk can be caused by two risk subtypes:

- Individual concentration risk: this refers to the possibility of incurring significant credit losses as a result of maintaining large exposures to specific customers, either to a single customer or to an economic group.

- Sector concentration risk: imperfect diversification of systematic components of risk within the portfolio, which can be sector-based factors, geographical factors, etc.

Banco Sabadell has a series of specific tools and policies in place to ensure its concentration risk is managed efficiently:

- Quantitative metrics from the Risk Appetite Statement and their subsequent monitoring, including both first-tier (Board) metrics and second-tier (Executive) metrics.

- Individual limits for risks and customers considered to be significant, which are set by the Delegated Credit Committee.

- A structure of conferred powers which requires transactions with significant customers to be approved by the Risk Operations Committee, or even by the Delegated Credit Committee.

In order to control its concentration risk, Banco Sabadell Group has rolled out the following critical control parameters:

<u>Consistency with the Global Risk Framework</u>

The Group ensures that the level of its concentration risk exposures is consistent with its tolerance of this risk, as defined in the RAS. Overall concentration risk limits and adequate internal controls are in place to ensure that concentration risk exposures do not go beyond the risk appetite levels established by the Group.

<u>Establishment of limits and metrics for concentration risk control</u>

Given the nature of the Group's activity and its business model, concentration risk is primarily linked to credit risk, and various metrics are in place, along with their associated limits.

Credit risk exposure limits are set based on the Institution's past loss experience, seeking to ensure that exposures are in line with the Group's level of capitalisation as well as the expected level of profitability under different scenarios.

The metrics used to measure such levels, as well as appetite limits and tolerance thresholds for the identified risks, are described in the RAS metrics.

<u>Risk control monitoring and regular reporting</u>

Banco Sabadell Group ensures that concentration risk is monitored on a regular basis, in order to enable any weaknesses in the mechanisms implemented to manage this risk to be quickly identified and resolved. This information is also reported to the Board of Directors on a recurring basis in accordance with the established risk governance arrangements.

<u>Action plans and mitigation techniques</u>

When dealing with exceptions to internally established limits, the criteria based on which such exceptions can be approved must be included.

The Group will take any measures necessary to align the concentration risk with the levels approved in the RAS by the Board of Directors.

Exposure to customers or significant risks

As at 31 December 2024 and 2023, there were no borrowers with an approved lending transaction that individually exceeded 10% of the Group's own funds.

Country risk: geographical exposure to credit risk

Country risk is defined as the risk associated with a country's debts, taken as a whole, for reasons inherent in the sovereignty and the economic situation of that country, i.e. due to circumstances other than regular credit risk. Country risk manifests itself in the eventual inability of obligors to honour their foreign currency payment obligations undertaken with external creditors due to, among other reasons, the country not permitting access to that foreign currency, the inability to transfer it, or the non-enforceability of legal actions against borrowers for reasons of sovereignty, war, expropriation or nationalisation.

Country risk affects not only debts undertaken with a State or entities guaranteed by it, but also all private debtors that belong to that State and who, for reasons outside their control and not at their own volition, are generally unable to satisfy their debts.

An exposure limit is set for each country which is applicable across the whole of Banco Sabadell Group. These limits are approved by the Board of Directors and the corresponding decision-making bodies, as per their conferred powers, and they are continuously monitored to ensure that any deterioration in the economic, political or social prospects of a country can be detected in good time.

The main component of the procedure for the acceptance of country risk and financial institution risk is the structure of limits for different metrics. This structure is used to monitor the various risks and it is also used by Senior Management and the delegated bodies to establish the Group's risk appetite.

Different indicators and tools are used to manage country risk: credit ratings, credit default swaps, macroeconomic indicators, etc.

Schedule IV includes quantitative data relating to the breakdown of the concentration of risks by activity and on a global scale.

Exposure to sovereign risk and exposure to the construction and real estate development sector

Schedule IV includes quantitative data relating to sovereign risk exposures and exposures to the construction and real estate development sector.

3.4.2.8. Counterparty credit risk

Counterparty credit risk is a type of credit risk that refers to the risk of a counterparty defaulting before definitively settling cash flows of either a transaction with derivatives or a transaction with a repurchase commitment, with deferred settlements or collateral financing.

The amount exposed to a potential default by the counterparty does not correspond to the notional amount of the contract, instead, it is uncertain and depends on market price fluctuations until the maturity or settlement of the financial contracts.

Exposure to counterparty credit risk is mainly concentrated in customers, financial institutions and central counterparty clearing houses.

The following tables show the breakdown of exposures by credit rating and by the geographical areas in which the Group operates, as at 31 December 2024 and 2023:

%

2024															
AAA	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**BB+**	**BB**	**BB-**	**B+**	**Other**	**TOTAL**
0.0%	0.0%	0.0%	30.0%	24.1%	18.0%	3.7%	4.8%	2.3%	2.4%	5.2%	5.1%	1.9%	1.0%	1.5%	**100%**

%

2023															
AAA	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**BB+**	**BB**	**BB-**	**B+**	**Other**	**TOTAL**
0.7%	11.5%	0.1%	32.1%	21.2%	8.1%	7.9%	3.0%	3.4%	2.0%	2.9%	2.8%	2.3%	0.5%	1.6%	**100%**

%	2024	2023
Eurozone	77.7%	77.3%
Rest of Europe	15.7%	16.9%
United States and Canada	2.7%	3.0%
Rest of the world	3.8%	2.8%
Total	**100.0%**	**100.0%**

As can be seen in the table, the risk is concentrated in counterparties with a high credit quality, with 76% of the risk relating to counterparties rated A, whereas as at 31 December 2023 this concentration was 82%.

In 2016, under the European Market Infrastructure Regulation (EMIR) (Regulation 648/2012), the obligation to settle and clear certain Over-The-Counter (OTC) derivatives through central counterparty clearing houses (CCPs) began to apply to the Group. For this reason, the derivatives arranged by the Group and subject to the foregoing are channelled via these agents. At the same time, the Group has improved the standardisation of OTC derivatives with a view to fostering the use of clearing houses. The exposure to risk with CCPs largely depends on the value of the deposited guarantees.

With regard to derivative transactions in Organised Markets (OMs), based on management criteria, it is considered that there is no exposure, given that there is no risk as the OMs act as counterparties in the transactions and a daily settlement and guarantee mechanism is in place to ensure the transparency and continuity of the activity. In OMs the exposure is equivalent to the deposited guarantees.

The breakdown of transactions involving derivatives in financial markets, according to whether the counterparty is another financial institution, a clearing house or an organised market, is shown below:

Thousand euro	2024	2023
Transactions with organised markets	506,105	1,505,736
OTC transactions	123,417,813	124,900,589
Settled through clearing houses	*51,094,908*	*52,003,965*
Total	**123,923,918**	**126,406,325**

There are currently no transactions that meet the accounting criteria for offsetting transactions involving financial assets and financial liabilities on the balance sheet. The netting of derivative and repo transactions is only material when calculating the amount to be collateralised, and it is not material in terms of their presentation on the balance sheet.

The following tables show the aggregate amount reflected on the balance sheet for the financial instruments subject to a master netting and collateral agreement for 2024 and 2023:

Thousand euro	2024				
	Financial assets subject to collateral agreements				
			Guarantee received		
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Cash	Securities	Net amount
Financial assets	(a)	(b)	(c)	(d)	(a) - (b) - (c) - (d)
Derivatives	1,923,437	1,214,698	683,703	62,321	(37,285)
Reverse repos	10,725,012	—	31,590	10,720,991	(27,568)
Total	**12,648,449**	**1,214,698**	**715,293**	**10,783,312**	**(64,853)**

Thousand euro

	2024				
	Financial liabilities subject to collateral agreements				
			Guarantee given		
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Cash	Securities	Net amount
Financial liabilities	(a)	(b)	(c)	(d)	(a) - (b) - (c) - (d)
Derivatives	1,497,275	1,214,698	397,944	374,681	(490,048)
Repos	12,034,968	—	65,831	12,262,513	(293,376)
Total	**13,532,243**	**1,214,698**	**463,775**	**12,637,194**	**(783,424)**

Thousand euro

	2023				
	Financial assets subject to collateral agreements				
			Guarantee received		
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Cash	Securities	Net amount
Financial assets	(a)	(b)	(c)	(d)	(a) - (b) - (c) - (d)
Derivatives	2,329,936	1,583,556	756,919	36,453	(46,992)
Reverse repos	5,146,361	—	45,522	5,207,911	(107,071)
Total	**7,476,297**	**1,583,556**	**802,441**	**5,244,364**	**(154,063)**

Thousand euro

	2023				
	Financial liabilities subject to collateral agreements				
			Guarantee given		
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Cash	Securities	Net amount
Financial liabilities	(a)	(b)	(c)	(d)	(a) - (b) - (c) - (d)
Derivatives	1,709,657	1,583,556	280,306	358,000	(512,205)
Repos	11,065,324	—	144,461	11,608,411	(687,548)
Total	**12,774,981**	**1,583,556**	**424,767**	**11,966,411**	**(1,199,753)**

The values of derivative financial instruments which are settled through a clearing house as at 31 December 2024 and 2023 are indicated here below:

Thousand euro

	2024	2023
Derivative financial assets settled through a clearing house	1,366,479	1,604,983
Derivative financial liabilities settled through a clearing house	771,479	1,091,297

The philosophy behind counterparty credit risk management is consistent with the business strategy, at all times seeking to ensure the creation of value whilst maintaining a balance between risk and return. To this end, criteria have been established for controlling and monitoring counterparty credit risk arising from activity in financial markets, which ensure that the Bank can carry out its business activity whilst adhering to the risk thresholds approved by the Board of Directors.

The approach for quantifying counterparty credit risk exposure takes into account current and future exposure. Current exposure represents the cost of replacing a transaction at the present time and at market value in the event that a counterparty defaults. To calculate it, the current or Mark to Market (MtM) value of the transaction is required. The future exposure represents the risk that a transaction could potentially represent over a certain period of time, given the characteristics of the transaction and the market variables on which it depends. In the case of transactions carried out under a collateral agreement, the future exposure represents the possible fluctuation of the MtM between the time of default and the replacement of such transactions in the market. If the transaction is not carried out under a collateral agreement, it represents the possible changes in MtM throughout the life of the transaction.

Each day at close of business, all of the exposures are recalculated in accordance with the transaction inflows and outflows, changes in market variables and risk mitigation mechanisms established by the Group. Exposures are thus subject to daily monitoring and they are controlled in accordance with the limits approved by the Board of Directors. This information is included in risk reports for disclosure to the departments and areas responsible for their management and monitoring.

With regard to counterparty credit risk, the Group has different mitigation techniques. The main techniques are:

– Netting agreements for derivatives (ISDA and Spain's Framework Agreement for Financial Transactions (*Contrato Marco de Operaciones Financieras*, or CMOF)).

– Variation margin collateral agreements for derivatives (CSA and Annex 3 - CMOF), repos (GMRA, EMA) and securities lending (GMSLA).

– Initial margin collateral agreements for derivatives (CTA and SA).

Netting agreements allow positive and negative MtM to be aggregated for transactions with a single counterparty, in such a way that in the event of default, a single payment or collection obligation is established in relation to all of the transactions closed with that counterparty.

By default, the Group has netting agreements with all counterparties wishing to trade in derivatives.

Variation margin collateral agreements, as well as including the netting effect, also include the regular exchange of guarantees which mitigate the current exposure with a counterparty in respect of the transactions subject to such agreements.

In order to trade in derivatives or repos with financial institutions, the Group requires variation margin collateral agreements to be in place. Furthermore, for derivative transactions with these institutions, the Group is required to exchange variation margin collateral with financial counterparties pursuant to Delegated Regulation (EU) 2016/2251. The Group’s standard variation margin collateral agreement, which complies with the aforesaid regulation, is bilateral (i.e. both parties are obliged to deposit collateral) and includes the daily exchange of guarantees in the form of cash and in euros.

Initial margin collateral agreements include the provision of guarantees to mitigate the potential future exposure with a counterparty in respect of the transactions subject to such agreements.

The Group has initial margin collateral agreements in place for derivative transactions with financial institutions pursuant to Delegated Regulation (EU) 2016/2251.

3.4.2.9 Assets pledged in financing activities

As at the end of 2024 and 2023, there were certain financial assets pledged in funding operations, i.e. delivered as collateral or guarantees with respect to certain liabilities. These assets correspond mainly to loans linked to the issuance of mortgage covered bonds, public sector covered bonds and long-term asset-backed securities (see Note 19 and Schedule II). The remaining pledged assets are debt securities which are submitted in transactions involving assets sold under repurchase agreements, pledged collateral (loans or debt instruments) to access certain funding operations with central banks and all types of collateral provided to secure derivative transactions.

The issuing entity Banco Sabadell did not issue any public sector covered bonds in either 2024 or 2023.

The Bank has used part of its portfolio of loans and similar credit in fixed-income securities by transferring assets to various securitisation funds created for this purpose. Under current regulations, securitisations in which there is no significant risk transfer cannot be derecognised from the balance sheet.

The balance of the financial assets securitised under these programmes by the Bank, as well as other financial assets transferred, depending on whether they have been derecognised or retained in full on the balance sheet is as follows:

Thousand euro	2024	2023
Fully derecognised from the balance sheet:	**833,458**	**568,975**
Securitised mortgage assets	112,161	111,624
Other securitised assets	175,491	228,671
Other financial assets transferred	545,806	228,680
Fully retained on the balance sheet:	**5,271,452**	**5,364,150**
Securitised mortgage assets	4,271,914	4,899,726
Other securitised assets	999,538	464,424
Other transfers to credit institutions	—	—
Total	**6,104,910**	**5,933,125**

The assets and liabilities associated with securitisation funds of assets originated after 1 January 2004, and for which inherent risks and rewards of ownership have not been transferred to third parties, have been retained on the balance sheet. As at 31 December 2024 and 2023, there was no significant support from the Group for securitisations not held on the balance sheet.

Schedule II to these annual financial statements includes certain information regarding the securitisation funds.

3.4.3. Financial risks

Financial risk is defined as the possibility of obtaining inadequate returns or having insufficient levels of liquidity that prevent an institution from meeting future requirements and expectations.

3.4.3.1. Liquidity and funding risk

Liquidity risk refers to the possibility of losses being incurred as a result of the Institution being unable, albeit temporarily, to honour payment commitments due to a lack of liquid assets or due to its inability to access the markets to refinance debts at a reasonable cost. This risk may be associated with factors of a systemic nature or specific to the Institution itself.

In this regard, the Group aims to maintain a stock of liquid assets and a funding structure that, in line with its strategic objectives and based on its Risk Appetite Statement, allow it to honour its payment commitments as usual and at a reasonable cost, both under business-as-usual conditions and in a stress situation caused by systemic and/or idiosyncratic factors.

The fundamental pillars of Banco Sabadell's governance structure for liquidity management and control are the direct involvement of the governing body, Board committees and management bodies, following the model of three lines of defence, and a clear segregation of duties, as well as a clear-cut structure of responsibilities.

Liquidity management

Banco Sabadell's liquidity management seeks to ensure funding for its business activity at an appropriate cost and term while minimising liquidity risk. The Institution's funding policy focuses on maintaining a balanced funding structure, based mainly on customer deposits and supplemented with access to wholesale markets that allows the Group to maintain a comfortable liquidity position at all times.

The Group follows a structure based on Liquidity Management Units (LMUs) to manage its liquidity. Each LMU is responsible for managing its own liquidity and for setting its own metrics to control liquidity risk, working together with the Group's corporate functions. As at the end of December 2024, the LMUs are Banco Sabadell (includes Banco de Sabadell, S.A., which in turn includes activity in foreign branches, as well as the business in Mexico of Banco Sabadell S.A., I.B.M. (IBM) and SabCapital S.A. de C.V., SOFOM, E.R. (SOFOM)) and TSB.

In order to achieve these objectives, the Group's current liquidity risk management strategy is based on the following principles and pillars, in line with the LMUs' retail business model and the defined strategic objectives:

- Risk governance and involvement of the Board of Directors and Senior Management in managing and controlling liquidity risk. The Board of Directors has the highest level of responsibility for the oversight of liquidity risk, while the management bodies of the LMUs are in charge of transposing these strategies to their local areas of activity.
- Integration of the risk culture, based on prudent liquidity risk management and clear and consistent definitions of their terminology, and on its alignment with the Group's business strategy through the established risk appetite.
- Clear segregation of responsibilities and duties between the different areas and bodies within the organisation, with a clear-cut distinction between each of the three lines of defence, providing independence in the evaluation of positions and in risk assessment and control.
- Implementation of best practices in liquidity risk management and control, ensuring not only compliance with regulatory requirements but also, under a criterion of prudence, the availability of sufficient liquid assets to overcome possible stress events.
- Decentralised liquidity management system for the more significant units but with a centralised risk oversight and management system.
- Sound processes for the identification, measurement, management, control and disclosure of the different liquidity subrisks to which the Group is exposed.
- Holistic overview of risk, through first- and second-tier risk taxonomies, and complying with regulatory requirements, recommendations and guidelines.
- Existence of a transfer pricing system to transfer the cost of funding.
- Balanced funding structure with a predominance of customer deposits.
- Ample base of unencumbered liquid assets that can be used immediately to generate liquidity and which comprise the Group's first line of liquidity.
- Diversification of funding sources, with controlled use of short-term wholesale funding without having to depend on individual fund suppliers.
- Self-funding by the main banking subsidiaries outside Spain.
- Oversight of the balance sheet volume being used as collateral in funding operations.
- Maintenance of a second line of liquidity that includes the capacity to issue covered bonds.
- Alignment with the interests of stakeholders through regular public disclosure of liquidity risk information.
- Availability of a Liquidity Contingency Plan.

Tools/metrics for monitoring and controlling liquidity risk management

Banco Sabadell Group has a system of metrics and thresholds which are provided in the RAS and which define the appetite for liquidity risk, previously approved by the Board of Directors. This system enables liquidity risk to be assessed and monitored, ensuring the achievement of strategic objectives, adherence to the risk profile, as well as compliance with regulations and supervisory guidelines. Within the Group-level monitoring of liquidity metrics, there are metrics established at the Group level and calculated on a consolidated basis, metrics established at the Group level and rolled out to each Group LMU, as well as metrics established at the LMU level to reflect specific local characteristics.

Both the metrics defined in the Banco Sabadell Group RAS and those defined in the local RAS of subsidiaries are subject to governance arrangements relating to the approval, monitoring and reporting of threshold breaches, as well as remediation plans established in the RAF on the basis of the hierarchical level of each metric (these are classified into three tiers).

It should be mentioned that the Group has designed and implemented a system of Early Warning Indicators (EWIs) at the LMU level, which includes market and liquidity indicators adapted to the funding structure and business model of each LMU. The rollout of these indicators at the LMU level complements the RAS metrics and allows tensions in the local liquidity position and funding structure to be detected early, thereby facilitating the implementation of corrective measures and actions and reducing the risk of contagion between the different management units.

The risk of each LMU is also monitored on a daily basis through a report that measures daily changes in the funding needs of the balance sheet, daily changes in the outstanding balance of transactions in capital markets, as well as daily changes in the liquidity buffer maintained by each LMU.

The metrics reporting and control framework involves, among other things:

– Monitoring the RAS metrics and their thresholds on a consolidated basis, as well as those established for each LMU, in line with the established monitoring frequency.

– Reporting on the relevant set of metrics to the governing body, Board committees and management bodies, depending on the tiers into which those metrics have been classified.

– In the event a threshold breach is detected, activating the communication protocols and necessary plans for its resolution.

Within the Group’s overall budgeting process, Banco Sabadell plans its liquidity and funding requirements over different time horizons, which it aligns with the Group’s strategic objectives and risk appetite. Each LMU has a one-year and five-year funding plan in which they set out their potential funding needs and the strategy for their management, and they regularly analyse compliance with that plan, any deviations from the projected budget and the extent to which the plan is appropriate to the market environment.

In addition, Banco Sabadell regularly reviews the identification of liquidity risks and assesses their materiality. At least for all risks deemed material, there are specific management strategies and metrics in place that capture these risk components. It also conducts regular liquidity stress tests, which envisage a series of stress scenarios in the short and longer term, and it analyses their impact on the liquidity position and the main metrics in order to ensure that the existing exposures are consistent at all times with the established liquidity risk tolerance level.

The Institution also has an internal transfer pricing system to transfer the funding costs to business units.

Lastly, Banco Sabadell has a Liquidity Contingency Plan (LCP) in place, which sets forth the strategy for ensuring that the Institution has sufficient management capabilities and measures in place to minimise the negative impacts of a crisis situation on its liquidity position and to allow it to return to a business-as-usual situation. The LCP can be invoked in response to different crisis situations affecting either the markets or the Institution itself. The key components of the LCP include, among others: the definition of the strategy for its implementation, the inventory of measures available to generate liquidity in business-as-usual situations or in a crisis situation linked to the invocation of the LCP and a communication plan (both internal and external) for the LCP.

Residual maturity periods

The tables below show the breakdown, by contractual maturity, of certain pools of items on the balance sheet as at 31 December 2024 and 2023, under business-as-usual market conditions:

Thousand euro

	2024									
Time to maturity	**On demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
ASSETS										
Cash, balances at central banks and other demand deposits	2,397,802	9,424,790	21	291	1,542	67	—	51	6,721	11,831,284
Financial assets at fair value through other comprehensive income	—	297,007	19,955	489,453	1,118,404	307,283	1,410,290	44,143	2,399,277	6,085,813
Debt securities	—	297,007	19,955	489,453	1,118,404	307,283	1,410,290	44,143	2,399,277	6,085,813
Loans and advances	—	—	—	—	—	—	—	—	—	—
Customers	—	—	—	—	—	—	—	—	—	—
Financial assets at amortised cost	3,078,745	9,633,325	6,957,319	10,716,363	11,688,255	10,108,034	8,219,094	11,634,904	76,797,564	148,833,603
Debt securities	—	160,018	475,747	450,304	537,920	1,590,997	1,021,478	3,062,677	14,340,226	21,639,367
Loans and advances	3,078,745	9,473,307	6,481,572	10,266,059	11,150,334	8,517,037	7,197,616	8,572,227	62,457,338	127,194,236
Central banks	—	—	—	—	—	—	—	—	—	—
Credit institutions	756,033	4,322,884	1,774,734	2,852,359	2,713,404	1,075,103	659,507	303,508	138,545	14,596,078
Customers	2,322,711	5,150,423	4,706,839	7,413,700	8,436,930	7,441,935	6,538,109	8,268,718	62,318,792	112,598,158
Total assets	**5,476,547**	**19,355,122**	**6,977,295**	**11,206,107**	**12,808,201**	**10,415,384**	**9,629,384**	**11,679,098**	**79,203,562**	**166,750,700**
LIABILITIES										
Financial liabilities at amortised cost	108,417,096	8,143,587	7,778,794	19,422,467	6,755,251	2,724,359	3,103,374	4,720,096	7,500,537	168,565,561
Deposits	103,869,439	8,029,078	6,317,065	17,825,415	2,992,831	345,090	361,994	902,952	1,049,875	141,693,739
Central banks	—	—	—	—	—	—	—	—	—	—
Credit institutions	943,284	5,371,946	2,095,188	3,424,269	1,714,849	46,767	46,775	74,857	346,556	14,064,490
Customers	102,926,155	2,657,132	4,221,877	14,401,146	1,277,982	298,324	315,219	828,096	703,319	127,629,249
Debt securities issued	—	101,106	1,450,063	1,580,760	3,755,170	2,373,051	2,731,857	3,804,069	6,267,942	22,064,018
Other financial liabilities	4,547,657	13,404	11,667	16,292	7,250	6,217	9,523	13,075	182,720	4,807,804
Total liabilities	**108,417,096**	**8,143,587**	**7,778,794**	**19,422,467**	**6,755,251**	**2,724,359**	**3,103,374**	**4,720,096**	**7,500,537**	**168,565,561**
Trading and Hedging derivatives										
Receivable	—	9,078,559	7,335,536	20,930,324	8,384,518	4,581,240	5,519,001	7,371,642	35,490,620	98,691,440
Payable	—	17,890,740	7,426,890	23,253,917	8,493,778	4,779,580	8,211,411	7,514,474	35,273,490	112,844,280
Contingent risks										
Financial guarantees	640	53,084	115,909	481,218	185,154	87,792	43,746	39,348	2,848,960	3,855,851

Thousand euro

	2023									
Time to maturity	**On demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
ASSETS										
Cash, balances at central banks and other demand deposits	2,265,438	20,022,671	30	1,972	152	1,630	230	—	9,102	22,301,225
Financial assets at fair value through other comprehensive income	—	—	5,236	707,383	708,637	1,057,456	302,223	1,364,554	2,110,083	6,255,572
Debt securities	—	—	5,236	707,383	708,637	1,057,456	302,223	1,364,554	2,110,083	6,255,572
Loans and advances	—	—	—	—	—	—	—	—	—	—
Customers	—	—	—	—	—	—	—	—	—	—
Financial assets at amortised cost	3,580,424	5,056,861	5,540,990	11,518,549	9,489,181	8,887,128	8,864,589	8,234,458	73,521,223	134,693,403
Debt securities	—	—	280,622	1,081,793	928,217	366,969	1,606,715	1,092,281	12,908,174	18,264,771
Loans and advances	3,580,424	5,056,861	5,260,368	10,436,756	8,560,964	8,520,159	7,257,874	7,142,177	60,613,049	116,428,632
Central banks	—	—	—	—	—	—	—	—	—	—
Credit institutions	709,808	504,746	997,925	2,320,331	1,919,654	1,113,287	446,230	83,835	42,757	8,138,573
Customers	2,870,616	4,552,115	4,262,443	8,116,425	6,641,310	7,406,872	6,811,644	7,058,342	60,570,292	108,290,059
Total assets	**5,845,862**	**25,079,532**	**5,546,256**	**12,227,904**	**10,197,970**	**9,946,214**	**9,167,042**	**9,599,012**	**75,640,408**	**163,250,200**
LIABILITIES										
Financial liabilities at amortised cost	105,811,952	9,614,747	10,455,131	12,678,520	8,138,027	5,070,199	2,734,764	3,506,824	6,584,164	164,594,328
Deposits	101,349,947	8,877,125	8,922,883	9,731,792	5,599,932	1,311,842	356,202	765,357	938,566	137,853,646
Central banks	—	—	5,106,963	—	—	—	—	—	—	5,106,963
Credit institutions	1,054,792	5,967,265	691,160	1,986,944	1,771,487	957,314	64,082	56,501	406,190	12,955,735
Customers	100,295,155	2,909,860	3,124,760	7,744,848	3,828,445	354,528	292,120	708,856	532,376	119,790,948
Debt securities issued	—	698,938	1,522,986	2,931,601	2,528,733	3,752,252	2,374,367	2,737,720	5,482,716	22,029,313
Other financial liabilities	4,462,005	38,684	9,262	15,127	9,362	6,105	4,195	3,747	162,882	4,711,369
Total liabilities	**105,811,952**	**9,614,747**	**10,455,131**	**12,678,520**	**8,138,027**	**5,070,199**	**2,734,764**	**3,506,824**	**6,584,164**	**164,594,328**
Trading and Hedging derivatives										
Receivable	—	17,312,673	10,019,095	23,430,224	9,702,802	5,557,152	3,619,884	5,218,989	31,467,442	106,328,261
Payable	—	4,685,130	9,798,525	24,029,670	11,424,012	5,488,264	3,742,351	5,365,210	35,636,895	100,170,057
Contingent risks										
Financial guarantees	17,922	66,449	66,038	414,471	259,415	90,627	249,813	34,938	5,852,965	7,052,638

In this analysis, very short-term maturities traditionally represent funding requirements, as they include continuous maturities of short-term liabilities, which in typical banking activities see higher turnover rates than assets, but as they are continuously rolled over they actually end up satisfying these requirements and at times even result in the growth of outstanding balances.

Furthermore, the Group’s funding programmes in capital markets are systematically checked to ensure they can meet its short-, medium- and long-term needs.

With regard to the information included in these tables, it is worth highlighting that they show the residual term to maturity of the asset and liability positions on the balance sheet, broken down into different time brackets.

The information provided is static and does not reflect foreseeable funding needs.

It should also be noted that cash flow breakdowns in the parent company have not been deducted.

In order to present the contractual maturities of financial liabilities with certain particular characteristics, the parent company has taken the following approach:

- Transactions are placed in different time brackets according to their contractual maturity date.
- Demand liabilities are included in the "on demand" tranche, without taking into account their type (stable vs unstable).
- There are also contingent commitments which could lead to changes in liquidity needs. These are fundamentally credit facilities with amounts undrawn by the borrowers as at the balance sheet date. The Board of Directors also establishes limits in this regard for control purposes.
- Balances related to financial guarantee contracts have been included for the parent company, allocating the maximum amount of the guarantee to the earliest period in which the guarantee can be called.
- Funding in capital markets obtained through instruments that include clauses which could lead to accelerated repayment (instruments with clauses linked to a credit rating downgrade or puttables) is reduced in line with the Group's financial liabilities. It is for this reason that the estimated impact on the parent company would not be significant.
- As at 31 December 2024 and 2023, the Group had no instruments in addition to those regulated by master agreements associated with the arrangement of derivatives and repos/reverse repos.
- The Group does not have any instruments that allow the Institution to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares as at 31 December 2024 and 2023.

Funding strategy and evolution of liquidity in 2024

The Group's primary source of funding is customer deposits (mainly demand deposits and term deposits acquired through the branch network), supplemented with funding raised through interbank and capital markets in which the Institution has and regularly renews various short-term and long-term funding programmes in order to achieve an adequate level of diversification by type of product, term and investor. The Institution maintains a diversified portfolio of liquid assets that are largely eligible as collateral in exchange for access to funding operations with the European Central Bank (ECB).

On-balance sheet customer funds

On-balance sheet customer funds as at 31 December 2024 and 2023 are shown below by maturity:

Million euro / %

	Note	2024	3 months	6 months	12 months	>12 months	No mat.
Total on-balance sheet customer funds (*)		**127,533**	**7.0 %**	**5.1 %**	**5.6 %**	**1.7 %**	**80.6 %**
Term deposits and others		24,163	35.9 %	25.5 %	29.6 %	9.0 %	0.0 %
Demand deposits	18	102,850	0.0 %	0.0 %	0.0 %	0.0 %	100.0 %
Retail issues		520	41.9 %	57.5 %	0.6 %	0.0 %	0.0 %

(*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: straight bonds issued by Banco Sabadell, commercial paper and others.

Million euro / %

	Note	2023	3 months	6 months	12 months	>12 months	No mat.
Total on-balance sheet customer funds (*)		**120,518**	**6.7 %**	**2.8 %**	**3.9 %**	**3.5 %**	**83.1 %**
Term deposits and others		18,926	37.9 %	15.8 %	23.9 %	22.4 %	0.0 %
Demand deposits	18	100,184	0.0 %	0.0 %	0.0 %	0.0 %	100.0 %
Retail issues		1,408	53.8 %	30.9 %	14.7 %	0.6 %	0.0 %

(*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: straight bonds issued by Banco Sabadell, commercial paper and others.

Despite falling interest rates in the financial markets, the weight of term deposits and other deposits in the composition of on-balance sheet customer funds has increased.

Details of off-balance sheet customer funds managed by the Bank and those sold but not under management are provided in Note 25 to these annual financial statements.

In 2024, the funding gap turned positive, with a sharper increase in on-balance sheet customer funds than in gross performing loans to customers (excluding reverse repos), thus placing the Group's Loan-to-Deposit (LtD) ratio at 93.2% as at 2024 year-end (94.0% as at 2023 year-end).

Capital markets

In 2024, the level of funding in capital markets, through debt issuance and securitisations, increased. In order to keep an adequate level of own funds and eligible liabilities above the applicable regulatory requirement (Minimum Requirement for own funds and Eligible Liabilities, or MREL), the balance of senior non-preferred debt and subordinated debt also increased. The outstanding nominal balance of funding in capital markets, by type of product, as at 31 December 2024 and 2023, is shown below:

Million euro

	2024	2023
Outstanding nominal balance	**23,004**	**21,741**
Covered bonds	7,706	7,811
Commercial paper and ECP	*616*	*749*
Senior debt	4,293	4,250
Senior non-preferred debt	5,030	4,450
Subordinated debt and preferred securities	4,065	3,565
Asset-backed securities	1,294	916

Maturities of issues in capital markets, by type of product (excluding asset-backed securities and commercial paper), and considering their legal maturity, as at 31 December 2024 and 2023, are analysed below:

Million euro

	2025	2026	2027	2028	2029	2030	>2030	Balance outstanding
Mortgage bonds and covered bonds (*)	831	1,390	1,100	985	950	1,250	1,200	7,706
Senior debt (**)	1,000	—	500	750	1,293	750	—	4,293
Senior non-preferred debt (**)	500	1,317	18	500	1,500	500	695	5,030
Subordinated debt and preferred securities (**)	300	500	—	—	—	—	3,265	4,065
Total	**2,631**	**3,207**	**1,618**	**2,235**	**3,743**	**2,500**	**5,160**	**21,094**

(*) Secured issues.

(**) Unsecured issues.

Million euro

	2024	2025	2026	2027	2028	2029	>2029	Balance outstanding
Mortgage bonds and covered bonds (*)	1,850	836	1,390	1,100	985	950	700	7,811
Senior debt (**)	750	1,500	—	500	750	750	—	4,250
Senior non-preferred debt (**)	420	500	1,317	18	500	1,500	195	4,450
Subordinated debt and preferred securities (**)	—	—	500	—	—	—	3,065	3,565
Total	**3,020**	**2,836**	**3,207**	**1,618**	**2,235**	**3,200**	**3,960**	**20,076**

(*) Secured issues.

(**) Unsecured issues.

The Bank has a number of funding programmes in operation in capital markets, with a view to diversifying its different funding sources.

In terms of short-term funding, as at year-end the Bank had one commercial paper programme in operation, which governs the issuance of such securities and is aimed at institutional and retail investors. The Banco Sabadell Commercial Paper Programme for 2024, registered with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), has an issuance limit of 7 billion euros, which can be extended to 9 billion euros. As at 31 December 2024, the outstanding balance of the programme was 511 million euros (net of commercial paper subscribed by Group companies), compared with 1,383 million euros as at 31 December 2023.

Regarding medium- and long-term funding, the Institution has the following programmes in operation:

- Base Prospectus of Non-Equity Securities ("Fixed Income Programme") registered with the CNMV on 18 July 2024, with an issuance limit of 10 billion euros, which permits the issuance of instruments under Spanish law through the CNMV aimed at institutional and retail investors, both domestic and foreign. More specifically, the programme regulates the issuance of straight, non-preferred or structured bonds and debentures, in addition to mortgage covered bonds and public sector covered bonds (European guaranteed bonds, also known as premium covered bonds). As at 31 December 2024, the limit available for new issues under the Banco Sabadell Programme for the issuance of non-equity securities for 2024 is 7.75 billion euros (as at 31 December 2023, the available limit under the Fixed Income Programme for 2023 was 9.8 billion euros).

  In 2024, Banco Sabadell carried out two public issues of mortgage covered bonds under the Fixed Income Programme in effect at the time amounting to a total of 1.75 billion euros.

Million euro

	ISIN code	Type of investor	Issue date	Amount	Term (years)
Mortgage Covered Bonds 2/2024	ES0413860851	Institutional	5/6/2024	1,000	10
Mortgage Covered Bonds 3/2024	ES0413860877	Institutional	15/10/2024	750	5.5

- Euro Medium Term Notes (EMTN) Programme, registered with the Irish Stock Exchange on 14 May 2024 and renewed on 24 July and 8 November 2024. This programme allows senior debt (preferred and non-preferred) and subordinated debt to be issued in various currencies, with a maximum limit of 20 billion euros.

  In 2024, Banco Sabadell carried out five issues under the EMTN Programme, amounting to a total of 2,793 million euros: two issues of senior preferred debt, one of them issued for the first time in GBP amounting to 450 million pounds, two issues of senior non-preferred debt and one subordinated debt issue. The issues executed by Banco Sabadell over the year are indicated here below (showing the legal maturity period in the case of issues with an early redemption option):

Million euro

	ISIN code	Type of investor	Issue date	Amount	Term (years)
Senior Debt 1/2024	XS2745719000	Institutional	15/1/2024	750	6
Green Senior Non-Preferred Debt 1/2024	XS2782109016	Institutional	13/3/2024	500	6.5
Subordinated Debt 1/2024	XS2791973642	Institutional	27/3/2024	500	10.25
Senior Debt 2/2024 (GBP)	XS2898158485	Institutional	13/9/2024	543	5
Green Senior Non-Preferred Debt 2/2024	XS2947089012	Institutional	27/11/2024	500	6.5

In 2024, having obtained the corresponding authorisation, Banco Sabadell exercised the early redemption option on the Senior Debt 2/2019 series amounting to 500 million euros on 7 November 2024. Furthermore, having obtained the corresponding authorisation, Banco Sabadell released an announcement to the market in November regarding the early redemption of the Subordinated Debt 1/2020 series in the amount of 300 million euros, which took place on 17 January 2025.

In relation to traditional format asset securitisation:

- The Bank is active in this market and has various securitisation programmes, sometimes acting together with other institutions, granting mortgage loans, loans to small and medium-sized enterprises and consumer loans.

- There are currently 16 outstanding traditional asset securitisation transactions fully recognised on the balance sheet. A portion of the securities issued by securitisation funds have been placed in the capital markets and the remainder have been kept in the Bank's portfolio. Of the latter, the securities eligible for funding operations with the central bank are pledged in the credit facility held by Banco Sabadell with the central bank. As at 31 December 2024, the nominal balance of asset-backed securities placed on the market was 1,294 million euros.

- On 26 September 2024, the traditional securitisation Sabadell Consumo 3, F.T. carried out by Banco Sabadell under its consumer loan securitisation programme was paid out. This is the third operation of the programme enabling the credit risk of a 750 million euro consumer loan portfolio to be financed and transferred. The issue consists of seven classes of bonds that were placed on the market, with the exception of the first loss tranche of 9.2 million euros to fund the reserve fund and initial expenses, and 76.3 million euros from the senior series which was subscribed by Banco de Sabadell, S.A.

Following the maturity in March 2024 of 5 billion euros corresponding to the TLTRO III facility, as at 2024 year-end the balance drawn from funding operations with the European Central Bank was nil.

Liquid assets

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

Million euro

	2024	2023
Cash(*) + Net interbank position	12,668	25,036
Available in Bank of Spain facility	20,466	15,363
ECB eligible assets not pledged in facility	*20,812*	*11,419*
Other non-ECB eligible marketable assets (**)	*6,643*	*6,740*
Memorandum item:		
Balance drawn from Bank of Spain facility (***)	—	5,000
Balance drawn from Bank of England Term Funding Scheme (****)	1,670	4,608
Total Liquid Assets Available	**60,589**	**58,558**

(*) Surplus of reserves and Marginal Deposit Facility in central banks.

(**) At market value and after applying the Liquidity Coverage Ratio (LCR) haircut. Includes fixed income considered as a high-quality liquid asset in accordance with LCR (HQLA) and other marketable assets from various Group companies.

(***) Correspond to TLTRO-III facility.

(****) As at year-end 2024, includes 1,385 million pounds to support Small and Medium-sized Enterprises (TFSME). As at year-end 2023, included 4,000 million pounds from the TFSME and 5 million pounds from the ILTR.

In 2024, the balance of reserves and of the marginal deposit facility in central banks and the net interbank position showed a decline of 12,368 million euros, while the volume of ECB-eligible liquid assets increased by 14,496 million euros and the available non-ECB eligible assets decreased by 97 million euros, thus raising the first line of liquidity by 2,031 million euros in the year, with the positive funding gap and increased wholesale issues placed with institutional customers, as well as the repayment of central bank funding operations, standing out as positive factors.

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

In addition to the first line of liquidity, each LMU monitors its liquidity buffer using an internal conservative criterion called the counterbalancing capacity. In the case of the Banco Sabadell LMU (includes Banco de Sabadell, S.A., which in turn includes activity in foreign branches, as well as the business in Mexico of Banco de Sabadell, S.A.), this liquidity buffer comprises the first and second lines of liquidity. As at 31 December 2024, the second line of liquidity added a volume of 12,418 million euros to the liquidity buffer, including the covered bond issuing capacity, considering the average valuation applied by the central bank to own-use covered bonds to obtain funding, as well as the deposits held in other financial institutions and immediately available for the business in Mexico not included in the first line of liquidity.

In the TSB LMU, this metric is the sum of the first line of liquidity plus loans prepositioned with the Bank of England in order to obtain funding. As at 31 December 2024, the second line of liquidity, considering the amount of loans prepositioned with the Bank of England, amounts to 6,703 million euros (4,936 million euros as at 31 December 2023).

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

Compliance with regulatory ratios

As part of its liquidity management, Banco Sabadell Group monitors the short-term Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), reporting the necessary information to the regulator on a monthly and quarterly basis, respectively. The measurement of liquidity based on these metrics forms part of the liquidity risk oversight process in the set of LMUs.

In terms of the LCR, since 1 January 2018, the regulatory required minimum LCR has been 100%, a level amply surpassed by all of the Group's LMUs. At the Group level, throughout the year, the LCR has consistently been well above 100%. As at 31 December 2024, the LCR stood at 248% for Banco Sabadell Spain.

In terms of the NSFR, the regulatory minimum requirement, effective from June 2021, is 100%, a level amply surpassed by all LMUs of the Institution given their funding structure, in which customer deposits are predominant and where the majority of market funding is in the medium/long term. As at 31 December 2024, the NSFR stood at 137% for Banco Sabadell Spain.

As at 31 December 2024, Banco Sabadell had outstanding issues of mortgage covered bonds amounting to 15,776 million euros (15,876 million euros as at 31 December 2023), which are secured by eligible mortgage loans and credit in the amount of 24,567 million euros (24,677 million euros at 31 December 2023). As at 31 December 2024, the mortgage covered bonds therefore had an overcollateralisation ratio of 156% (161% as at 31 December 2023), with all their collateral denominated in euros. More information can be found on the Group's corporate website (www.grupbancsabadell.com), in section "Shareholders and Investors - Fixed income investors".

3.4.3.2. Market risk

Market risk is defined as the risk of financial instrument positions losing some or all of their market value due to changes in risk factors affecting their market price or quotations, their volatility, or the correlations between them.

Positions that generate market risk are usually held in connection with trading activity, which consists of the hedging transactions arranged by the Bank to provide services to its customers as well as discretionary proprietary positions.

Market risk can also arise from the mere maintenance of overall (also known as structural) balance sheet positions that in net terms are left open. This risk is addressed in the sections on structural risks.

The items of the balance sheet as at 31 December 2024 and 2023 are shown below, making a distinction between positions included in trading activity and other positions. In the case of items not included in trading activity, their main risk factor is indicated:

Thousand euro

31/12/2024	On-balance sheet balance	Trading activity	Other	Main market risk factor in "Other"
Assets subject to market risk	**184,332,055**	**2,615,848**	**181,716,207**	
Cash, cash balances at central banks and other demand deposits	11,831,284	—	11,831,284	Interest rate
Financial assets held for trading	2,616,270	2,615,848	422	Interest rate; credit spread
Non-trading financial assets mandatorily at fair value through profit or loss	132,074	—	132,074	Interest rate; credit spread
Financial assets at fair value through other comprehensive income	6,171,009	—	6,171,009	Interest rate; credit spread
Financial assets at amortised cost	148,833,603	—	148,833,603	Interest rate
Derivatives – Hedge accounting	872,559	—	872,559	Interest rate
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(206,216)	—	(206,216)	Interest rate
Investments in joint ventures and associates	6,220,781	—	6,220,781	Equity
Other assets	7,860,691	—	7,860,691	—
Liabilities subject to market risk	**171,526,239**	**1,292,292**	**170,233,947**	
Financial liabilities held for trading	1,379,618	1,292,292	87,326	Interest rate
Derivatives – Hedge accounting	647,884	—	647,884	Interest rate
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(64,714)	—	(64,714)	Interest rate
Financial liabilities at amortised cost	168,565,561	—	168,565,561	Interest rate
Other liabilities	997,890	—	997,890	—
Equity	**12,805,816**	**—**	**12,805,816**	

Thousand euro

31/12/2023	On-balance sheet balance	Trading activity	Other	Main market risk factor in "Other"
Assets subject to market risk	**179,945,913**	**1,731,724**	**178,214,189**	
Cash, cash balances at central banks and other demand deposits	22,301,225	—	22,301,225	Interest rate
Financial assets held for trading	1,731,823	1,731,724	99	Equity
Non-trading financial assets mandatorily at fair value through profit or loss	149,792	—	149,792	Interest rate; credit spread
Financial assets at fair value through other comprehensive income	6,329,974	—	6,329,974	Interest rate
Financial assets at amortised cost	134,693,403	—	134,693,403	Interest rate; credit spread
Derivatives – Hedge accounting	896,227	—	896,227	Equity
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(389,403)	—	(389,403)	—
Investments in joint ventures and associates	5,944,643	—	5,944,643	—
Other assets	8,288,229	—	8,288,229	—
Liabilities subject to market risk	**167,930,652**	**1,689,953**	**166,240,699**	
Financial liabilities held for trading	1,718,159	1,689,953	28,206	—
Derivatives – Hedge accounting	835,204	—	835,204	—
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(323,973)	—	(323,973)	—
Financial liabilities at amortised cost	164,594,328	—	164,594,328	—
Other liabilities	1,106,934	—	1,106,934	—
Equity	**12,015,261**	**—**	**12,015,261**	

The market risk acceptance, management and oversight system is based on managing positions expressly assigned to different trading desks and establishing limits for each one, in such a way that the different trading desks have the obligation to always manage their positions within the limits established by the Board of Directors and the Investments and Liquidity Committee. Market risk limits are aligned with the Group's targets and Risk Appetite Framework.

Trading activity

The main market risk factors considered by the Group in its trading activity are the following:

- Interest rate risk: risk associated with the possibility of interest rate fluctuations adversely affecting the value of a financial instrument. This is reflected, for example, in transactions involving interbank deposits, fixed income and interest rate derivatives.

- Credit spread risk: this risk arises from fluctuations in the credit spreads at which instruments are quoted with respect to other benchmark instruments, such as interbank interest rates. This risk occurs mainly in fixed-income instruments.

- Foreign exchange risk: risk associated with the fluctuation of exchange rates with respect to the functional currency. In the case of Banco Sabadell, the functional currency is the euro. This risk occurs mainly in currency exchange transactions and currency derivatives.

- Equity price risk: risk arising from fluctuations in the value of capital instruments (shares and quoted indices). This risk is reflected in the market prices of the securities and their derivatives.

Changes in commodities prices have not had an impact in the year, as the Group has residual (both direct and underlying) exposures.

Market risk incurred in trading activity is measured using the VaR and stressed VaR methodologies, which allows risks to be standardised across different types of financial market transactions.

VaR provides an estimate of the maximum potential loss associated with a position due to adverse, but normal, movements of one or more of the identified parameters generating market risk. This estimate is expressed in monetary terms and refers to a specific date, a particular level of confidence and a specified time horizon. A 99% confidence interval is used. Due to the low complexity of the instruments and the high level of liquidity of the positions, a time horizon of 1 day is used.

The methodology used to calculate VaR is historical simulation. The advantages of this methodology are that it is based on a full revaluation of transactions under recent historical scenarios, and that no assumptions need to be made as regards the distribution of market prices. The main limitation to this methodology is its reliance on historical data, given that, if a possible event has not materialised within the range of historical data used, it will not be reflected in the VaR data.

The reliability of the VaR methodology used can be verified using backtesting techniques, which serve to verify that the VaR estimates fall within the confidence level considered. Backtesting consists of comparing daily VaR against daily results. If losses exceed the VaR level, an exception occurs. No backtesting exceptions occurred in 2024 or 2023.

Stressed VaR is calculated in the same way as VaR but with a historical insight into variations of the risk factors in stressed market conditions. These stressed conditions are determined on the basis of currently outstanding transactions, and may vary if the portfolios' risk profile changes. The methodology used for this risk measurement is historical simulation.

Market risk monitoring is supplemented with additional measurements such as risk sensitivities, which refer to a change in the value of a position or portfolio in response to a change in a particular risk factor, and also with the calculation of management results, which are used to monitor stop-loss limits.

Furthermore, specific simulation exercises are carried out considering extreme market scenarios (stress testing). These exercises consist of revaluing the portfolios in scenarios to which different assumptions are applied. Broadly speaking there are two types of scenarios: on one hand, historical scenarios, developed based on historical events that have occurred in the markets in the past and which are relevant to the current position of the portfolios (e.g. the global financial crisis or the Covid-19 crisis) and, on the other hand, hypothetical scenarios, which consider theoretical shifts in risk factors, such as shifts in yield curves, credit spreads or exchange rates, as well as movements in these factors resulting from the application of different macroeconomic forecasts determined based on the current situation. As at the end of December 2024, the impact of the most adverse scenario considered was a loss of 16.4 million euros.

Market risk is monitored on a daily basis and reports are made to supervisory bodies on the existing risk levels and on the compliance with the limits set forth by the Investments and Liquidity Committee for each trading desk (limits based on nominal value, VaR and sensitivity, as applicable). This makes it possible to keep track of changes in exposure levels and measure the contribution of market risk factors.

The market risk incurred on trading activity in terms of 1-day VaR with a 99% confidence interval for 2024 and 2023 was as follows:

Million euro

	2024			2023		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	1.75	5.29	0.87	1.98	3.96	1.00
Exchange rate (trading position)	0.82	2.04	—	2.26	2.52	1.79
Equity	—	—	—	—	—	—
Credit spread	0.30	0.79	0.10	0.27	0.72	0.09
Aggregate VaR	**2.87**	**7.51**	**1.10**	**4.51**	**5.93**	**3.25**

In 2024, the overall VaR figures for trading activity decreased, mainly in exchange rates due to a lower exposure to this factor.

3.4.3.3. Structural interest rate risk and credit spread risk

Structural interest rate risk is defined as the current or future risk to both the income statement (revenues and expenses) and the economic value (present value of assets, liabilities and off-balance sheet positions) arising from adverse movements in interest rates that affect interest rate-sensitive instruments in non-trading activities (also known as Interest Rate Risk in the Banking Book, or IRRBB).

Credit Spread Risk in the Banking Book (CSRBB) refers to potential losses in the economic value of an institution's equity and earnings driven changes in the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which are not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk. In other words, it captures how the credit spread fluctuates within a certain credit rating/PD range.

The Group's management of these risks pursues two fundamental objectives:

- Stabilise and defend net interest income, preventing interest rate fluctuations and movements in credit spreads from causing excessive changes to the budgeted NII.
- Minimise the volatility of the economic value of equity, this perspective being complementary to that of NII.

Interest rate risk and credit spread risk are managed through a Group-wide approach on the basis of the RAS, approved by the Board of Directors. A decentralised model is followed based on Balance Sheet Management Units (BSMUs). In coordination with the Group's corporate functions, each BSMU has the autonomy and capability to carry out risk management and control duties.

The Group's current interest rate risk and credit spread risk management strategy is based on the following principles in particular, in line with the business model and the defined strategic objectives:

- Each BSMU has appropriate tools and robust processes and systems in place to adequately identify, measure, manage, control and report on IRRBB and CSRBB, following the main criteria defined by the Group's internal methodologies. This makes it possible to obtain information about all of the identified sources of IRRBB and CSRBB, assess their effect on the net interest income and the economic value of equity and measure the vulnerability of the Group/BSMU in the event of potential losses arising from IRRBB and CSRBB under different scenarios affecting the interest rate and credit spread curves.
- At the corporate level, a series of limits are established for overseeing and monitoring IRRBB and CSRBB exposure levels, which are aligned with internal risk tolerance policies. However, each BSMU has the autonomy and structure required to properly manage and control IRRBB and CSRBB. Specifically, each BSMU has sufficient autonomy to choose the management target that it will pursue, although all BSMUs should follow the principles and critical parameters set by the Group, adapting them to the specific characteristics of the region in which they operate.
- The existence of a transfer pricing system.

- The set of systems, processes, metrics, limits, reporting arrangements and governance arrangements included within the IRRBB and CSRBB strategy must comply with regulatory precepts at all times.

As defined in the IRRBB and CSRBB Management and Control Policy, the first line of defence is undertaken by the various BSMUs, which report to their respective local Asset and Liability Committees. Their main role is to manage interest rate risk and credit spread risk, ensuring they are assessed on a recurrent basis through management and regulatory metrics, taking into account the modelling of the various balance sheet totals and the level of risk taken.

The metrics developed to control and monitor the Group's structural interest rate risk and credit spread risk are aligned with best market practice, implemented consistently in all BSMUs, based on the results obtained from the exercise carried out to identify subrisks and assess their materiality, and monitored on an ongoing basis by each of the local and Group asset and liability committees. The diversification effect between currencies and BSMUs is taken into account when disclosing overall figures.

A) Interest rate risk

The Group identifies five subrisks when managing interest rate risk:

- Repricing risk arises from differences in the timing of rate changes of interest rate-sensitive instruments, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel shifts).

- Curve risk arises from differences in the timing of rate changes of interest rate-sensitive instruments, covering changes to the term structure of interest rates occurring differentially by period (non-parallel shifts).

- Basis risk includes the risk arising from the impact of relative changes in interest rates on instruments that have similar tenors but are re-priced using different interest rate indices.

- Automatic option risk comprises the risk arising from automatic options (e.g. lending floors and caps), both embedded and explicit, in which the Balance Sheet Management Unit (BSMU) or its customer can alter the level and timing of their cash flows and in which the holder will almost certainly exercise the option when it is in their financial interest to do so.

- Behavioural option risk arises from flexibility embedded implicitly within the terms of certain financial contracts, which allow changes in interest rates to effect a change in the behaviour of the customer.

The main calculations performed by the Group on a monthly basis are the following:

- Interest rate gap: static metric showing the breakdown of maturities and repricing of sensitive balance sheet items. This metric compares the values of assets that are due to be repriced or that mature in a given period and the liabilities that mature or are to be repriced in that same period.

- Duration analysis: a static metric based on the allocation of all flows of principal and interest of pools of interest rate-sensitive instruments into time buckets. The duration of each pool is calculated from the change of its net present value due to a 1 basis point parallel shift of the yield curve. This gives the duration of both assets and liabilities.

- Net Interest Income (NII) sensitivity: dynamic metric that measures the impact of changes in interest rates over different time horizons. It is obtained by comparing net interest income over a given time horizon in the baseline scenario, which is the one obtained from market-implied interest rates, against the one obtained in an instantaneous shock scenario, always considering the result obtained in the least favourable scenario. This metric supplements the economic value of equity sensitivity.

- Economic Value of Equity (EVE) sensitivity: static metric that measures the impact of changes in interest rates. It is obtained by comparing the economic value of the balance sheet in the baseline scenario against the one obtained in an instantaneous shock scenario, always considering the result obtained in the least favourable scenario. This is done by calculating the present value of interest rate-sensitive items as an updated risk-free interest rate curve, on the reference date, of future payments of principal and interest without taking into account commercial margins, in line with the Group's IRRBB management strategy. This metric supplements the NII sensitivity.

- A sensitivity metric that combines the two previous metrics: the effect of changes in value of instruments recognised directly through profit or loss or through equity is added to NII sensitivity.

In the quantitative interest rate estimations made by each BSMU, a series of interest rate scenarios are designed which allow the different sources of risk mentioned above to be identified. These scenarios include, for each significant currency, parallel shifts and non-parallel shifts of the interest rate curve. Based on these, sensitivity is calculated as the difference resulting from:

- Baseline scenario: movements in market interest rates based on implicit interest rates.

- Stressed scenario: a shift in interest rates in relation to the baseline scenario, with the extent of this shift varying depending on the scenario to be calculated. A post-shock interest rate floor is applied, starting at -150 basis points for immediate maturities and increasing by 3 basis point intervals, eventually reaching 0% after 50 years or more.

In addition, in the annual planning exercises, measurements are made that include assumptions regarding the balance sheet's evolution based on the scenarios used for the forecasts of the Group's Financial Plan, which consider different interest rates, volumes and margins.

Furthermore, in accordance with the Group's corporate principles, all BSMUs regularly carry out stress tests, which allow them to forecast high-impact situations with a low probability of occurrence that could place BSMUs in a position of extreme exposure to interest rate risk, and they also consider mitigating actions for such situations. The stress test is complemented with reverse stress tests which aim to identify the scenarios capable of producing a particular impact within a pre-established range of values.

The following table gives details of the Institution's interest rate gap based on maturities and interest rate revisions, excluding valuation adjustments, as at 31 December 2024 and 2023:

Thousand euro

	2024								
Time to maturity or repricing	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**TOTAL**
Money Market	16,671,230	1,901,411	2,391,070	1,794,318	200,000	—	—	23,351	**22,981,380**
Loans and advances	15,152,138	17,660,416	30,433,350	9,821,490	7,105,644	5,177,852	4,493,363	22,177,860	**112,022,113**
Debt securities	644,393	2,245,137	745,096	2,157,033	2,864,441	2,338,352	3,691,156	12,900,852	**27,586,460**
Other assets									**—**
Total assets	**32,467,761**	**21,806,964**	**33,569,516**	**13,772,841**	**10,170,085**	**7,516,204**	**8,184,519**	**35,102,063**	**162,589,953**
Money Market	5,877,511	2,069,878	3,182,854	1,216,926	—	—	—	—	**12,347,169**
Customer deposits	35,662,318	6,109,201	18,913,999	9,015,399	8,039,644	8,022,343	8,465,250	30,667,304	**124,895,458**
Issues of marketable securities	797,817	3,633,846	2,412,664	3,457,000	3,118,100	4,235,000	3,242,705	2,460,025	**23,357,157**
Of which: Subordinated liabilities	300,000	—	—	1,500,000	750,000	1,000,000	500,000	15,025	***4,065,025***
Other liabilities	463,790	591,493	519,626	(230,649)	(27,136)	(12,381)	(437,615)	534,823	**1,401,951**
Total liabilities	**42,801,436**	**12,404,418**	**25,029,143**	**13,458,676**	**11,130,608**	**12,244,962**	**11,270,340**	**33,662,152**	**162,001,735**
Hedging derivatives	**1,310,733**	**(3,088,616)**	**4,314,645**	**2,021,197**	**1,680,750**	**461,250**	**1,956,955**	**(8,455,650)**	**201,264**
Interest rate gap	**(9,022,942)**	**6,313,930**	**12,855,018**	**2,335,362**	**720,227**	**(4,267,508)**	**(1,128,866)**	**(7,015,739)**	**789,482**

Thousand euro

	2023								
Time to maturity or repricing	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**TOTAL**
Money Market	23,177,700	664,785	1,820,033	1,648,692	571,125	6,597	—	—	27,888,932
Loans and advances	14,680,748	16,838,603	31,942,158	9,000,220	7,176,115	5,138,082	3,818,980	18,818,624	107,413,530
Debt securities	369,930	1,880,110	1,417,314	1,534,115	1,369,823	1,982,663	2,962,985	13,030,444	24,547,384
Other assets	—	—	—	—	—	—	—	—	—
Total assets	**38,228,378**	**19,383,498**	**35,179,505**	**12,183,027**	**9,117,063**	**7,127,342**	**6,781,965**	**31,849,068**	**159,849,846**
Money Market	11,117,948	1,058,899	1,894,799	1,724,586	439,417	—	—	—	16,235,649
Customer deposits	33,464,816	4,887,400	13,058,687	10,859,871	7,979,481	7,880,174	8,307,497	30,976,478	117,414,404
Issues of marketable securities	752,336	4,011,953	2,392,849	3,908,110	3,457,000	3,118,100	3,735,000	1,660,025	23,035,373
Of which: Subordinated liabilities	—	—	—	300,000	1,500,000	750,000	500,000	515,025	*3,565,025*
Other liabilities	48,661	133,257	232,342	152,773	138,920	121,899	110,203	615,072	1,553,127
Total liabilities	**45,383,761**	**10,091,509**	**17,578,677**	**16,645,340**	**12,014,818**	**11,120,173**	**12,152,700**	**33,251,575**	**158,238,553**
Hedging derivatives	**1,352,964**	**(3,024,776)**	**2,863,365**	**4,239,622**	**1,211,678**	**1,475,052**	**292,115**	**(8,410,020)**	**—**
Interest rate gap	**(5,802,419)**	**6,267,213**	**20,464,193**	**(222,691)**	**(1,686,077)**	**(2,517,779)**	**(5,078,620)**	**(9,812,527)**	**1,611,293**

The following tables show the interest rate risk levels in terms of the sensitivity of the main currencies, as at 2024 year-end, to the most frequently used interest rate scenarios in the sector:

	Instant and parallel interest rate increase	
	100 bp	**200 bp**
Interest rate sensitivity	**Impact on net interest margin (*)**	**Impact on economic value of equity (**)**
EUR	0.0%	(3.1)%
GBP	0.3%	(0.1)%
USD	0.6%	(0.2)%
MXN	0.1%	0.0%

(*) Percentage calculated on the basis of net interest income at 12 months.

(**) Percentage calculated on the basis of shareholders' equity.

	Instant and parallel interest rate decrease	
	100 bp	**200 bp**
Interest rate sensitivity	**Impact on net interest margin (*)**	**Impact on economic value of equity (**)**
EUR	(1.3)%	1.2%
GBP	(0.3)%	0.1%
USD	(0.6)%	0.2%
MXN	0.0%	0.0%

(*) Percentage calculated on the basis of net interest income at 12 months.

(**) Percentage calculated on the basis of shareholders' equity.

The metrics are calculated taking into account the behavioural assumptions concerning items with no contractual maturity and those whose expected maturity is different from the maturity established in the contracts, in order to obtain a view that is more realistic and, therefore, more effective for management purposes. The most significant of these include:

- Prepayment of the loan portfolio and early termination of term deposits (embedded optionality): in order to reflect customers' reactions to interest rate fluctuations, prepayment/early termination assumptions are defined, broken down by type of product. To that end, the Institution uses historical data to ensure alignment with best market practice. The evolution of market interest rates can prompt customers to pay off their loans or withdraw term deposits early, altering the future evolution of balances with respect to that envisaged according to the contractual schedule. Prepayment mainly affects fixed-rate mortgages when their contractual interest rates are high compared to market interest rates.

- Modelling of demand deposits and other liabilities with no contractual maturity: a model has been defined using historical monthly data to reproduce customer behaviour, establishing parameters concerning the deposits' stability, the percentage of interest rate movements that is passed through to the interest paid on the deposits and the delay with which this occurs, depending on the type of product (type of account/transactionality/interest paid) and the type of customer (retail/ wholesale). The model captures the effect of low interest rates on the stability of deposits, as well as the potential migration to other deposits that earn more interest in different interest rate scenarios.

- Modelling of non-performing lending items: a model has been defined that enables the expected cash flows associated with non-performing positions (net of provisions, i.e. those expected to be recovered) to be included within pools of interest rate-sensitive items. To that end, both existing balances and estimated recovery periods have been included.

The process for approving and updating IRRBB models is part of the corporate governance arrangements for models, whereby these models are reviewed and validated by a division that is always separate from the division that created them. This process is described in the corresponding model risk policy and establishes both the responsibilities of the different areas involved in the models and the internal validation framework to be followed, the monitoring requirements established on the basis of their materiality and the backtesting processes.

Regarding the measurement systems and tools used, all sensitive transactions are identified and recorded taking into account their interest rate characteristics, the sources of information being the official ones of the Institution. These transactions are aggregated according to predefined criteria, so that calculations can be made faster without undermining the quality or reliability of the data. The entire data process is subject to the requirements of information governance and data quality, to ensure compliance with the best practices in relation to information governance and data quality. Additionally, a regular process is carried out to reconcile the information uploaded onto the measurement tool against accounting information. The calculation tool includes sensitive transactions and its parameters are also configured to reflect the result of the behavioural models described above, the volumes and prices of the new business, defined according to the Financial Plan, and the interest rate curves on which the aforesaid scenarios are built.

Based on the balance sheet position and the market situation and outlooks, mitigation strategies are proposed and agreed upon to adapt this position to the one desired by the Group and to ensure it remains within the established risk appetite. Interest rate instruments additional to the natural hedges of balance sheet items are used as mitigation techniques, such as fixed-income bond portfolios or hedging derivatives that enable metrics to be placed at levels in keeping with the Institution's risk appetite. In addition, proposals can be put forward to redefine the interest rate characteristics of commercial products or the launch of new products.

Derivatives, mainly Interest Rate Swaps (IRS), which qualify as hedges for accounting purposes, are arranged in financial markets to be used as risk hedging instruments. Two separate types of macro-hedges are used:

- Cash flow macro-hedges of interest rate risk, the purpose of which is to reduce net interest income volatility due to changes in interest rates over a one-year time horizon.

- Fair value macro-hedges of interest rate risk, the purpose of which is to maintain the economic value of the hedged items, consisting of fixed-rate assets and liabilities.

For each type of macro-hedge, there is a framework document that includes the hedging strategy, defining it in terms of management and accounting and establishing its governance arrangements.

In Banco Sabadell, as part of the continuous improvement process, structural interest rate risk management and monitoring activities are implemented and regularly updated, aligning the Institution with best market practice and current regulations. In particular, throughout 2024 work has continued on the review and continuous improvement of the systems and behavioural models in accordance with the guidelines established by the EBA. Among other things, some of the improvements worth noting are the update of the key behavioural modelling assumptions for demand deposits, taking sufficiently large time series data to capture periods of both rising and falling interest rate stress, obtaining different results based on the different interest rate scenarios modelled, and their recurrent monitoring to ensure the appropriateness of those assumptions.

In 2024, the Bank's loan book has continued to trend towards a higher proportion of fixed-rate transactions (mainly mortgages and business loans), while on the liabilities side, balances of interest-bearing demand deposits and term deposits have increased whilst the balance of non-interest-bearing demand deposits has decreased, all while keeping costs at low levels relative to the trend of interest rates over the year. In addition, other balance sheet variations in 2024 included the increase of the fixed-income portfolio on the asset side, which acts as a balance sheet management and coverage lever, and the implementation of management actions to defend net interest income against a backdrop of interest rate cuts.

With regard to interest rates, in 2024 benchmark interest rates decreased in all currencies, affecting the euro in particular, with the 12-month Euribor, for example, standing at 2.46% as at 2024 year-end, 1.05% lower than as at 2023 year-end. The deposit facility rate of the European Central Bank (ECB) ended the year at 3% (decrease of 100 basis points over the year), while the base rate of the Bank of England (BoE) ended at 4.75% (decrease of 50 basis points over the year). The scenario envisaged in the short/medium term will likely involve a reduction in central bank rates as inflation continues to fall back gradually, and it is therefore expected that Euribor levels will remain slightly below those at 2024 year-end. In this respect, it is expected that the cost of customer funds will remain contained even though balances of interest-bearing products continue to grow.

Taking into account the balance sheet variations detailed above, as well as episodes of volatility and variations in the benchmark interest rates of all the Group's material currencies, the IRRBB metrics have been affected during the year, although the measures taken have allowed the Group's IRRBB metrics to be kept within the risk appetite and below the levels considered significant under current legislation.

Furthermore, the Group continues to monitor customer behaviour in reaction to interest rate cuts or variations of other economic variables (unemployment rates, gross domestic product, etc.), in order to anticipate possible changes and impacts on the behavioural assumptions used to measure and manage IRRBB. In particular, it analyses and monitors customer behaviour related to non-maturing items (changes in the stability of demand deposits and possible migration to other products that earn higher interest) and related to 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).

B) Credit spread risk

To identify credit spread risk, the Group has taken into account both the market credit spread component, which represents the credit risk premium required by market participants for a specific credit quality, and the market liquidity spread component, which represents the premium of the market's appetite for investments and the presence of buyers and sellers willing to trade. Furthermore, in general the generic idiosyncratic component has been isolated, using segmentation criteria by sector, geography and currency.

The Institution used current regulations when determining CSRBB-sensitive instruments. The transactions included by the Group in the CSRBB perimeter are those instruments directly or indirectly indexed to market prices of liquid instruments.

In the quantitative credit spread risk estimations, a series of credit spread scenarios are designed which allow the different sources of risk to be identified. These scenarios include, for each significant currency, narrowing and widening shifts in credit spreads (stress scenarios). Based on these, the sensitivity is calculated as the difference resulting from the stressed scenario and the baseline scenario.

The main calculations performed by the Group on a monthly basis are the following:

- Net Interest Income (NII) sensitivity: dynamic metric that measures the impact of changes in credit spreads over a one-year time horizon. It is obtained by comparing net interest income in the baseline scenario, which is the one obtained from credit spreads on the analysis date and from market-implied interest rates, against the one obtained in a stress scenario, always considering the result obtained in the least favourable scenario. This metric supplements the economic value of equity sensitivity.

- Economic Value of Equity (EVE) sensitivity: static metric that measures the impact of changes in credit spreads. It is obtained by comparing the economic value of the balance sheet in the baseline scenario against the one obtained in a stress scenario, always considering the result obtained in the least favourable scenario. This is done by calculating the present value of items included in the perimeter as an updated risk-free interest rate curve on the reference date, to which credit spreads of future payments of principal and interest have been added. This metric supplements the NII sensitivity.

As for the measurement systems and tools used, the Institution employs the data uploaded and the tool already in place to measure IRRBB, to which credit spread curves are added, the impact of which is measured at the position level.

During 2024, the Institution has been negatively exposed to widening credit spreads, although this exposure is very limited due to fixed-income portfolio growth.

3.4.3.3. Structural foreign exchange risk

Structural foreign exchange risk occurs when changes in market exchange rates between different currencies generate losses on permanent investments in foreign branches and subsidiaries with functional currencies other than the euro.

The purpose of managing structural foreign exchange risk is to minimise the impact on the value of the Institution's portfolio/equity in the event of any adverse movements in currency markets. The foregoing takes into account the potential impacts on the capital (CET1) ratio and on the net interest margin, subject to the risk appetite defined in the RAS. Furthermore, the levels set for the established risk metrics must be complied with at all times.

Foreign exchange risk is monitored regularly and reports are sent to supervisory bodies on existing risk levels and on compliance with the limits set forth by the Board of Directors. The main monitoring metric is currency exposure, which measures the maximum potential loss that the open structural position could produce over a one-month time horizon, with a 99% confidence level and in stressed market conditions.

Compliance with, and the effectiveness of, the established limits and targets are monitored and reported on a monthly basis to the Board Risk Committee.

The Bank's Financial division, through the ALCO, designs and executes strategies to hedge structural FX positions in order to achieve its objectives in relation to the management of structural foreign exchange risk.

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

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

As regards permanent investments in US dollars, the overall position in this currency has gone from 1,270 million as at 31 December 2023 to 1,391 million as at 31 December 2024. In relation to this position, as at 31 December 2024, the buffer stood at 43% of total investment.

In terms of permanent investments in Mexican pesos, the capital buffer has gone from 8,133 million Mexican pesos as at 31 December 2023 (of a total exposure of 15,013 million Mexican pesos) to 8,433 million Mexican pesos as at 31 December 2024 (of a total exposure of 15,011 million Mexican pesos), representing 56% of the total investment made.

As regards permanent investments in pounds sterling, the capital buffer has increased from 393 million pounds sterling as at 31 December 2023 to 545 million pounds sterling as at 31 December 2024 (total exposure has increased from 1,700 million pounds sterling as at 31 December 2023 to 1,950 million pounds sterling as at 31 December 2024), representing 28% of the total investment made (excluding intangibles).

Currency hedges are continuously reviewed in light of market movements.

The exchange value in euros of assets and liabilities in foreign currencies maintained by the Bank as at 31 December 2024 and 2023, classified in accordance with their nature, is as follows:

Thousand euro

	2024			
	USD	**GBP**	**Other currencies**	**TOTAL**
Assets denominated in foreign currency:	**12,153,970**	**5,167,726**	**1,311,560**	**18,633,256**
Cash, cash balances with central banks and other demand deposits	456,958	39,200	75,684	571,842
Debt securities	1,585,859	1,473,808	68,593	3,128,260
Loans and advances	9,836,320	1,064,309	390,696	11,291,325
Central banks and Credit institutions	779,349	12,739	143,056	935,144
Customers	9,056,971	1,051,570	247,640	10,356,181
Other assets	274,833	2,590,409	776,587	3,641,829
Liabilities denominated in foreign currency:	**5,675,453**	**967,925**	**162,235**	**6,805,613**
Deposits	5,414,099	375,778	136,505	5,926,382
Central banks and Credit institutions	497,349	55,564	8,089	561,002
Customers	4,916,750	320,214	128,416	5,365,380
Other liabilities	261,354	592,147	25,730	879,231

Thousand euro

	2023			
	USD	**GBP**	**Other currencies**	**TOTAL**
Assets denominated in foreign currency:	**10,364,129**	**4,821,353**	**1,243,457**	**16,428,939**
Cash, cash balances at central banks and other demand deposits	333,977	40,472	51,044	425,493
Debt securities	1,520,449	1,368,956	76,846	2,966,251
Loans and advances	8,253,477	1,139,618	281,888	9,674,983
Central banks and Credit institutions	643,984	3,779	12,259	660,022
Customers	7,609,493	1,135,839	269,629	9,014,961
Other assets	256,226	2,272,307	833,679	3,362,212
Liabilities denominated in foreign currency:	**5,246,459**	**495,286**	**182,603**	**5,924,348**
Deposits	5,007,815	461,485	157,376	5,626,676
Central banks and Credit institutions	375,588	54,819	11,166	441,573
Customers	4,632,227	406,666	146,210	5,185,103
Other liabilities	238,644	33,801	25,227	297,672

The net position of foreign currency assets and liabilities includes the structural position of the Institution, valued as at 31 December 2024, which amounts to 2,811 million euros, of which 1,694 million euros correspond to permanent equity holdings in pounds sterling, 762 million euros correspond to permanent equity holdings in US dollars and 305 million euros to permanent equity holdings in Mexican pesos. Net assets and liabilities valued at historical exchange rates are hedged with currency forwards and currency options in line with the Group's policy.

As at 31 December 2024, the sensitivity of the equity exposure to a 2.5% exchange rate depreciation against the euro of the main currencies to which exposure exists, calculated based on quarterly exchange rate volatility over the past three years, amounted to 70 million euros, of which 60% corresponded to the pound sterling, 27% corresponded to the US dollar and 11% to the Mexican peso.

3.4.4. Operational risk

Operational risk is defined as the risk of incurring losses due to inadequate or failed internal processes, people and systems or due to external events. This definition includes but is not limited to compliance risk, model risk and Information and Communications Technology (ICT) risk and excludes strategic risk and reputational risk.

The Group has an operational risk management framework in place, which encompasses different types of subrisks defined within operational risk, establishing a common and unified framework for management and control, which can be expanded to include material risks with particular features or which require greater management and control. The management of operational risk is decentralised and devolved to process managers throughout the organisation. These processes are detailed in the corporate process map.

This framework establishes a first phase of identification, in which those responsible for each process must identify the operational risks associated with their processes, establish effective mitigating controls and systematically execute the control framework. The set of risks identified under their area, as well as their mitigating controls, form part of the map of operational risks.

The second phase of the framework consists of the management of operational loss events by those responsible for each process, ensuring that each loss event (and its recoveries) is logged including detailed information and linking each event to a risk.

There is a central operational risk unit that oversees the map of operational risks, providing support and giving advice to process managers to properly define the risks, ensuring the integrity and completeness of the loss event log and their correct entry against the corresponding risks and coordinating the map's ongoing assessment process.

The Board of Directors is directly involved in managing this risk, by (1) approving the Operational Risk Policy that defines the risk management framework, (2) defining the Group's appetite for operational risk, and (3) monitoring the Group's risk profile via the Board Risk Committee, through specific reports with information on the main operational risks (including, among others, ICT, conduct and fraud).

Within operational risk, the following risks are also managed and controlled:

- Conduct risk: broadly speaking, this is defined as the current or future possibility of incurring losses due to the inadequate provision of financial services or any other activity carried out by the Institution, due to misconduct with customers (existing or potential), employees (in relation to human rights, equality, well-being, inclusion, and health & safety in the workplace), shareholders and suppliers, markets, political parties or society in general, including cases of wilful misconduct or negligence.

- Information and Communications Technology (ICT) risk: defined as the current or future risk of incurring losses due to inadequacies or failures of technical infrastructures' hardware and software, which could compromise the availability, integrity, accessibility, confidentiality and traceability of those infrastructures, tools and data, or due to the inability to change IT platforms within a reasonable timeframe and at a reasonable cost when the environment or business requirements change. This also includes security risks resulting from inadequate or failed internal processes or external events, including cyberattacks, or inadequate physical security in data centres.

- Outsourcing risk: current or future risk of incurring losses as a result of using resources and/or media of a third party for the standard, ongoing and stable performance over time of certain processes of the outsourcing company, which in itself entails exposure to a series of underlying risks, such as operational risk, including conduct risk, ICT risk, reputational risk, concentration risk and lock-in risk.

- Model risk: current or potential future loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

- Tax risk: the possibility of failing to achieve the objectives set out in Banco Sabadell's tax strategy from a dual perspective due to either internal or external factors:

    - On one hand, the possibility of failing to fulfil tax obligations, potentially resulting in a failure to pay taxes that are due, or the occurrence of any other event that could potentially prevent the Bank from achieving its goals.

    - On the other hand, the possibility of paying taxes not actually due under tax obligations, thus negatively affecting shareholders and other stakeholders.

- Compliance risk: defined as the possibility of incurring legal or regulatory sanctions, material financial loss or loss to reputation as a result of failing to comply with laws, regulations, internal rules and codes of conduct applicable to banking activities.

Detailed information on the following risks is given here below.

3.4.4.1 ICT risk

In recent years, the importance, complexity and use of technology and data have increased even further in banking processes, especially in remote channels (online banking) as a result of the impact of Covid-19 and the growing use of outsourced cloud services. Consequently, the reliance on information systems and their availability is a key factor, as the Institution and its critical service suppliers are more exposed to cyberattacks just like the other operators in the sector. The ongoing geopolitical conflicts have brought with them the risk of becoming a target for cyberattacks, generating the need to introduce back-up measures. This risk has been stabilised but remains an ever-present threat.

Furthermore, the Institution is currently undergoing a process of transformation, based on the digitalisation and automation of processes, which increases the reliance on systems and the exposure to risks associated with this change, including digital fraud. ICT risk therefore remains one of the key focus areas of the Institution's risk management, with a new contingency and disaster recovery centre having been opened and validated to replace the existing one in 2024.

It should be mentioned that this risk is not only applicable to the Group's own systems and processes, but it is also applicable to suppliers, given the widespread use of third parties for support in technological and business processes, and this therefore represents a material risk when it comes to managing outsourcing. On the topic of IT outsourcing, in 2022 a project was implemented in Spain, concentrating the number of application development, maintenance and testing providers in a small group of main industry-leading suppliers, thus requiring a greater level of supplier control and monitoring and the need for special oversight and adjustment throughout 2023 and 2024, reducing with this small number of leading providers the likelihood of experiencing cybersecurity incidents in this area.

In order to holistically and adequately manage all risks related to technology and data, the Institution classifies these risks into eight categories, in line with the Guidelines on ICT and security risk management (EBA/GL/2019/04):

- IT security (cybersecurity): risk of unauthorised access to IT systems, and of there being an impact on the confidentiality, availability, integrity and traceability of the information (data and metadata) that they contain (including cyberattacks and deliberate action), as well as the potential repudiation of digital operations.
- IT availability (technological resilience): risk of critical services provided to customers and employees becoming affected by systems failures.
- IT outsourcing: risk that engaging a third party or another Group entity (intragroup outsourcing), its management or related IT services produces a negative effect on the Institution's performance (including impacts on customers, as well as reputational, regulatory or financial impacts).
- IT change: risk arising from the inability of the organisation to manage IT system changes in a timely and controlled manner, in particular for large and complex change programmes that could potentially impact the availability and/or confidentiality of information or which could result in a failure to meet the business expectations that prompted those changes. In addition, the continued use of obsolete IT systems, without the required upgrades, could jeopardise the IT activities of the organisation or the execution of strategic programmes with a strong IT component (e.g. digital transformation programmes).
- IT data integrity: risk of the data stored and processed by IT systems being incomplete, inaccurate or inconsistent across different IT systems, for example as a result of weak or absent IT controls during the different phases of the IT data life cycle (i.e. designing the data architecture, building the data model and/or data dictionaries, verifying data inputs, controlling data extractions, transfers and processing, including rendered data outputs), impairing the ability to provide services and produce (risk) management and financial information in a correct and timely manner.
- IT governance: risk arising from inadequate or insufficient management and use of technology, as well as a poor alignment of these technologies and their intended uses with the business strategy.
- Technological transformation: risk associated with inappropriate adoption or inefficient use of technology within the organisation for the development of new value propositions.
- IT skills: risk arising from the insufficiency of adequate IT profiles (internal and/or external partners) to ensure effective and efficient coverage of technological activities, processes and services.

3.4.4.2 Tax risk

With regard to tax risk, Banco Sabadell Group's tax risk policies aim to establish the general guidelines for managing and controlling tax risk, specifying the applicable principles and critical parameters and covering all significant elements to systematically identify, assess and manage any risks that may affect the Group's tax strategy and fiscal objectives, meeting the requirements of the Spanish Capital Companies Act and of Banco Sabadell Group stakeholders.

In terms of tax risk, Banco Sabadell Group aims to fulfil its tax obligations at all times, adhering to the existing legal framework in this regard.

Banco Sabadell Group's tax strategy, approved by the Board of Directors, reflects its commitment to fostering responsible taxation, promoting preventive measures and developing key transparency schemes in order to gain the confidence and trust of its various stakeholders.

The tax strategy is governed by the principles of efficiency, prudence, transparency and mitigation of tax risk, and it is aligned with the business strategy of Banco Sabadell Group.

The Board of Directors of Banco Sabadell, under the mandate set out in the Spanish Capital Companies Act for the improvement of corporate governance, is responsible, and cannot delegate such responsibility, for the following:

- Setting the Institution's tax strategy.
- Approving investments and operations of all types which are considered to be strategic or to carry considerable tax risk due to their high monetary value or particular characteristics, except when such approval corresponds to the Annual General Meeting.
- Approving the creation and acquisition of shareholdings in special purpose entities or entities registered in countries or territories classified as tax havens.
- Approving any transaction which, due to its complexity, might undermine the transparency of the Institution and its Group.

Consequently, the duties of the Board of Directors of Banco Sabadell include the obligation to approve the corporate tax policy and ensure compliance therewith by implementing an appropriate control and oversight system, which is enshrined in the general risk management and control framework of the Group.

3.4.4.3 Compliance risk

As regards compliance risk, one of the core aspects of the Group's policy, and the foundation of its organisational culture, is strict compliance with all legal provisions, meaning that the achievement of business objectives must be compatible, at all times, with adherence to the law and the established legal system. To that end, the Group has a Compliance division, whose mission is to promote and strive to attain the highest levels of Group compliance and ethics, mitigating compliance risk, understood as the risk of legal or administrative sanctions, significant financial losses or loss of reputation due to a breach of laws, regulations, internal regulations and codes of conduct applicable to the Group's activity; minimising the possible occurrence of any regulatory breach and ensuring that any breaches that may occur are diligently identified, reported and resolved.

This division assesses and manages compliance risk through the following duties:

- Monitoring and overseeing the adaptation to new regulations through proactive management to ensure regular and systematic monitoring of legal updates, and ensuring the distribution of those which are deemed to have an impact on any area of the Institution's business, according to the scope established in the corresponding internal procedures.
- Identifying and periodically assessing compliance risks, in general, in the different areas of activity and contributing to their management in an efficient manner, setting and maintaining adequate procedures to prevent, detect and remediate any compliance risk.
- Establishing, in accordance with the above, an annual oversight and monitoring programme, with the appropriate tools and methodologies for control.
- With regard to Anti-Money Laundering, Countering the Financing of Terrorism (AML/CFT) and international sanctions, implementing, managing and updating policies and procedures on the topic of AML/CFT and international sanctions; carrying out the preliminary classification of the ML/TF risk

of customers during the onboarding process; applying enhanced due diligence measures when onboarding high-risk customers so that they may be accepted and duly updated beforehand; managing tracking alerts; detecting matches in lists of designated persons and transactions of countries subject to international sanctions; performing special analyses of suspicious activities and reporting them as necessary; preparing training plans; approving new products, services, channels and business areas; and conducting a periodic risk assessment of internal control procedures in relation to AML/CFT and international sanctions.

- In terms of customer protection, advising the business units in the design of new products and services and changes in their scope, in accordance with MiFID, EBA and IDD regulations and any other applicable regulation, as well as supervising the correct advertising and marketing of products and services, in terms of conduct, transparency and vulnerable customers.

- With regard to market integrity, promoting compliance with the Internal Code of Conduct in relation to the securities market and the Market Abuse Regulation, as well as notifying the regulator of potential cases of misuse of information and/or market manipulation under investigation.

- In terms of customer data protection, through the Data Protection Officer (DPO), advising the business units in the adequate implementation of the General Data Protection Regulation in the design of products and services, as well as being the point of contact for the Spanish Data Protection Agency (Agencia Española de Protección de Datos).

- In the area of customer service, responding to customers' claims and complaints in a timely manner, in accordance with transparency criteria and supervisor's best practice, as well as detecting recurrent, systemic or potential problems of the Institution, promoting the adoption of corrective measures in that regard, and following up on their resolution.

- In the area of ethics and conduct, informing, reviewing or proposing corrective measures and/or responses to incidents detected in matters of the code of conduct or to consultations submitted to the Corporate Ethics Committee (CEC), whose mission is to promote the Group's ethical conduct to ensure compliance with the principles of action set forth in Banco Sabadell Group Code of Conduct, the Banco Sabadell Group General Policy on Conflicts of Interest and the Banco Sabadell Group Corporate Crime Prevention Policy, the Banco Sabadell Group Anti-Corruption Policy and the Banco Sabadell Group Policy on the Internal Reporting System and Protection of Reporting Persons. In addition, taking part in the process to formulate and review remuneration policies and practices.

- In relation to all compliance risks, monitoring the risk management activities carried out by the first line of defence to ensure they are in line with the established policies and procedures, in addition to coordinating inspections, responses to requirements from supervisors and regulators and overseeing compliance with their recommendations.

- With respect to the oversight of foreign and domestic subsidiaries and foreign branches, coordinating and liaising with them, with the aim of establishing a relationship of cooperation, regular exchange of information and support between Banco Sabadell's Compliance function and the compliance functions of these subsidiaries and foreign branches in order to prevent compliance risks at the local level.

- Promoting a culture of compliance and proper conduct within the Institution by adopting measures that guarantee the training and experience of employees to adequately perform their duties, as well as collaborating in the development of training programmes in order to advise and make employees aware of the importance of complying with established internal procedures.

- Submitting to the governing bodies regular or ad hoc reports on compliance as may be legally required at any given time and such material compliance information as may arise from all units and activities of the Institution. Assisting the Board of Directors or Senior Management in compliance matters.

- Taking on institutional responsibilities and interacting with supervisory authorities and institutions in relation to matters within its remit and where agreed by the Institution's management and administrative bodies.

The following compliance risks have been identified:

- Anti-money laundering and countering the financing of terrorism.
- Data protection.
- Market integrity.
- Customer protection (including the following risks: MiFID, EBA, other products and services, sustainability, misconduct with customers and advertising).
- New legislation.
- Ethics and conduct (includes risks related to corporate crime prevention, remuneration and the code of conduct and ethics).
- Customer Care Service (*Servicio de Atención al Cliente*, or SAC).

Note 4 – Minimum own funds and capital management

As at 31 December 2024 and 2023, the Bank's eligible own funds exceeded those required by the existing regulatory framework of capital (Directive 2013/36/EC, amended by Directive 2019/878/EU, hereinafter "CRD V", and Regulation (EU) 575/2013, amended by Regulation (EU) 2019/876, hereinafter "CRR II").

Note 5 to the consolidated annual financial statements of Banco Sabadell Group contains detailed information about capital management.

Note 5 – Fair value of assets and liabilities

Financial assets and financial liabilities

The fair value of a financial asset or financial liability at a given date is understood as the amount at which it could be sold or transferred, respectively, as at that date, between two independent and knowledgeable parties acting freely and prudently, under market conditions. The most objective and commonly used reference for the fair value of a financial asset or financial liability is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price").

When there is no market price for a particular financial asset or financial liability, the fair value is estimated based on the values established for similar instruments in recent transactions or, alternatively, by using mathematical valuation models that have been suitably tested by the international financial community. When using these models, the particular characteristics of the financial asset or financial liability to be valued are taken into account, particularly the different types of risks that may be associated therewith. Notwithstanding the foregoing, the limitations inherent in the valuation models that have been developed and possible inaccuracies in the assumptions and parameters required by these models may result in the estimated fair value of a financial asset or financial liability not exactly matching the price at which the asset or liability could be delivered or settled on the valuation date.

The fair value of financial derivatives quoted on an active market is the daily quoted price.

In the case of instruments for which quoted prices cannot be determined, prices are estimated using internal models developed by the Bank, most of which take data based on observable market parameters as significant inputs. In the remaining cases, the models make use of other inputs that rely on internal assumptions based on generally accepted practices within the financial community.

For financial instruments, the fair values disclosed in the financial statements are classified according to the following fair value levels:

- Level 1: fair values are obtained from the (unadjusted) prices quoted on active markets for that instrument.
- Level 2: fair values are obtained from the prices quoted on active markets for similar instruments, the prices of recent transactions, expected payment flows or other valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3: fair values are obtained through valuation techniques in which one or more significant inputs is not based on observable market data.

Set out below are the main valuation methods, assumptions and inputs used when estimating the fair value of financial instruments classified in Levels 2 and 3, according to the type of financial instrument concerned:

Level 2 financial instruments	Valuation techniques	Main assumptions	Main inputs used
Debt securities	Net present value method	Calculation of the present value of financial instruments as the present value of future cash flows (discounted at market interest rates), taking into account: - An estimate of pre-payment rates - Issuers' credit risk	- Issuer credit spreads - Observable market interest rates
Equity instruments	Sector multiples (P/BV)	Based on the NACE code that best represents the company's primary activity, the price-to-book value (P/BV) ratio obtained from peers is applied	- NACE codes - Quoted prices in organised markets
Simple derivatives (a)	Net present value method	Implicit curves calculated based on quoted market prices	- Observable yield curve - FX swaps curve and spot curve
Other derivatives (a)	Analytic/ semi-analytic formulae	- For equity derivatives, FX or commodities: Black-Scholes model: a lognormal distribution is assumed for the underlying asset with volatility depending on the term	- Forward structure of the underlying asset, given by market data (dividends, swap points, etc.). - Volatility surfaces of options
		- For interest rate derivatives: Normal model and shifted Libor Market Model: negative rates and forward rates in the term structure of the interest rate curve are fully correlated. For calculation of CVA and DVA adjustments: Normal model and Black-Scholes model	Term structure of interest rates - Volatility surfaces of Libor rate options (caps) and swap rate options (swaptions) - Probability of default for calculation of CVA and DVA (b)
	Monte Carlo simulations	- For valuation of equity derivatives, FX or commodities: Black-Scholes model: a lognormal distribution is assumed for the underlying asset with volatility depending on the term	- Forward structure of the underlying asset, given by market data (dividends, swap points, etc.). - Volatility surfaces of options
	Hybrid local stochastic volatility models	- For FX derivatives: Tremor model: implicit volatility obtained through stochastic differential equations	- Forward structure of the underlying asset, given by market data (dividends, swap points, etc.). - Volatility surfaces of options
	For credit derivatives: - Intensity models	These models assume a default probability structure resulting from term-based default intensity rates	- Price listings of Credit Default Swaps (CDS) - Historic volatility of credit spreads

(a) Given the small net position of Banco Sabadell, the Funding Value Adjustment (FVA) is estimated to have a non-material impact on the valuation of derivatives.

(b) To calculate CVA and DVA, levels of severity fixed at 60% have been used, which corresponds to the market standard for senior debt. Average future, positive and negative exposures have been estimated using market models, Libor for interest rates and the Black-Scholes model for FX, using market inputs. The probability of default of customers with no quoted debt instruments or CDS have been obtained using the IRB model and for Banco Sabadell those obtained from the CDS market prices have been assigned.

Level 3 financial instruments	Valuation techniques	Main assumptions	Main non-observable inputs
Debt securities	Net present value method	Calculation of the present value of financial instruments as the present value of future cash flows (discounted at market interest rates), taking into account in each case: - An estimate of pre-payment rates - Issuers' credit risk - Other estimates of variables that affect future cash flows: claims, losses, redemptions	*- Estimated credit spreads of the issuer or a similar issuer* *- Rates of claims, losses and/or redemptions*
Loans and advances	Net present value method	Calculation of the present value of future cash flows discounted at market interest rates based on market scenarios	- Prepayment model
Equity instruments	Discounted cash flow method	Calculation of the present value of future cash flows discounted at market interest rates adjusted for risk (CAPM method), taking into account: - An estimate of the company's projected cash flows - Risk in the company's sector - Macroeconomic inputs	- The entity's business plans - Risk premiums of the company's sector - Adjustment for systemic risk (Beta Parameter)
Derivatives (a)	For credit derivatives: - Intensity models	These models assume a default probability structure resulting from term-based default intensity rates	For credit derivatives: - Estimated credit spreads of the issuer or a similar issuer - Historic volatility of credit spreads
	For commodity derivatives: - Net present value method	Forward curve calculated based on adjusted quoted market prices	Unquoted futures curves

(a) Given the small net position of Banco Sabadell, the Funding Value Adjustment (FVA) is estimated to have a non-material impact on the valuation of derivatives.

Determination of the fair value of financial instruments

A comparison between the value at which the main financial assets and financial liabilities are recognised on the accompanying balance sheets and their corresponding fair values is shown below:

Thousand euro

	Note	2024		2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets:					
Cash, cash balances at central banks and other demand deposits	6	11,831,284	11,831,284	22,301,225	22,301,225
Financial assets held for trading	7, 9	2,616,270	2,616,270	1,731,823	1,731,823
Non-trading financial assets mandatorily at fair value through profit or loss	7, 8, 10	132,074	132,074	149,792	149,792
Financial assets at fair value through other comprehensive income	7, 8	6,171,009	6,171,009	6,329,974	6,329,974
Financial assets at amortised cost	7, 10	148,833,603	146,879,423	134,693,403	131,381,357
Derivatives – Hedge accounting	11	872,559	872,559	896,227	896,227
Total assets		**170,456,799**	**168,502,619**	**166,102,444**	**162,790,398**

Thousand euro

	Note	2024		2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Liabilities:					
Financial liabilities held for trading	9	1,379,618	1,379,618	1,718,159	1,718,159
Financial liabilities at amortised cost	17, 18, 19, 20	168,565,561	168,774,220	164,594,328	164,171,595
Derivatives – Hedge accounting	11	647,884	647,884	835,204	835,204
Total liabilities		**170,593,063**	**170,801,722**	**167,147,691**	**166,724,958**

As shown in the first table of this Note, as at 31 December 2024 the fair value of financial assets at amortised cost is approximately 1,954 million euros below their carrying amount. This difference is explained for the most part by the impact of interest rates on the fair value of fixed-rate mortgages granted by the Group to its customers in Spain in previous years.

Financial instruments at fair value

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

Thousand euro

	Note	2024 Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		1,416,725	1,198,269	1,276	2,616,270
Derivatives	9	—	1,195,314	—	1,195,314
Equity instruments	8	541,005	—	—	541,005
Debt securities	7	875,720	2,955	1,276	879,951
Non-trading financial assets mandatorily at fair value through profit or loss		3,621	417	128,036	132,074
Equity instruments	8	2,832	—	—	2,832
Debt securities	7	789	417	25,120	26,326
Loans and advances	10	—	—	102,916	102,916
Financial assets at fair value through other comprehensive income		3,295,822	2,492,842	382,345	6,171,009
Equity instruments	8	336	84,651	209	85,196
Debt securities	7	3,295,486	2,408,191	382,136	6,085,813
Derivatives – Hedge accounting	11	—	872,559	—	872,559
Total assets		**4,716,168**	**4,564,087**	**511,657**	**9,791,912**

Thousand euro

	Note	2024 Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		82,671	1,296,947	—	1,379,618
Derivatives	9	—	1,296,947	—	1,296,947
Short positions		82,671	—	—	82,671
Derivatives – Hedge accounting	11	—	647,884	—	647,884
Total liabilities		**82,671**	**1,944,831**	**—**	**2,027,502**

Thousand euro

	Note	2023 Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		142,495	1,589,328	—	1,731,823
Derivatives	9	—	1,589,328	—	1,589,328
Debt securities	7	142,495	—	—	142,495
Non-trading financial assets mandatorily at fair value through profit or loss		4,530	1,605	143,657	149,792
Equity instruments	8	3,864	471	—	4,335
Debt securities	7	666	1,134	37,238	39,038
Financial assets at fair value through other comprehensive income		3,749,010	2,220,927	360,037	6,329,974
Equity instruments	8	336	73,750	316	74,402
Debt securities	7	3,748,674	2,147,177	359,721	6,255,572
Derivatives – Hedge accounting	11	—	896,227	—	896,227
Total assets		**3,896,035**	**4,708,087**	**503,694**	**9,107,816**

Thousand euro

		2023			
	Note	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		337,373	1,380,786	—	1,718,159
Derivatives	9	—	1,380,786	—	1,380,786
Short positions		337,373	—	—	337,373
Derivatives – Hedge accounting	11	—	835,204	—	835,204
Total liabilities		**337,373**	**2,215,990**	**—**	**2,553,363**

Derivatives with no Credit Support Annexes (CSAs) include the Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA), respectively, in their fair value. The fair value of these derivatives represents 6.39 % of the total, and their adjustment for credit and debit risks represents 1.26 % of their fair value as at 31 December 2024 (6.54 % and 5.39%, respectively, as at 31 December 2023).

Movements in the balances of financial assets and financial liabilities recognised at fair value and classified as Level 3, disclosed in the accompanying balance sheets, are shown below:

Thousand euro

	Assets	Liabilities
Balance as at 31 December 2022	**376,784**	**—**
Valuation adjustments recognised in profit or loss (*)	6,021	—
Valuation adjustments not recognised in profit or loss	20,694	—
Purchases, sales and write-offs	(16,989)	—
Net additions/(removals) in Level 3	4,520	—
Exchange differences and other	112,664	—
Balance as at 31 December 2023	**503,694**	**—**
Valuation adjustments recognised in profit or loss (*)	13,448	—
Valuation adjustments not recognised in profit or loss	11,904	—
Purchases, sales and write-offs	(35,210)	—
Net additions/(removals) in Level 3	(432)	—
Exchange differences and other	18,253	—
Balance as at 31 December 2024	**511,657**	**—**

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

Details of financial instruments that were transferred to different valuation levels in 2024 are as follows:

Thousand euro

	2024					
From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets:						
Financial assets held for trading	—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	—	—	—	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	—	—	—	432
Derivatives – Hedge accounting	—	—	—	—	—	—
Liabilities:						
Financial liabilities held for trading	—	—	—	—	—	—
Financial liabilities designated at fair value through profit or loss	—	—	—	—	—	—
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**432**

Details of financial instruments that were transferred to different valuation levels in 2023 are as follows:

Thousand euro

		2023					
	From:	**Level 1**		**Level 2**		**Level 3**	
	To:	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Assets:							
Financial assets held for trading		—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		—	—	—	—	—	—
Financial assets designated at fair value through profit or loss		—	—	—	—	—	—
Financial assets at fair value through other comprehensive income		687,365	4,520	—	—	—	—
Derivatives – Hedge accounting		—	—	—	—	—	—
Liabilities:							
Financial liabilities held for trading		—	—	—	—	—	—
Financial liabilities designated at fair value through profit or loss		—	—	—	—	—	—
Derivatives – Hedge accounting		—	—	—	—	—	—
Total		**687,365**	**4,520**	**—**	**—**	**—**	**—**

Transfers from Level 1 to Level 2 in 2023 corresponded mainly to bonds issued by US government agencies for which, given their characteristics, it was determined that their market value must be obtained primarily using directly or indirectly observable market data.

As at 31 December 2024 and 2023, the effect of replacing the main assumptions used in the valuation of Level 3 financial instruments with other reasonably possible assumptions, taking the highest value (most favourable assumption) or lowest value (least favourable assumption) of the range that is considered likely, is not significant.

Financial instruments at amortised cost

The following tables show the fair value of the main financial instruments recognised at amortised cost in the accompanying balance sheets:

Thousand euro

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Financial assets at amortised cost:				
Debt securities	19,085,147	1,481,003	507,648	21,073,798
Loans and advances	—	25,254,480	100,551,145	125,805,625
Total assets	**19,085,147**	**26,735,483**	**101,058,793**	**146,879,423**

Thousand euro

	2024			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Financial liabilities at amortised cost (*):				
Deposits (**)	—	141,623,274	—	141,623,274
Debt securities issued	20,242,578	1,030,952	1,069,612	22,343,142
Total liabilities	**20,242,578**	**142,654,226**	**1,069,612**	**163,966,416**

(*) As at 31 December 2024, the Bank had other financial liabilities amounting to 4,807,804 thousand euros.

(**) The fair value of demand deposits has been likened to their carrying amount as they are mainly short-term balances.

Thousand euro

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at amortised cost:				
Debt securities	15,418,873	1,502,527	456,548	17,377,948
Loans and advances	—	22,289,951	91,713,459	114,003,409
Total assets	**15,418,873**	**23,792,478**	**92,170,007**	**131,381,357**

Thousand euro

	2023			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Financial liabilities at amortised cost (*):				
Deposits (**)	—	137,811,504	—	137,811,504
Debt securities issued	16,874,549	4,774,173	—	21,648,722
Total liabilities	**16,874,549**	**142,585,677**	**—**	**159,460,226**

(*) As at 31 December 2023, the Bank had other financial liabilities amounting to 4,711,369 thousand euros.

(**) The fair value of demand deposits has been likened to their carrying amount as they are mainly short-term balances.

In general, the fair value of "Financial assets at amortised cost" and "Financial liabilities at amortised cost" has been estimated using the discounted cash flow method, applying market interest rates as at the end of each year adjusted for the credit spread and incorporating any behavioural assumptions deemed relevant, with the exception of debt securities with active markets, for which it has been estimated using year-end quoted prices.

The fair value of the heading "Cash, cash balances at central banks and other demand deposits" has been likened to its carrying amount, as these are mainly short-term balances.

Financial instruments at cost

As at the end of 2024 and 2023, there were no equity instruments valued at their acquisition cost that could be considered significant.

Non-financial assets

Real estate assets

As at 31 December 2024 and 2023, the net carrying amounts of real estate assets did not differ significantly from the fair values of these assets (see Notes 12 and 14).

The selection criteria for appraisers and the update of appraisals are defined in the section on "Guarantees", in Note 1.3.3. to these annual financial statements.

Valuation techniques are generally used by all appraisal companies based on the type of each real estate asset.

As per regulatory requirements, in the valuation techniques used, appraisal companies maximise the use of observable market data and other factors which would be taken into account by market operators when setting prices, endeavouring to keep the use of subjective considerations and unobservable or non-verifiable data to a minimum.

The main valuation methods used fall into the following measurement levels:

Level 2

- Comparison method: applicable to all kinds of properties provided that there is a representative market of comparable properties and that sufficient data is available relating to transactions that reflect the current market situation.

- Rental update method: applicable when the valued property generates or may generate rental income and there is a representative market of comparable data.

- Statistical model: this model adjusts the value of the assets based on the acquisition date and their location, updating the value in accordance with price trends in the area concerned as from the date of purchase. To that end, it includes statistical information on price trends in all provinces, as provided by external appraisal companies, as well as demographic data from the Spanish Office for National Statistics (INE) to calculate sensitivity at a municipality level. The value obtained is in turn adjusted based on the construction status (finished product, development in progress, plots or land under management) and use (residential, industrial, etc.) of the asset.

Level 3

- Cost method: applicable to determine the value of buildings being planned, under construction or undergoing renovations.

- Residual method: in the present macroeconomic climate, the dynamic calculation procedure is being used preferentially in new land valuations to the detriment of the static procedure, which is reserved for specific cases in which the envisaged timeframes for project completion are in line with the relevant regulations.

Depending on the type of asset, the methods used for the valuation of the Bank's portfolio are the following:

- Completed buildings: valued using the comparison method, the rental update method or the statistical model (Level 2).

- Buildings under construction: valued using the cost method as a sum of the land value and the value of the work carried out (Level 3).

- Land: valued using the residual method (Level 3).

Determination of the fair value of real estate assets

The following tables show the main real estate assets broken down by the valuation method used to estimate their fair value as at 31 December 2024 and 2023:

Thousand euro

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Housing	—	382,952	—	382,952
Branches and offices, retail establishments and other real estate	—	530,164	—	530,164
Land and building plots	—	—	17,249	17,249
Work in progress	—	—	347	347
Total assets	**—**	**913,116**	**17,596**	**930,712**

Thousand euro

	2023			
	Level 1	Level 2	Level 3	Total
Housing	—	428,017	—	428,017
Branches and offices, retail establishments and other real estate	—	578,511	—	578,511
Land and building plots	—	—	18,559	18,559
Work in progress	—	—	676	676
Total assets	**—**	**1,006,528**	**19,235**	**1,025,763**

Significant unobservable variables used in valuations classed as Level 3 have not been developed by the Group but by the independent third party companies that performed the appraisals. Given the widespread use of the appraisals, whose valuation techniques are clearly set out in the regulation governing the valuation of properties, the unobservable variables used reflect the assumptions frequently used by all appraisal companies. In terms of proportional weight, unobservable variables account for almost all of the value of these appraisals.

The main unobservable variables used in the valuation of assets in accordance with the dynamic residual method are the future selling price, the estimated construction costs, the costs of development, the time required for land planning and development, and the discount rate. The main unobservable variables used in accordance with the static residual method are construction costs, the costs of development and the profit for the developer.

The number of plots in the Bank's possession is very fragmented, and they are very diverse, both in terms of location and in terms of the stage of development of the urban infrastructure and the possibility of future development. For this reason, no quantitative information can be provided regarding the unobservable variables affecting the fair value of these types of assets.

Movements in the balances of real estate assets classified as Level 3 in 2024 and 2023 are shown below:

Thousand euro

	Housing	Branches and offices, retail establishments and other real estate	Land
Balance as at 31 December 2022	**—**	**—**	**17,565**
Purchases	—	—	1,342
Sales	—	—	(2,647)
Net additions/(removals) in Level 3	—	—	2,975
Balance as at 31 December 2023	**—**	**—**	**19,235**
Purchases	—	—	165
Sales	—	—	(1,279)
Net additions/(removals) in Level 3	—	—	(525)
Balance as at 31 December 2024	**—**	**—**	**17,596**

No material movements between valuation levels took place during 2024 and 2023. The following table shows a comparison between the value at which real estate assets obtained through foreclosures are recognised under the headings "Investment properties" and "Non-current assets and disposal groups classified as held for sale" and their appraisal value, as at the end of 2024 and 2023:

Thousand euro

		2024				2023			
	Note	Carrying amount (*)	Impairment	Net carrying amount	Appraisal value	Carrying amount (*)	Impairment	Net carrying amount	Appraisal value
Investment properties	14	36,724	(14,331)	22,393	44,597	47,734	(17,045)	30,690	52,779
Non-current assets held for sale	12	634,265	(173,728)	460,538	714,331	705,655	(179,555)	526,100	766,391
Total		**670,989**	**(188,059)**	**482,931**	**758,928**	**753,389**	**(196,600)**	**556,790**	**819,170**

(*) Cost less accumulated depreciation.

The fair values of real estate assets valued by appraisal companies and included in the headings "Investment properties" and "Non-current assets and disposal groups classified as held for sale", as at 31 December 2024, are as follows:

Thousand euro

Appraisal firm	Investment properties	Non-current assets held for sale
Afes Técnicas de Tasación, S.A.	96	2,005
Alia Tasaciones, S.A.	1,170	47,028
Arco Valoraciones, S.A.	—	639
CBRE Valuation Advisory SA	1,453	48,049
Col.lectiu d'Arquitectes Taxadors	—	260
Cushman & Wakefield	—	271
Eurovaloraciones, S.A.	299	13,699
Gestión de Valoraciones y Tasaciones, S.A.	14	207
Gloval Valuation, S.A.U.	1,800	81,860
Sociedad de Tasación, S.A.	7,810	87,628
Tasalia Sociedad de Tasación, S.A.U.	—	105
Tecnitasa Técnicos en Tasación, S.A	503	19,840
Tinsa Tasaciones Inmobiliarias, S.A.	2,516	29,204
Valoraciones Mediterráneo, S.A.	3,078	73,776
UVE Valoraciones, S.A.	1,358	39,526
Other	2,296	16,441
Total	**22,393**	**460,538**

The fair value of property, plant and equipment for own use does not differ significantly from its amount in euros.

Note 6 – Cash, cash balances at central banks and other demand deposits

The composition of this heading on the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By nature:		
Cash	617,515	623,406
Cash balances at central banks	10,894,579	21,413,344
Other demand deposits	319,190	264,475
Total	**11,831,284**	**22,301,225**
By currency:		
In euro	11,259,442	21,875,732
In foreign currency	571,842	425,493
Total	**11,831,284**	**22,301,225**

Cash balances at central banks include balances held to comply with the central bank's mandatory Minimum Required Reserves (MRR) ratio. Throughout 2024 and 2023, Banco Sabadell has complied with minimum requirements set out in applicable regulations regarding that ratio.

Note 7 – Debt securities

Debt securities reported in the accompanying balance sheets as at 31 December 2024 and 2023 are broken down below:

Thousand euro

	2024	2023
By heading:		
Financial assets held for trading	879,951	142,495
Non-trading financial assets mandatorily at fair value through profit or loss	26,326	39,038
Financial assets at fair value through other comprehensive income	6,085,813	6,255,572
Financial assets at amortised cost	21,639,367	18,264,771
Total	**28,631,457**	**24,701,876**
By nature:		
General governments	24,056,568	21,725,152
Credit institutions	2,652,821	1,239,837
Other sectors	1,949,590	1,874,840
Stage 3 assets	899	899
Impairment allowances	(1,624)	(1,427)
Other valuation adjustments (interest, fees and commissions, other)	(26,797)	(137,425)
Total	**28,631,457**	**24,701,876**
By currency:		
In euro	25,503,197	21,735,625
In foreign currency	3,128,260	2,966,251
Total	**28,631,457**	**24,701,876**

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

Details of debt instruments included under the "Financial assets at fair value through other comprehensive income" heading, as at 31 December 2024 and 2023, are shown below:

Thousand euro

	2024	2023
Amortised cost	6,241,514	6,439,375
Fair value (*)	6,085,813	6,255,572
Accumulated losses recognised in equity	(253,174)	(257,894)
Accumulated capital gains recognised in equity	97,721	74,585
Value adjustments made for credit risk	(248)	(494)

(*) Includes net impairment gains or losses in the income statements for 2024 and 2023, in the amount of 236 and 852 thousand euros, of which, -5 and -192 thousand euros correspond to provisions, and 241 and 1,044 thousand euros correspond to provision reversals, respectively (see Note 31).

Details of exposures held in public debt instruments included under the "Financial assets at fair value through other comprehensive income" heading, as at 31 December 2024 and 2023, are as follows:

Thousand euro

	2024	2023
Amortised cost	4,032,036	4,273,438
Fair value	3,812,761	4,053,305
Accumulated losses recognised in equity	(251,619)	(254,662)
Accumulated capital gains recognised in equity	32,458	34,659
Value adjustments made for credit risk	(114)	(130)

Details of the “Financial assets at amortised cost” portfolio as at 31 December 2024 and 2023 are shown below:

Thousand euro

	2024	2023
General governments	19,524,830	17,436,416
Credit institutions	1,878,298	571,455
Other sectors	237,862	258,326
Impairment allowances	(1,623)	(1,426)
Total	**21,639,367**	**18,264,771**

Note 8 – Equity instruments

The balance of equity instruments as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	2024	2023
By heading:		
Financial assets held for trading	541,005	—
Non-trading financial assets mandatorily at fair value through profit or loss	2,832	4,335
Financial assets at fair value through other comprehensive income	85,196	74,402
Total	**629,033**	**78,737**
By nature:		
Resident sector	474,197	73,286
Credit institutions	11,386	9,408
Other	462,811	63,878
Non-resident sector	152,004	1,116
Other	152,004	1,116
Participations in investment vehicles	2,832	4,335
Total	**629,033**	**78,737**
By currency:		
In euro	629,027	78,732
In foreign currency	6	5
Total	**629,033**	**78,737**

The equity instruments included under the heading “Financial assets held for trading” all correspond to shares of companies listed on European stock markets.

As at 31 December and 2023, there were no investments in listed equity instruments for which their quoted price was not considered as a reference of their fair value.

In addition, as at the aforesaid dates, there were no investments in equity instruments included in the portfolio of “Financial assets at fair value through other comprehensive income” considered to be individually significant.

Details of equity instruments included under the “Financial assets at fair value through other comprehensive income” heading are as follows:

Thousand euro

	2024	2023
Acquisition cost	169,357	167,680
Fair value	85,196	74,402
Accumulated capital losses recognised in equity at reporting date	(140,116)	(139,087)
Accumulated capital gains recognised in equity at reporting date	55,955	45,809
Transfers of gains or losses within equity during the year	72	(4,462)
Recognised dividends from investments held at the end of the year	1,846	1,964

Note 9 – Derivatives held for trading

The breakdown by type of risk of derivatives held for trading as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024		2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Securities risk	27,762	5,615	3,472	4,691
Interest rate risk	897,502	891,021	1,088,647	1,016,667
Foreign exchange risk	149,021	279,103	367,380	229,645
Other types of risk	121,029	121,208	129,829	129,783
Total	**1,195,314**	**1,296,947**	**1,589,328**	**1,380,786**
By currency:				
In euro	999,817	1,117,885	1,413,916	1,222,531
In foreign currency	195,497	179,062	175,412	158,255
Total	**1,195,314**	**1,296,947**	**1,589,328**	**1,380,786**

The fair values of derivatives held for trading, broken down by type of derivative instrument as at 31 December 2024 and 2023, are shown below:

Thousand euro

	2024	**2023**
Assets		
Swaps, CCIRS, Call Money Swaps	1,010,452	1,163,443
Currency options	41,285	62,626
Interest rate options	33,392	55,012
Index and securities options	2,449	3,472
Currency forwards	107,736	304,754
Fixed income forwards	—	21
Total derivatives on asset side held for trading	**1,195,314**	**1,589,328**
Liabilities		
Swaps, CCIRS, Call Money Swaps	921,045	1,111,843
Currency options	41,341	62,744
Interest rate options	91,184	34,586
Index and securities options	2,449	3,472
Currency forwards	237,762	166,901
Fixed income forwards	—	21
Equity forwards	3,166	1,219
Total derivatives on liability side held for trading	**1,296,947**	**1,380,786**

As at 31 December 2024, the Bank holds embedded derivatives that have been separated from their host contracts and recognised under the heading “Financial liabilities held for trading – Derivatives” of the balance sheet in the amount of 82,443 thousand euros (18,483 thousand euros as at 31 December 2023). The host contracts of those embedded derivatives correspond to customer deposits and they have been allocated to the portfolio of financial liabilities at amortised cost.

Note 10 – Loans and advances

Credit institutions

The breakdown of the heading “Loans and advances – Credit institutions” of the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
Financial assets at amortised cost	14,596,078	8,138,573
Total	**14,596,078**	**8,138,573**
By nature:		
Deposits with agreed maturity	3,519,306	2,581,886
Reverse repos	10,674,538	5,093,524
Other	332,585	400,580
Impairment allowances	(3,264)	(3,135)
Other valuation adjustments (interest, fees and commissions, other)	72,913	65,718
Total	**14,596,078**	**8,138,573**
By currency:		
In euro	13,660,934	7,478,551
In foreign currency	935,144	660,022
Total	**14,596,078**	**8,138,573**

Customers

The breakdown of the heading “Loans and advances – Customers” (General governments and Other sectors) as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
Non-trading financial assets mandatorily at fair value through profit or loss	102,916	106,419
Financial assets at amortised cost	112,598,158	108,290,059
Total	**112,701,074**	**108,396,478**
By nature:		
Bank overdrafts and other short-term borrowings	2,071,252	1,901,932
Trade credit	8,158,467	7,136,524
Finance leases	2,365,918	2,225,215
Secured loans	53,375,624	51,438,727
Reverse repos	—	17,413
Other term loans	45,410,677	43,769,386
Stage 3 assets	3,674,965	4,617,196
Impairment allowances	(2,415,954)	(2,751,028)
Other valuation adjustments (interest, fees and commissions, other) (*)	60,125	41,113
Total	**112,701,074**	**108,396,478**
By sector:		
General governments	8,992,230	8,846,569
Other sectors	102,389,707	97,642,627
Stage 3 assets	3,674,965	4,617,196
Impairment allowances	(2,415,954)	(2,751,028)
Other valuation adjustments (interest, fees and commissions, other) (*)	60,126	41,114
Total	**112,701,074**	**108,396,478**
By currency:		
In euro	102,344,893	99,381,517
In foreign currency	10,356,181	9,014,961
Total	**112,701,074**	**108,396,478**
By geographical area:		
Spain	97,569,629	95,245,969
Rest of European Union	5,613,593	5,045,047
United Kingdom	1,986,673	2,200,279
Americas	8,580,443	7,321,142
Rest of the world	1,366,690	1,335,069
Impairment allowances	(2,415,954)	(2,751,028)
Total	**112,701,074**	**108,396,478**

(*) Other valuation adjustments of financial assets classified as stage 3 amount to 34,037 thousand euros as at 31 December 2024 and 32,892 thousand euros as at 31 December 2023.

The “Loans and advances – Customers” heading on the balance sheets includes certain assets pledged in funding operations, i.e. assets pledged as collateral or guarantees with respect to certain liabilities. For further information, see the “Credit risk” section of Note 3 “Risk management”.

Finance leases

Certain information concerning finance leases carried out by the Bank in which it acts as lessor is set out below:

Thousand euro

	2024	2023
Finance leases		
Total gross investment	2,606,888	2,464,979
Impairment allowances	(93,591)	(95,540)
Interest income	93,887	72,559

As at 31 December 2024 and 2023, the reconciliation of undiscounted lease payments received against the net investment in the leases is as follows:

Thousand euro

	2024	2023
Undiscounted lease payments received	2,399,200	2,306,580
Residual value	207,688	158,399
Unguaranteed residual value	170,576	126,893
Guaranteed residual value	37,112	31,506
Gross investment in the lease	**2,606,888**	**2,464,979**
Unearned finance income	(240,970)	(239,764)
Net investment in the lease	**2,365,918**	**2,225,215**

The table below shows a breakdown, by term, of the minimum undiscounted future amounts receivable by the Bank during the mandatory term (assuming that no extensions or existing purchase options will be exercised) as set out in the finance lease contracts:

Thousand euro

	2024	2023
Undiscounted lease payments received		
Up to 1 year	773,194	592,669
1-2 years	594,913	546,583
2-3 years	289,761	386,313
3-4 years	264,688	256,822
4-5 years	163,511	167,905
More than 5 years	313,133	356,288
Total	**2,399,200**	**2,306,580**

Past-due financial assets

The balance of customer loans past-due and pending collection not classified as stage 3, as at 31 December 2024, amounts to 87,182 thousand euros (203,447 thousand euros as at 31 December 2023). Of this total, over 84% of the balance as at 31 December 2024 (91% of the balance as at 31 December 2023) was no more than one month past-due.

Financial assets classified on the basis of their credit risk

The breakdown of the gross carrying amounts, not considering valuation adjustments, of financial assets classified on the basis of their credit risk as at 31 December 2024 and 2023 is as follows:

Thousand euro

Stage 1	**2024**	**2023**
Debt securities	28,658,979	24,839,829
Loans and advances	119,278,265	107,464,058
Customers	104,751,873	99,388,464
Central banks and Credit institutions	14,526,392	8,075,594
Total stage 1	**147,937,244**	**132,303,887**
By sector:		
General governments	33,039,265	30,560,521
Central banks and Credit institutions	17,179,213	9,315,431
Other private sectors	97,718,765	92,427,935
Total stage 1	**147,937,243**	**132,303,887**
Stage 2		
Debt securities	—	—
Loans and advances	6,630,100	7,101,128
Customers	6,630,063	7,100,732
Central banks and Credit institutions	36	396
Total stage 2	**6,630,100**	**7,101,128**
By sector:		
General governments	9,533	11,200
Central banks and Credit institutions	36	396
Other private sectors	6,620,531	7,089,532
Total stage 2	**6,630,100**	**7,101,128**
Stage 3		
Debt securities	899	899
Loans and advances	3,674,965	4,617,196
Customers	3,674,965	4,617,196
Central banks and Credit institutions	—	—
Total stage 3	**3,675,864**	**4,618,095**
By sector:		
General governments	165	802
Central banks and Credit institutions	—	—
Other private sectors	3,675,699	4,617,293
Total stage 3	**3,675,864**	**4,618,095**
Total stages	**158,243,208**	**144,023,110**

Movements of gross values, not considering valuation adjustments, of assets subject to impairment by the Bank during the years ended 31 December 2024 and 2023 were as follows:

Thousand euro

	Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
Balance as at 31 December 2022	**134,126,816**	**8,944,776**	**4,669,733**	**—**	**147,741,325**
Transfers between stages	(816,208)	(165,476)	981,684	—	—
To stage 1	3,494,581	(3,252,264)	(242,317)	—	—
To stage 2	(4,062,391)	4,513,733	(451,342)	—	—
To stage 3	(248,398)	(1,426,945)	1,675,343	—	—
Increases	42,564,210	1,098,148	374,958	—	44,037,316
Decreases	(43,256,455)	(2,758,281)	(1,111,769)		(47,126,505)
Transfers to write-offs	—	—	(292,746)	—	(292,746)
Adjustments for exchange differences	(314,475)	(18,039)	(3,765)	—	(336,279)
Balance as at 31 December 2023	**132,303,888**	**7,101,128**	**4,618,095**	**—**	**144,023,111**
Transfers between stages	(1,454,113)	719,106	735,007	—	—
To stage 1	3,077,224	(2,959,169)	(118,055)	—	—
To stage 2	(4,311,053)	4,755,840	(444,787)	—	—
To stage 3	(220,284)	(1,077,565)	1,297,849	—	—
Increases	53,538,756	1,415,839	616,890	—	55,571,485
Decreases	(37,067,848)	(2,638,139)	(1,959,831)	—	(41,665,818)
Transfers to write-offs	—	—	(338,978)	—	(338,978)
Adjustments for exchange differences	616,561	32,166	4,681	—	653,408
Balance as at 31 December 2024	**147,937,244**	**6,630,100**	**3,675,864**	**—**	**158,243,208**

The breakdown of assets classified as stage 3 by type of guarantee as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	**2023**
Secured with a mortgage (*)	1,279,859	1,708,464
Of which: Stage 3 financial assets with guarantees covering all of the risk	1,069,940	*1,429,856*
Other collateral (**)	139,606	179,250
Of which: Stage 3 financial assets with guarantees covering all of the risk	64,235	*88,598*
Other	2,256,399	2,730,381
Total	**3,675,864**	**4,618,095**

(*) Assets secured with a mortgage with an outstanding exposure below 100% of their valuation amount.

(**) Includes the rest of assets secured with collateral.

The breakdown by geographical area of the balance of assets classified as stage 3 as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	**2023**
Spain	3,407,768	4,010,484
Rest of European Union	80,157	450,006
United Kingdom	71,908	45,670
Americas	97,857	86,748
Rest of the world	18,174	25,187
Total	**3,675,864**	**4,618,095**

Movements of impaired financial assets derecognised from the asset side of the balance sheet as the likelihood of them being recovered during 2024 and 2023 was deemed to be remote were as follows:

Thousand euro	
Balance as at 31 December 2022	**5,188,144**
Additions	**453,363**
Use of accumulated impairment balance	292,746
Directly recognised on income statement	—
Contractually payable interest	160,617
Other items	—
Disposals	**(99,383)**
Collections of principal in cash from counterparties	(24,204)
Collections of interest in cash from counterparties	(997)
Debt forgiveness	(20,867)
Expiry of statute-of-limitations period	—
Sales	(6,905)
Foreclosure of tangible assets	(694)
Other items	(45,716)
Exchange differences	**—**
Balance as at 31 December 2023	**5,542,124**
Additions	**521,834**
Use of accumulated impairment balance	334,910
Directly recognised on income statement	4,068
Contractually payable interest	182,856
Other items	—
Disposals	**(258,899)**
Collections of principal in cash from counterparties	(25,242)
Collections of interest in cash from counterparties	(2,422)
Debt forgiveness	(18,800)
Expiry of statute-of-limitations period	—
Sales	(188,345)
Foreclosure of tangible assets	—
Other items	(24,090)
Exchange differences	**—**
Balance as at 31 December 2024	**5,805,059**

Allowances

The values of financial asset impairment allowances under the different headings on the asset side, classified according to their risk, as at 31 December 2024 and 2023 are as follows:

Thousand euro

Stage 1	**2024**	**2023**
Debt securities	1,624	1,427
Loans and advances	197,144	255,443
Central banks and Credit institutions	3,264	2,752
Customers	193,880	252,691
Total stage 1	**198,768**	**256,870**
Stage 2		
Debt securities	—	—
Loans and advances	294,901	391,523
Central banks and Credit institutions	—	383
Customers	294,901	391,140
Total stage 2	**294,901**	**391,523**
Stage 3		
Debt securities	—	—
Loans and advances	1,927,172	2,107,197
Central banks and Credit institutions	—	—
Customers	1,927,172	2,107,197
Total stage 3	**1,927,172**	**2,107,197**
Total stages	**2,420,841**	**2,755,590**

Detailed movements in impairment allowances allocated to cover credit risk during 2024 and 2023 are as follows:

Thousand euro

	Individually measured		Collectively measured			Total
	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Balance as at 31 December 2022	**4,624**	**508,934**	**258,880**	**377,842**	**1,474,342**	**2,624,622**
Movements reflected in impairment gains/(losses) (*)	**(2,228)**	**69,741**	**55,009**	**101,749**	**377,984**	**602,255**
Increases due to origination	—	—	289,697	—	—	289,697
Changes due to credit risk variance	(2,740)	71,430	(13,674)	92,024	318,890	465,930
Changes in calculation approach	—	—	—	—	—	—
Other movements	512	(1,689)	(221,014)	9,725	59,094	(153,372)
Movements not reflected in impairment gains/(losses)	**9,375**	**(79,370)**	**(57,900)**	**(100,249)**	**(245,303)**	**(473,447)**
Transfers between stages	9,375	49,759	(57,746)	(98,310)	96,922	—
To stage 1	(530)	158	38,942	(44,167)	5,597	—
To stage 2	14,729	(10,993)	(89,780)	137,591	(51,547)	—
To stage 3	(4,824)	60,594	(6,908)	(191,734)	142,872	—
Utilisation of allocated provisions	—	(113,894)	(81)	(1,845)	(317,632)	(433,452)
Other movements (**)	—	(15,235)	(73)	(94)	(24,593)	(39,995)
Adjustments for exchange differences	**15**	**778**	**881**	**392**	**94**	**2,160**
Balance as at 31 December 2023	**11,786**	**500,083**	**256,870**	**379,734**	**1,607,117**	**2,755,590**
Scope additions / exclusions						
Movements reflected in impairment gains/(losses) (*)	**(2,974)**	**(82,441)**	**(1,652)**	**(927)**	**443,665**	**355,671**
Increases due to origination	—	—	205,867	—	—	205,867
Changes due to credit risk variance	(2,057)	(16,170)	(44,084)	50,996	437,450	426,135
Changes in calculation approach	—	—	—	—	—	—
Other movements	(917)	(66,271)	(163,435)	(51,923)	6,215	(276,331)
Movements not reflected in impairment gains/(losses)	**(5,799)**	**(87,278)**	**(55,256)**	**(85,982)**	**(452,239)**	**(686,554)**
Transfers between stages	(5,799)	6,590	(54,930)	(77,008)	131,147	—
To stage 1	18	347	35,586	(34,472)	(1,479)	—
To stage 2	(1,785)	(5,954)	(84,782)	146,617	(54,096)	—
To stage 3	(4,032)	12,197	(5,734)	(189,153)	186,722	—
Utilisation of allocated provisions	—	(93,868)	(325)	(8,974)	(579,009)	(682,176)
Other movements (**)	—	—	(1)	—	(4,377)	(4,378)
Adjustments for exchange differences	**(4)**	**(1,506)**	**(1,195)**	**(936)**	**(225)**	**(3,866)**
Balance as at 31 December 2024	**3,009**	**328,858**	**198,767**	**291,889**	**1,598,318**	**2,420,841**

(*) This figure includes the amortisation/depreciation through profit or loss of impaired financial assets derecognised from the asset side of the balance sheet and the recovery of write-offs, which have been recognised with a balancing entry under the heading “Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains” (see Note 31).

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

The breakdown by geographical area of the balance of impairment allowances as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Spain	2,243,344	2,447,164
Rest of European Union	65,473	171,176
United Kingdom	41,197	40,118
Americas	58,819	83,244
Rest of the world	12,008	13,888
Total	**2,420,841**	**2,755,590**

Note 11 – Derivatives - hedge accounting

Hedging management

The main hedges arranged by the Bank are described below:

Interest rate risk hedge

Based on the balance sheet position and the market situation and outlook, interest rate risk mitigation strategies are proposed and agreed upon to adapt that position to the one desired by Banco Sabadell. With this aim in mind, the Bank establishes interest rate risk hedging strategies for positions that are not included in the trading book and, to that end, derivative instruments are used, whether fair value or cash flow hedging instruments, and a distinction is made between them depending on the items hedged:

– Macro-hedges: hedges intended to mitigate the risk of balance sheet components.

– Micro-hedges: hedges intended to mitigate the risk of a particular asset or liability.

When a transaction is designated as a hedging operation, it is classified as such from the inception of the transaction or of the instruments included in the hedge, and a document is prepared which covers the hedging strategy, defining it in management and accounting terms and setting out its governance arrangements. The aforesaid document clearly identifies the hedged item(s) and the hedging instrument(s), the risk that it seeks to hedge and the criteria or methodologies followed by the Bank to evaluate its effectiveness.

The Bank operates with the following types of hedges intended to mitigate structural interest rate risk:

– Fair value hedges: hedges against the exposure to changes in the fair value of assets and liabilities recognised on the balance sheet, or against the analogous exposure of a specific selection of such assets and liabilities, that can be attributed to interest rate risk. These are used to keep a stable economic value of equity.

  The main types of balance sheet items hedged are:

  - Fixed-rate loans included in the lending portfolio.

  - Debt securities included in the portfolio of “Financial assets at fair value through other comprehensive income” and the portfolio of “Financial assets at amortised cost”.

  - Fixed-rate liabilities, including fixed-term deposits and the Institution’s funding operations in capital markets.

  If the hedge relates to assets, the Bank enters into a fixed-for-floating swap, whereas if the hedge relates to liabilities, it enters into a floating-to-fixed interest rate swap. These derivatives can be traded in cash or as forwards. The hedged risk is the interest rate risk deriving from a potential change in the risk-free interest rate that gives rise to changes in the value of the hedged balance sheet items. As such, the hedge will not cover any risk inherent in the hedged items other than the risk of a change in the risk-free interest rate.

  In order to assess the effectiveness of the hedge from the beginning, a backtesting exercise is carried out which compares the accumulated monthly variance in the fair value of the hedged item against the accumulated monthly variance in the fair value of the hedging derivative. Hedge effectiveness is also assessed on a forward-looking basis, verifying that future changes in the fair value of the hedged balance sheet items are offset by future changes in the fair value of the derivative in the event of any changes in the market interest rate curve.

– Cash flows: hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss. They are used to reduce net interest income volatility.

The main type of balance sheet items that are hedged correspond to floating-rate mortgage loans indexed to the mortgage Euribor and the 3-month Euribor.

If the hedge relates to assets, the Bank enters into a floating-to-fixed interest rate swap, whereas if the hedge relates to liabilities, it enters into a fixed-for-floating swap. These derivatives can be traded in cash or as forwards. The hedged risk is the interest rate risk deriving from a potential change in the benchmark interest rate that affects the future interest accrued on hedged balance sheet items. The credit risk spread or credit risk premium which, together with the benchmark index, makes up the contractual interest rate applicable to the hedged balance sheet items is expressly excluded from the hedge.

In order to assess the effectiveness of the hedge from the beginning, a backtesting exercise is carried out which compares the accumulated variance in the fair value of the hedged item against the accumulated variance in the fair value of the hedging derivative. Hedge effectiveness is also assessed on a forward-looking basis, verifying that the expected cash flows of the hedged items are still highly probable.

Possible causes of partial or total ineffectiveness include changes in the sufficiency of the portfolio of hedged balance sheet items or differences in their contractual characteristics in relation to hedging derivatives.

Every month the Bank calculates the interest rate risk metrics and establishes hedging strategies in accordance with the established Risk Appetite Framework. Hedges are therefore managed, establishing hedges or discontinuing them, as required, on the basis of the evolution of the balance sheet items described previously within the management and control framework defined by the Bank through its policies and procedures.

Hedges of net investment in foreign operations

The positions of subsidiaries and foreign branches implicitly entail exposure to foreign exchange risk, which is managed by creating hedges through the use of forward contracts and options.

The maturities of these instruments are periodically renewed on the basis of prudential and forward-looking criteria.

Hedging disclosures

The nominal values and the fair values of hedging instruments as at 31 December 2024 and 2023, broken down by risk category and type of hedge, are as follows:

Thousand euro

	2024			2023		
	Nominal	Assets	Liabilities	Nominal	Assets	Liabilities
Microhedges:						
Fair value hedges	**8,284,233**	**78,935**	**161,855**	**10,092,525**	**72,901**	**247,475**
Foreign exchange risk	1,048,591	2,093	5,079	886,601	1,404	4,745
Of permanent investments (A)	*1,048,591*	*2,093*	*5,079*	*886,601*	*1,404*	*4,745*
Interest rate risk	2,087,803	18,608	32,701	1,031,639	23,830	23,990
Of liability-side transactions (B)	*1,726,000*	*1,460*	*32,701*	*686,434*	*912*	*23,990*
Of asset-side transactions (B)	*361,803*	*17,148*	—	*345,205*	*22,918*	—
Equity risk	5,147,839	58,234	124,075	8,174,285	47,667	218,740
Of liability-side transactions (B)	*5,147,839*	*58,234*	*124,075*	*8,174,285*	*47,667*	*218,740*
Cash flow hedges	**2,926,008**	**38,788**	**25,940**	**890,488**	**8,748**	**20,795**
Interest rate risk	1,004,505	5,110	13,230	134,000	3,467	—
Of future transactions (D)	*870,505*	*3,638*	*13,230*	—	—	—
Of liability-side transactions (B)	*134,000*	*1,472*	—	*134,000*	*3,467*	—
Equity risk	3,461	23	11	31,380	258	9
Of liability-side transactions (E)	*3,461*	*23*	*11*	*31,380*	*258*	*9*
Other risks	1,918,042	33,655	12,699	725,108	5,023	20,786
Of inflation-linked bonds (F)	*1,917,960*	*33,655*	*12,699*	*725,000*	*5,023*	*20,786*
Of future transactions (D)	*82*	—	—	*108*	—	—
Hedge of net investment in foreign operations	**577,534**	**—**	**18,033**	**434,389**	**15,463**	**—**
Foreign exchange risk (A)	577,534	—	18,033	434,389	15,463	—
Macrohedges:						
Fair value hedges	**28,304,400**	**732,312**	**430,087**	**20,271,900**	**792,191**	**536,360**
Interest rate risk	28,304,400	732,312	430,087	20,271,900	792,191	536,360
Of liability-side transactions (G)	*14,120,000*	*139,105*	*195,895*	*8,455,000*	*9,660*	*378,703*
Of asset-side transactions (H)	*14,184,400*	*593,207*	*234,192*	*11,816,900*	*782,531*	*157,657*
Cash flow hedges	**10,375,000**	**22,524**	**11,969**	**9,800,000**	**6,924**	**30,574**
Interest rate risk	10,375,000	22,524	11,969	9,800,000	6,924	30,574
Of asset-side transactions (I)	*10,375,000*	*22,524*	*11,969*	*9,800,000*	*6,924*	*30,574*
Total	**50,467,175**	**872,559**	**647,884**	**41,489,302**	**896,227**	**835,204**
By currency:						
In euro	47,844,582	853,446	632,566	39,751,654	871,435	831,453
In foreign currency	2,622,593	19,113	15,318	1,737,648	24,792	3,751
Total	**50,467,175**	**872,559**	**647,884**	**41,489,302**	**896,227**	**835,204**

The types of hedges according to their composition that are identified in the table are as follows:

A. Hedges against foreign exchange risk on permanent investments, recognised under the heading "Investments in subsidiaries, joint ventures and associates", currently cover 545 million pounds sterling and 8,433 million Mexican pesos corresponding to interests held in Group entities, considered as fair value hedges (393 million pounds sterling and 8,133 million Mexican pesos as at 31 December 2023); and 600 million US dollars corresponding to interests held in foreign branches (480 million US dollars as at 31 December 2023), which are considered as hedges of net investments in foreign operations (see Note 3). All of these hedges are arranged through currency forwards.

B. Micro-hedges of interest rate risk on the funding operations in capital markets and structured deposits, as well as transactions involving structured term deposits opened by customers, recognised under the heading "Financial liabilities at amortised cost".

C. Micro-hedges of debt securities classified under the heading "Financial assets at fair value through other comprehensive income".

D. Micro-hedges of highly probable future transactions. The Institution designates as a hedging item those derivative contracts that will be settled at their gross amount through the transfer of the underlying asset (generally fixed-income securities) according to the contract price.

E. Micro-hedges of transactions involving structured term deposits arranged with customers and which are currently being sold.

F. Micro-hedges of interest rates on inflation-linked bonds, recognised under the heading “Financial assets at amortised cost”. The Bank has arranged financial swaps to hedge future changes in cash flows that will be settled by inflation-linked bonds.

G. Macro-hedges of funding operations in capital markets and transactions involving term deposits opened by customers, recognised under the heading “Financial liabilities at amortised cost”. The average rates of financial interest rate swaps used for these hedges were 1.76% and 3.11%, respectively, for retail issuances and deposits, as at 31 December 2024 (0.98% for hedges of both combined as at 31 December 2023).

H. Macro-hedges of debt securities classified under the headings “Financial assets at fair value through other comprehensive income” and “Financial assets at amortised cost”, and of fixed-rate mortgage loans granted to customers recognised under the heading “Financial assets at amortised cost”. The average rates of financial interest rate swaps used to hedge debt securities were 1.18% and 1.17%, respectively, as at 31 December 2024 (1.07% and 1.16%, respectively, as at 31 December 2023). The average rate of financial interest rate swaps used to hedge fixed-rate mortgage loans was 2.68% as at 31 December 2024 (2.82% as at 31 December 2023).

I. Macro-hedges of floating-rate mortgage loans granted to customers recognised under the heading “Financial assets at amortised cost”. As at 31 December 2024, the average rate of financial interest rate swaps used for these hedges was 3.30%, for hedges of loans indexed to the 12-month Euribor (3.87% as at 31 December 2023), and 2.22% for hedges of loans indexed to the 3-month Euribor. As at 31 December 2023, there were no hedges of loans indexed to the 3-month Euribor in force.

The maturity profiles of the hedging instruments used by the Bank as at 31 December 2024 and 2023 are shown below:

Thousand euro

	2024					
	Nominal					
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Foreign exchange risk	752,075	874,050	—	—	—	1,626,125
Interest rate risk	1,934,867	2,775,884	10,791,731	12,903,576	13,365,650	41,771,708
Equity risk	666,977	668,821	1,915,814	1,896,227	3,461	5,151,300
Other risks	—	—	—	525,000	1,393,042	1,918,042
Total	**3,353,919**	**4,318,755**	**12,707,545**	**15,324,803**	**14,762,153**	**50,467,175**

Thousand euro

	2023					
	Nominal					
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Foreign exchange risk	675,264	645,726	—	—	—	1,320,990
Interest rate risk	—	2,870,000	7,907,097	9,899,041	10,561,401	31,237,539
Equity risk	49,073	229,858	2,809,004	5,106,350	11,380	8,205,665
Other risks	—	—	—	525,000	200,108	725,108
Total	**724,337**	**3,745,584**	**10,716,101**	**15,530,391**	**10,772,889**	**41,489,302**

In 2024 and 2023 there were no reclassifications from equity to the income statement due to cash flow hedges and hedges of net investments in foreign operations for transactions that were ultimately not executed.

The following table shows the accounting information of items covered by the fair value micro-hedges arranged by the Bank as at 31 December 2024 and 2023:

Thousand euro

	2024				
	Carrying amount of hedged item		Accumulated fair value adjustments in the hedged item		Accumulated amount of adjustments in hedged items for which hedge accounting no longer applies
	Assets	Liabilities	Assets	Liabilities	
Microhedges:					
Fair value hedges					
Foreign exchange risk	1,048,591	—	—	—	—
Interest rate risk	353,176	554,377	—	(8,717)	(678)
Equity risk	—	3,432,140	—	3,170	—
Total	**1,401,767**	**3,986,517**	**—**	**(5,547)**	**(678)**

Thousand euro

	2023				
	Carrying amount of hedged item		Accumulated fair value adjustments in the hedged item		Accumulated amount of adjustments in hedged items for which hedge accounting no longer applies
	Assets	Liabilities	Assets	Liabilities	
Microhedges:					
Fair value hedges					
Foreign exchange risk	886,601	—	—	—	—
Interest rate risk	323,316	24,940	—	(718)	(620)
Equity risk	—	4,052,256	—	(17,108)	—
Total	**1,209,917**	**4,077,196**	**—**	**(17,826)**	**(620)**

In terms of fair value macro-hedges, the carrying amount of the hedged items recognised in assets and liabilities as at 31 December 2024 amounts to 66,626,626 thousand euros and 33,681,145 thousand euros, respectively (49,290,943 thousand euros and 33,493,163 thousand euros as at 31 December 2023, respectively). Similarly, fair value adjustments of the hedged asset and liability items in the portfolio hedge of interest rate risk amount to -206,216 thousand euros and -64,714 thousand euros as at 31 December 2024, respectively (-389,403 thousand euros and -323,973 thousand euros as at 31 December 2023, respectively).

In relation to fair value hedges, the losses and gains recognised in 2024 and 2023 arising from both hedging instruments and hedged items are detailed hereafter:

Thousand euro

	2024		2023	
	Hedging instruments	Hedged items	Hedging instruments	Hedged items
Microhedges:	**43,237**	**(44,825)**	**3,813**	**(3,962)**
Fixed-rate assets	(6,497)	6,478	(17,262)	17,002
Capital markets and fixed-rate liabilities	10,790	(12,337)	76,055	(75,866)
Assets denominated in foreign currency	38,944	(38,966)	(54,980)	54,902
Macrohedges:	**6,486**	**(3,044)**	**(364,461)**	**380,346**
Capital markets and fixed-rate liabilities	255,491	(258,929)	279,762	(282,832)
Fixed-rate assets	(249,005)	255,885	(644,223)	663,178
Total	**49,723**	**(47,869)**	**(360,648)**	**376,384**

In cash flow hedges, the amounts recognised in the statement of equity during the year and the amounts derecognised from equity and included in profit or loss during the year are indicated in the Bank's statement of total changes in equity.

The ineffectiveness of cash flow hedges recognised in profit or loss for 2024 amounted to losses of 91 thousand euros (losses of 1,291 thousand euros in 2023).

As at 31 December 2024, the Bank holds embedded derivatives that have been separated from their host contracts and recognised under the headings "Derivatives – Hedge accounting" on the asset side and on the liabilities side of the balance sheet in the amount of 19,282 thousand euros and 101,642 thousand euros, respectively (18,322 thousand euros and 173,828 thousand euros, respectively, as at 31 December 2023). The host contracts of those embedded derivatives correspond to customer deposits and debt securities issued and they have been allocated to the portfolio of financial liabilities at amortised cost.

Note 12 – Non-current assets and disposal groups classified as held for sale

The composition of this heading on the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Assets	**911,501**	**989,964**
Loans and advances	156	5,889
Credit institutions	—	—
Customers	156	5,889
Debt securities	—	—
Real estate exposure	634,265	705,655
Tangible assets for own use	48,096	49,432
Foreclosed assets	586,169	656,223
Other tangible assets	5,023	4,955
Interests	272,057	273,465
Impairment allowances	**(174,173)**	**(187,899)**
Non-current assets and disposal groups classified as held for sale	**737,328**	**802,065**

Tangible assets for own use relate mainly to commercial premises.

Regarding real estate assets obtained through foreclosures, 95.52% of the balance corresponds to residential properties, 3.97% to industrial properties and 0.51% to agricultural properties.

The average term during which assets remained within the category of "Non-current assets and assets and liabilities included in disposal groups classified as held for sale – Foreclosed assets" was 71 months in 2024 (61 months in 2023). The policies on the sale or disposal by other means of these assets are described in Note 3.4.2.1.

The percentage of foreclosed assets sold with financing granted by the Bank to the buyer in 2024 was 3.4% (in 2023 it was 3.3%). On the date of sale, these properties had a gross asset value of 3.8 million euros in 2024 (4.6 million euros in 2023).

On 27 February 2023, Banco Sabadell signed a strategic deal to provide merchant acquiring services with Nexi S.p.A. (hereinafter, "Nexi"), a leading European paytech company, for a renewable ten-year period, under which Nexi is to acquire 80% of Banco Sabadell's payments subsidiary Paycomet, S.L.U. for 280 million euros. Banco Sabadell will retain a 20% stake for at least three years, whilst aligning interests with its new industrial partner. Following this period, Banco Sabadell will have the option to sell that 20%. Pursuant to that agreement, the interests in the share capital of Paycomet, S.L.U., which will be transferred once the transaction is closed, are recorded under this heading. The total transaction amount was set at 350 million euros (280 million euros due to the 80% subject to sale), which may be increased depending on the achievement of certain targets.

On 9 October 2023, the Bank acquired all shares of Paycomet, S.L.U. from its sole shareholder, Sabadell Innovation Capital, S.L.U., a Group company, for 42 million euros, recognised under the heading "Non-current assets and disposal groups classified as held for sale".

Similarly, on 25 October 2023, the Board of Directors of Banco de Sabadell, S.A. (as carve-out company) and the sole shareholder of Paycomet, S.L.U., (as beneficiary company) approved the carve-out of the merchant acquiring business of Banco de Sabadell, S.A., in accordance with the common carve-out project of 26 April 2023, subject to obtaining the corresponding authorisations from competent authorities. The carved-out assets constituted an autonomous economic unit that had been providing services and activities in connection with merchant acquiring in the carve-out company.

Having received the corresponding authorisations from the competent authorities, the carve-out was entered in the Companies Register of Alicante on 5 February 2024 and in the Companies Register of Madrid on 13 February 2024. Consequently, the Bank proceeded to register the carve-out, derecognising the net assets of the merchant acquiring business with a balancing entry in the form of a larger value of the interest held in Paycomet, S.L.U. in the amount of 70 million euros, all effective for accounting purposes as of 1 January 2023, in accordance with prevailing accounting legislation.

In accordance with the above, as at 31 December 2024 and 2023, the heading "Interests" includes 100% of the share capital of Paycomet, S.L.U., which will be transferred under the aforementioned agreement signed with Nexi in relation to the merchant acquiring business once the transaction is closed. As at the sign-off date of these annual financial statements, the necessary regulatory authorisations to close this transaction have been obtained. The transaction is expected to be completed in 2025, once the outcome of the tender offer for the acquisition of shares representing the total share capital of the Bank, described in Note 1.5, is known.

The heading "Interests" also includes the 20% stake held in the associate company Promontoria Challenger I, S.A., an entity controlled by Cerberus, to which the Group transferred a large portion of its real estate exposure in 2019.

Movements in "Non-current assets and disposal groups classified as held for sale" during 2024 and 2023 were as follows:

Thousand euro

	Note	Non-current assets held for sale
Cost:		
Balance as at 31 December 2022		**945,341**
Additions		171,290
Disposals		(258,695)
Transfer of credit losses (*)		(11,620)
Other transfers/reclassifications		143,648
Balance as at 31 December 2023		**989,964**
Additions		25,216
Disposals		(113,329)
Transfer of credit losses (*)		(4,692)
Other transfers/reclassifications		14,342
Balance as at 31 December 2024		**911,501**
Impairment allowances:		
Balance as at 31 December 2022		**210,180**
Impairment through profit or loss	34	56,329
Reversal of impairment through profit or loss	34	(22,021)
Utilisations		(56,461)
Other transfers/reclassifications		(128)
Balance as at 31 December 2023		**187,899**
Impairment through profit or loss	34	39,517
Reversal of impairment through profit or loss	34	(28,197)
Utilisations		(25,305)
Other transfers/reclassifications		259
Balance as at 31 December 2024		**174,173**
Balance as at 31 December 2023		**802,065**
Balance as at 31 December 2024		**737,328**

(*) Allowance arising from provisions allocated to cover credit risk.

Details of the net carrying amount of transfers shown in the table above are as follows:

Thousand euro

	Note	2024	2023
Loans and advances		(5,732)	5,667
Tangible assets	14	19,815	138,109
Total		**14,083**	**143,776**

Note 13 – Investments in subsidiaries, joint ventures and associates

The composition of this heading on the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024		
	Group entities	**Associates**	**Total**
By nature:			
Credit institutions	835,958	—	835,958
Other resident sectors	2,745,028	89,100	2,834,128
Other non-resident sectors	2,531,551	19,144	2,550,695
Total	**6,112,537**	**108,244**	**6,220,781**
By quote:			
Quoted	—	—	—
Not quoted	6,112,537	108,244	6,220,781
Total	**6,112,537**	**108,244**	**6,220,781**
By currency:			
In euro	2,817,261	89,100	2,906,361
In foreign currency	3,295,276	19,144	3,314,420
Total	**6,112,537**	**108,244**	**6,220,781**

Thousand euro

	2023		
	Group entities	**Associates**	**Total**
By nature:			
Credit institutions	894,810	—	894,810
Other resident sectors	2,731,854	86,008	2,817,862
Other non-resident sectors	2,212,827	19,144	2,231,971
Total	**5,839,491**	**105,152**	**5,944,643**
By quote:			
Quoted	—	—	—
Not quoted	5,839,491	105,152	5,944,643
Total	**5,839,491**	**105,152**	**5,944,643**
By currency:			
In euro	2,804,817	86,008	2,890,825
In foreign currency	3,034,674	19,144	3,053,818
Total	**5,839,491**	**105,152**	**5,944,643**

Movements during 2024 and 2023 are shown below:

Thousand euro

	Group entities	Associates	Total
Balance as at 31 December 2022	**5,664,601**	**103,412**	**5,768,013**
Contributions (*)	148,500	—	148,500
Capital increases (*)	62,243	—	62,243
Sale, dissolution, recovery of investment(s)	(43,989)	—	(43,989)
Exchange differences	54,902	—	54,902
Impairments	(46,766)	1,740	(45,026)
Balance as at 31 December 2023	**5,839,491**	**105,152**	**5,944,643**
Company incorporation (*)	3,600	—	3,600
Contributions (*)	323,812	—	323,812
Sale, dissolution, recovery of investment(s)	(2,767)	—	(2,767)
Exchange differences	(38,966)	—	(38,966)
Impairments	(12,633)	3,092	(9,541)
Balance as at 31 December 2024	**6,112,537**	**108,244**	**6,220,781**

(*) See cash flow statement.

The section of the cash flow statement for 2024 entitled "Investing activities – Collections from investments in joint ventures and associates" shows an amount of 98,112 thousand euros, which corresponds to dividends received from associates in the amount of 97,405 thousand euros and to gains or (-) losses due to disposals of associates, amounting to 707 thousand euros and recognised under the heading "Gains or (-) losses on derecognition of non-financial assets, net" (see Note 33).

On the other hand, the section of the cash flow statement for 2024 entitled "Investing activities – Collections from investments in other business units" shows an amount of 148,907 thousand euros, which correspond to the items of (i) "Sale, dissolution, recovery of investment(s)", amounting to 2,767 thousand euros, (ii) dividends received from Group entities, amounting to 146,149 thousand euros recognised under the heading "Dividend income", and (iii) gains or (-) losses due to disposals of Group entities, amounting to (9) thousand euros and recognised under the heading "Gains or (-) losses on derecognition of non-financial assets, net" (see Note 33).

Most significant changes in investments during 2024

Group entities

On 5 December 2024, the Bank purchased an issuance of undated securities contingently convertible into newly issued ordinary shares of TSB Banking Group PLC for a nominal amount of 250 million pounds sterling. These instruments meet the requirements set forth in the applicable accounting regulations to be considered as an equity instrument from the issuer's perspective and, therefore, the Bank has recognised an increase in the cost of the interest in the aforesaid institution, in the amount of 301,812 thousand euros (see Note 1.3.1).

The companies indicated below ended the financial year 2023 with grounds for dissolution and for compulsory reduction of share capital, as provided for in Articles 363 and 327 of the Spanish Capital Companies Act. In 2024, to restore their equity positions, part of the credit facilities drawn down were converted into shareholders' contributions:

- Tenedora de Inversiones y Participaciones, S.L.: 20,000,000 euros.
- VeA Rental Homes, S.A.U.: 2,000,000 euros.

Associates

There have been no significant changes during the year.

Most significant changes in investments during 2023

Group entities

- On 22 December 2022, the Board of Directors of Banco de Sabadell, S.A. and the Board of Directors of Bansabadell Financiación, E.F.C., S.A.U. approved and signed the common draft terms of the merger between Banco de Sabadell, S.A. (as the absorbing company) and Bansabadell Financiación, E.F.C., S.A.U. (as the absorbed company).

  The merger involved the absorption of Bansabadell Financiación, E.F.C., S.A.U. by Banco de Sabadell, S.A., resulting in the winding-up, through dissolution without liquidation, of Bansabadell Financiación, E.F.C., S.A.U. and the transfer en bloc of all of its assets to Banco Sabadell, S.A., which acquired, by universal succession, all of the rights and obligations of Bansabadell Financiación, E.F.C., S.A.U.

  Having received the corresponding authorisations from the competent authorities, the merger was entered in the Companies Register of Alicante on 10 October 2023. In accordance with prevailing accounting legislation, the merger's effective date, for accounting purposes, was set at 1 January 2022, having identified no material impacts on the financial statements of Banco de Sabadell, S.A.

- In 2023, with the aim of providing Sabadell Digital, S.A.U. and Fonomed Gestión Telefónica del Mediterráneo, S.A.U. with the liquid funds needed to meet the liquidity requirement established by the Single Resolution Board, contributions were made as sole shareholder, amounting to 142,500 thousand euros (126,000 thousand euros in Sabadell Digital, S.A.U. and 16,500 thousand euros in Fonomed Gestión Telefónica del Mediterráneo, S.A.U.).

- In 2023, Banco Sabadell, S.A., Institución de Banca Múltiple increased its share capital by 62,243 thousand euros.

- An amount of 13,175 thousand euros invested in Sabcapital, S.A., SOFOM, E.R. was recovered during 2023 as a result of the reduction of its share capital.

Associates

No significant changes took place during 2023.

Schedule I sets out details of the recognition and derecognition of equity interests in the years 2024 and 2023.

Note 14 – Tangible assets

The composition of this heading on the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024				2023			
	Cost	Depreciation	Impairment	Net amount	Cost	Depreciation	Impairment	Net amount
Property, plant and equipment	**3,034,723**	**(1,493,730)**	**(74,754)**	**1,466,239**	**3,005,594**	**(1,368,801)**	**(45,294)**	**1,591,499**
For own use:	3,034,723	(1,493,730)	(74,754)	1,466,239	3,005,594	(1,368,801)	(45,294)	1,591,499
Computer equipment and related facilities	319,004	(250,514)	—	68,490	304,202	(234,430)	—	69,772
Furniture, vehicles and other facilities	849,047	(562,519)	(30,537)	255,991	841,714	(540,355)	—	301,359
Buildings	1,846,703	(680,697)	(44,217)	1,121,789	1,839,772	(594,016)	(45,294)	1,200,462
Work in progress	—	—	—	—	—	—	—	—
Other	19,969	—	—	19,969	19,906	—	—	19,906
Investment properties:	**54,732**	**(18,008)**	**(14,331)**	**22,393**	**64,524**	**(16,789)**	**(17,045)**	**30,690**
Buildings	54,732	(18,008)	(14,331)	22,393	64,524	(16,789)	(17,045)	30,690
Total	**3,089,455**	**(1,511,738)**	**(89,085)**	**1,488,632**	**3,070,118**	**(1,385,590)**	**(62,339)**	**1,622,189**

Movements in the balance under this heading during 2024 and 2023 were as follows:

Thousand euro

	Note	Own use - Buildings and other	Own use - Computer equipment, furniture and related facilities	Investment properties	Total
Cost:					
Balances as at 31 December 2022		**1,816,965**	**1,318,584**	**85,872**	**3,221,421**
Additions		78,808	76,901	(28)	155,681
Disposals		(10,278)	(24,762)	(9,230)	(44,270)
Other transfers		(25,817)	(224,807)	(12,090)	(262,714)
Balances as at 31 December 2023		**1,859,678**	**1,145,916**	**64,524**	**3,070,118**
Additions		29,095	38,823	100	68,018
Disposals		(6,161)	(16,688)	(4,216)	(27,065)
Other transfers		(15,940)	—	(5,676)	(21,616)
Balances as at 31 December 2024		**1,866,672**	**1,168,051**	**54,732**	**3,089,455**
Accumulated depreciation:					
Balances as at 31 December 2022		**515,320**	**854,408**	**11,932**	**1,381,660**
Additions		90,395	55,799	3,521	149,715
Disposals		(4,623)	(13,840)	(2,588)	(21,051)
Other transfers		(7,076)	(121,582)	3,924	(124,734)
Balances as at 31 December 2023		**594,016**	**774,785**	**16,789**	**1,385,590**
Additions		88,084	53,400	1,500	142,984
Disposals		(3)	(15,152)	(51)	(15,206)
Other transfers		(1,400)	—	(230)	(1,630)
Balances as at 31 December 2024		**680,697**	**813,033**	**18,008**	**1,511,738**
Impairment losses:					
Balances as at 31 December 2022		**45,915**	**—**	**16,886**	**62,801**
Impairment through profit or loss	32	2,623	—	3,835	6,458
Reversal of impairment through profit or loss	32	(1,255)	—	(4,298)	(5,553)
Other transfers		(1,989)	—	2,118	129
Balances as at 31 December 2023		**45,294**	**—**	**17,045**	**62,339**
Impairment through profit or loss	32	1,630	30,537	174	32,341
Reversal of impairment through profit or loss	32	(134)	—	(969)	(1,103)
Utilisations		(2,573)	—	(1,748)	(4,321)
Other transfers		—	—	(171)	(171)
Balances as at 31 December 2024		**44,217**	**30,537**	**14,331**	**89,085**
Net balances as at 31 December 2023		**1,220,368**	**371,131**	**30,690**	**1,622,189**
Net balances as at 31 December 2024		**1,141,758**	**324,481**	**22,393**	**1,488,632**

The net carrying amount of "Transfers" in 2024 amounted to 19,815 thousand euros (138,109 thousand euros in 2023), which mainly corresponded to reclassifications of assets from or to the heading "Non-current assets and disposal groups classified as held for sale" (see Note 12).

Specific information relating to tangible assets as at 31 December 2024 and 2023 is shown here below:

Thousand euro

	2024	2023
Gross value of tangible assets for own use in use and fully depreciated	466,694	434,999
Net carrying amount of tangible assets of foreign operations	12,018	12,970

Lease contracts in which the Bank acts as lessee

As at 31 December 2024, the cost of property, plant and equipment for own use includes right-of-use assets corresponding to leased tangible assets in which the Bank acts as lessee, in the amount of 1,191,318 thousand euros, which have accumulated depreciation of 472,684 thousand euros and are impaired in the amount of 39,201 thousand euros (1,170,758 thousand euros as at 31 December 2023, with accumulated depreciation and impairment in the amount of 393,815 thousand euros and 40,026 thousand euros, respectively, as at that date).

The expense recognised in the income statement for 2024 for the depreciation and impairment of right-of-use assets corresponding to leased tangible assets in which the Bank acts as lessee amounted to 78,468 thousand euros and 1,496 thousand euros, respectively (80,441 thousand euros and 1,369 thousand euros, respectively, in 2023).

Information is set out below concerning the operating lease contracts in which the Bank acts as lessee:

Thousand euro

	2024	2023
Interest expense on lease liabilities	(14,946)	(14,972)
Expense related to short-term low-value leases (*)	(7,923)	(8,271)
Total lease payments in cash (**)	89,256	88,592

(*) Recognised in the "Administrative expenses" heading, in the item "Property, plant and equipment" (see Note 30).

(**) Payments of the principal and interest components of the lease liability are recognised as cash flows from financing activities in the bank's cash flow statement.

Minimum future payments over the non-cancellable period for lease contracts in effect as at 31 December 2024 and 2023 are indicated below:

Thousand euro

	2024	2023
Undiscounted lease payments receivable		
Up to 1 month	7,493	7,619
1 to 3 months	14,205	14,648
3 to 12 months	65,348	65,493
1 to 5 years	322,649	322,905
More than 5 years	422,731	487,942

Sale and leaseback transactions

Between 2009 and 2012, the Bank completed transactions for the sale of properties and simultaneously entered into a lease contract, for the same properties, with the buyers (maintenance, insurance and taxes to be borne by the Bank), the main characteristics of which are indicated here below:

2024				
Operating lease contracts	**No. properties**	**No. contracts with purchase option**	**No. contracts without purchase option**	**Mandatory term**
2009	57	20	37	10 to 20 years
2010	379	378	1	10 to 25 years
2011 (acquisition Banco Guipuzcoano)	33	25	8	8 to 20 years
2012 (acquisition Banco CAM)	12	12	—	10 to 25 years
2012	4	4	—	15 years

Specific information in connection with this set of lease contracts as at 31 December 2024 and 2023 is given below:

Thousand euro

	2024	2023
Undiscounted lease payments receivable		
Up to 1 month	4,748	4,733
1 to 3 months	9,025	9,157
3 to 12 months	41,893	41,916
1 to 5 years	222,441	221,302
More than 5 years	346,911	405,052

In 2024 and 2023, no significant profit or loss was recorded for sale and leaseback transactions.

Contracts in which the Group acts as lessor

The lease contracts entered into by the Bank in which it acts as lessor are mainly operating leases.

The Bank implements strategies to reduce risks related to the rights held over the underlying assets. For example, the lease contracts include clauses which stipulate a minimum non-cancellable lease term, a deposit which the lessor may retain as compensation if the asset sustains excessive wear during the lease term, and additional guarantees or sureties to limit losses in the event of non-payment.

As regards the investment properties item, the rental income from these investment properties and the direct costs associated with the investment properties that produced rental income during 2024 amount to 12,372 thousand euros and 410 thousand euros, respectively (12,520 thousand euros and 1,373 thousand euros in 2023). Direct costs associated with investment properties that did not produce rental income were not significant in the context of the annual financial statements.

Note 15 – Intangible assets

The composition of this heading on the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Goodwill	**10,830**	**12,199**
From acquisition of BSOS assets	10,830	12,199
Other intangible assets:	**7,216**	**8,085**
With a finite useful life:	7,216	8,085
Private Banking Business, Miami	1,275	1,825
Administrative franchises	862	939
Computer software	4,996	5,238
Other	83	83
Total	**18,046**	**20,284**

Movements in the balance of goodwill and of other intangible assets in 2024 and 2023 were as follows:

Thousand euro

	Goodwill		
	Cost	Amortisation	Total
Balance as at 31 December 2022	**1,019,211**	**(993,376)**	**25,835**
Additions	—	(13,636)	(13,636)
Balance as at 31 December 2023	**1,019,211**	**(1,007,012)**	**12,199**
Additions	—	(1,369)	(1,369)
Balance as at 31 December 2024	**1,019,211**	**(1,008,381)**	**10,830**

Thousand euro

	Other intangible assets		
	Cost	Amortisation	Total
Balance as at 31 December 2022	**273,497**	**(262,528)**	**10,970**
Additions	1,557	(4,219)	(2,662)
Disposals	—	—	—
Other	(3,850)	3,627	(223)
Balance as at 31 December 2023	**271,204**	**(263,120)**	**8,085**
Additions	1,267	(2,099)	(832)
Disposals	(2)	2	—
Other	3,941	(3,978)	(37)
Balance as at 31 December 2024	**276,410**	**(269,195)**	**7,216**

The gross value of other intangible assets that were in use and had been fully amortised as at 31 December 2024 and 2023 amounted to 731,293 thousand euros and 731,295 thousand euros, respectively.

Goodwill

On 1 December 2022, the Bank acquired a business unit of its subsidiary Business Services for Operational Support, S.A.U. This acquisition generated goodwill in the amount of 13,681 thousand euros.

Furthermore, as set forth in the regulatory framework of reference, Banco Sabadell carried out an analysis in 2024 to evaluate the existence of any potential impairment of its goodwill.

Banco Sabadell Group monitors the Group’s total goodwill across the ensemble of Cash-Generating Units (CGUs) that make up the Banking Business Spain operating segment.

The value in use of the Banking Business Spain operating segment is used to determine its recoverable amount. The valuation method used in this analysis was that of discounting future distributable net profit associated with the activity carried out by the Banking Business Spain operating segment until 2029, plus an estimated terminal value.

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

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

In 2024, to calculate the terminal value, Spain's real GDP in 2029 was taken as reference, using a growth rate in perpetuity of 2.1% (1.8% in 2023), which does not exceed the long-term average growth rate of the market in which the operating segment is active. The discount rate used was 9.8% (11.2% in 2023), determined using the Capital Asset Pricing Model (CAPM); it therefore comprises a risk-free rate (10-year Spanish bond) plus a risk premium which reflects the inherent risk of the operating segment being evaluated.

The recoverable amount obtained is higher than the carrying amount; therefore, there is no evidence of impairment. The individual recoverable amount for each CGU as at the end of 2024 and 2023, before allocating goodwill to the CGUs as a group, was above its carrying amount; therefore, the Group did not recognise any impairment at the CGU level during the aforesaid years.

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

This test consisted of adjusting, individually, the following assumptions:

- Discount rate +/- 0.5%.
- Growth rate in perpetuity +/- 0.5%.
- Minimum capital requirement +/-0.75%.
- NIM/ATAs in perpetuity +/- 5bps.
- Cost of risk in perpetuity +/- 10bps.

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

In accordance with the specifications of the restated text of the Corporation Tax Law, the goodwill generated is not tax-deductible.

Other intangible assets

Computer software

Computer software costs include mainly the capitalised costs of developing the Bank's computer software and the cost of purchasing software licences.

R&D expenditure in 2024 and 2023 was not significant.

Note 16 – Other assets and liabilities

The "Other assets" heading on the balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	Note	2024	2023
Insurance contracts linked to pensions	21	80,888	80,693
Rest of other assets		130,571	129,878
Total		**211,459**	**210,571**

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

The "Other liabilities" heading on the balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	31/12/2024	31/12/2023
Other accrual/deferral	405,007	485,207
Rest of other liabilities	18,357	29,262
Total	**423,364**	**514,469**

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

Note 17 – Deposits of central banks and credit institutions

The breakdown of deposits of credit institutions and central banks on the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
Financial liabilities at amortised cost	14,064,490	18,062,699
Total	**14,064,490**	**18,062,699**
By nature:		
Demand deposits	221,401	237,317
Deposits with agreed maturity	1,721,824	6,774,889
Repurchase agreements	11,998,233	10,821,129
Other accounts	81,006	73,633
Valuation adjustments	42,026	155,731
Total	**14,064,490**	**18,062,699**
By currency:		
In euro	13,503,488	17,621,126
In foreign currency	561,002	441,573
Total	**14,064,490**	**18,062,699**

The last tranche of TLTRO III matured in March 2024 (see Note 3.4.3.1 - Liquidity and funding risk) while, as at the end of 2024, the balance of funds drawn from funding operations with the European Central Bank was zero (5 billion euros at the end of 2023).

Note 18 – Customer deposits

The balance of customer deposits on the balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	2024	2023
By heading:		
Financial liabilities at amortised cost	127,629,249	119,790,948
Total	**127,629,249**	**119,790,948**
By nature:		
Demand deposits	102,850,370	100,183,897
Deposits with agreed maturity	19,026,962	14,769,839
Fixed term	17,247,891	13,363,275
Non-marketable covered bonds and bonds issued	332,094	323,010
Other	1,446,977	1,083,554
Hybrid financial liabilities (see Notes 9 and 11)	5,491,959	4,507,056
Repurchase agreements	—	200,336
Other valuation adjustments (interest, fees and commissions, other)	259,958	129,820
Total	**127,629,249**	**119,790,948**
By sector:		
General governments	9,555,906	7,855,767
Other sectors	117,813,385	111,805,361
Other valuation adjustments (interest, fees and commissions, other)	259,958	129,820
Total	**127,629,249**	**119,790,948**
By currency:		
In euro	122,263,869	114,605,845
In foreign currency	5,365,380	5,185,103
Total	**127,629,249**	**119,790,948**

Note 19 – Debt securities in issue

The composition of this heading in the balance sheets as at 31 December 2024 and 2023, by type of issuance, is as follows:

Thousand euro

	2024	2023
Straight bonds/debentures	9,331,305	8,731,400
Straight bonds	9,313,205	8,690,100
Structured bonds	18,100	41,300
Commercial paper	1,126,933	2,125,763
Mortgage covered bonds	7,375,000	7,475,000
Subordinated marketable debt securities	4,050,000	3,550,000
Subordinated bonds	2,300,000	1,800,000
Preferred securities	1,750,000	1,750,000
Valuation and other adjustments	180,780	147,150
Total	**22,064,018**	**22,029,313**

Schedule III shows details of the outstanding issues as at 2024 and 2023 year-end.

The remuneration for preferred securities contingently convertible into ordinary shares amounts to 98,155 thousand euros in 2024 (115,391 thousand euros in 2023) and is recognised under the “Other reserves” heading in the statement of equity (see Note 1.3.2).

Note 20 – Other financial liabilities

The composition of this heading on the balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
Financial liabilities at amortised cost	4,807,804	4,711,369
Total	**4,807,804**	**4,711,369**
By nature:		
Debentures payable	251,546	288,681
Guarantee deposits received	8,050	8,688
Clearing houses	786,525	1,138,627
Collection accounts	2,503,349	1,973,067
Lease liabilities	745,800	798,638
Other financial liabilities	512,534	503,668
Total	**4,807,804**	**4,711,369**
By currency:		
In euro	4,745,615	4,642,449
In foreign currency	62,189	68,920
Total	**4,807,804**	**4,711,369**

The following table shows information relating to the average time taken to pay suppliers (days payable outstanding), as required by Additional Provision Three of Law 15/2010, taking into consideration the amendments introduced by Law 18/2022 of 28 September on the creation and growth of companies:

	2024	2023
Average payment period and supplier payment ratios (in days)		
Days payable outstanding	22.36	10.15
Ratio of transactions paid (*)	22.36	10.15
Ratio of transactions pending payment (**)	183.36	20.56
Payments made and pending at year-end (in thousand euro)		
Total payments made	2,667,474	1,913,038
Total payments outstanding	3	31
Payments made in < 60 days (in thousand euro) (***)		
Monetary volume of paid invoices	2,625,944	1,864,501
Percentage of total amount of payments to suppliers	98	97
Number of invoices paid in < 60 days (***)		
Number of invoices paid	128,024	127,037
Percentage of total number of invoices	94	92

(*) The ratio of transactions paid is equal to the amount of each transaction paid multiplied by the number of days elapsed since the date of receipt of the invoice until its payment, divided by the total amount of payments made.

(**) The ratio of transactions pending payment is equal to the amount of each transaction pending payment multiplied by the number of days elapsed since the date of receipt of the invoice until the last day of the period, divided by the total amount of pending payments.

(***) Corresponds to invoices paid within the maximum period established in regulations on late payment.

Note 21 – Provisions and contingent liabilities

Movements during 2024 and 2023 under the "Provisions" heading 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 2022	**57,841**	**170**	**89,843**	**162,481**	**182,856**	**493,191**
Scope additions / exclusions	**—**	**—**	**—**	**—**	**—**	**—**
Interest and similar expenses - pension commitments	**1,755**	**4**	**—**	**—**	**—**	**1,759**
Allowances charged to income statement - staff expenses (*)	**72**	**4**	**—**	**—**	**—**	**76**
Allowances not charged to income statement	**—**	**—**	**—**	**—**	**—**	**—**
Allowances charged to income statement - provisions	**1,260**	**(4)**	**(4,561)**	**(8,441)**	**22,704**	**10,958**
Allocation of provisions	1,260	—	1,209	206,507	22,882	231,858
Reversal of provisions	—	—	(5,770)	(214,948)	(178)	(220,896)
Actuarial losses / (gains)	—	(4)	—	—	—	(4)
Exchange differences	**—**	**—**	**—**	**1,295**	**—**	**1,295**
Utilisations:	**(7,409)**	**(105)**	**(24,739)**	**—**	**(35,427)**	**(67,680)**
Net contributions of plan assets by sponsor	233	—	—	—	—	233
Pension payments	(7,642)	(105)	—	—	—	(7,747)
Other	—	—	(24,739)	—	(35,427)	(60,166)
Other movements	**(2,174)**	**—**	**7**	**(1,689)**	**5**	**(3,851)**
Balance as at 31 December 2023	**51,345**	**69**	**60,550**	**153,646**	**170,138**	**435,748**
Scope additions / exclusions	**—**	**—**	**—**	**—**	**—**	**—**
Interest and similar expenses - pension commitments	**1,788**	**2**	**—**	**—**	**—**	**1,790**
Allowances charged to income statement - staff expenses (*)	**61**	**4**	**—**	**—**	**—**	**65**
Allowances not charged to income statement	**—**	**—**	**—**	**—**	**—**	**—**
Allowances charged to income statement - provisions	**677**	**—**	**45,910**	**(23,337)**	**22,259**	**45,509**
Allocation of provisions	677	—	47,975	163,085	27,323	239,060
Reversal of provisions	—	—	(2,065)	(186,423)	(5,064)	(193,552)
Actuarial losses / (gains)	—	—	—	—	—	—
Exchange differences	**—**	**—**	**—**	**(1,033)**	**—**	**(1,033)**
Utilisations:	**(9,242)**	**(35)**	**(31,396)**	**—**	**(28,113)**	**(68,786)**
Net contributions of plan assets by sponsor	(1,941)	—	—	—	—	(1,941)
Pension payments	(7,301)	(35)	—	—	—	(7,336)
Other	—	—	(31,396)	—	(28,113)	(59,509)
Other movements	**2,504**	**—**	**—**	**2,311**	**7**	**4,822**
Balance as at 31 December 2024	**47,133**	**40**	**75,064**	**131,587**	**164,291**	**418,115**

(*) See Note 30.

The headings "Pensions and other post employment defined benefit obligations" and "Other long term employee benefits" include the amount of provisions allocated for the coverage of post-employment remuneration and commitments undertaken with early retirees and similar obligations.

The heading “Commitments and guarantees given” includes the amount of provisions allocated for the coverage of commitments given and contingent risks arising from financial guarantees or other types of contracts.

During the usual course of business, the Bank is exposed to fiscal, legal and regulatory contingencies, among others. All significant contingencies are analysed on a regular basis, with the collaboration of third-party experts where necessary and, where appropriate, provisions are recognised under the headings “Pending legal issues and tax litigation” or “Other provisions”. As at 31 December 2024 and 2023, these headings mainly included:

- Provisions for legal contingencies amounting to 13 million euros as at 31 December 2024 (17 million euros as at 31 December 2023).

- Other provisions for legal contingencies in Spain arising from customer claims in connection with certain general contractual terms and conditions amounting to 153 million euros (150 million euros as at 31 December 2023). The most significant provision relates to the possible reimbursement of amounts received as a result of the application of mortgage floor clauses, whether as a result of the hypothetical voiding of floor clauses by the courts of law or whether due to the implementation of Royal Decree-Law 1/2017 of 20 January on measures to protect consumers regarding floor clauses, in the amount of 71 million euros as at 31 December 2024 (81 million euros as at 31 December 2023). In an unlikely adverse scenario of potential additional claims being filed, both through the procedures established by the Institution in accordance with that set forth in the aforesaid Royal Decree, and through court proceedings, applying the percentages set forth in the current arrangements, the maximum contingency would amount to 90 million euros.

  With regard to these provisions, the Bank considers its floor clauses to be transparent and clear to customers, and in general, these have not been definitively voided with a final ruling. On 12 November 2018, Section 28 of the Civil Division of the Provincial Court of Madrid issued a ruling in which it partially supported the appeal brought forth by Banco de Sabadell, S.A. against the ruling issued by Commercial Court no. 11 of Madrid on the invalidity of the restrictive interest rate clauses, considering that some of the clauses established by Banco de Sabadell, S.A. are transparent and valid in their entirety. With regard to the rest of the clauses, the Bank still considers that it has legal arguments which should be reviewed in the legal appeal which the Institution filed with the Supreme Court, with regard to the ruling made by the Provincial Court of Madrid. The Supreme Court referred the matter to the Court of Justice of the European Union (CJEU) for a preliminary ruling, which was issued on 4 July 2024. An appeal in cassation before the Supreme Court remains pending.

  The remaining provisions mainly relate to customer claims in connection with the repayment of mortgage arrangement fees, developer deposit funds and the application of unfair interest rates to deferred credit card payments, with the provision set aside amounting to 81 million euros as at 31 December 2024 (69 million euros as at 31 December 2023).

- Provision to cover the anticipated costs relating to restructuring plans announced in previous years and not yet implemented amounting to 56 million euros as at 31 December 2024 (56 million euros as at 31 December 2023).

The final disbursement amount and the payment schedule are uncertain due to the difficulties inherent in estimating the factors used to determine the amount of the provisions set aside.

Pensions and similar obligations

Defined benefit plans cover all existing commitments arising from the Collective Bargaining Agreement for Banks (*Convenio Colectivo de Banca*). These commitments are financed through the following vehicles:

<u>Pension plan</u>

Banco Sabadell’s Employee Pension Plan (hereinafter, BSEPP) covers the benefits payable under the collective bargaining agreement with employees belonging to regulated groups, with the following exceptions:

- Additional commitments due to early retirement, as set out in the Collective Bargaining Agreement for Banks.

- Supervening incapacity in certain circumstances.

- Widowhood and orphanhood benefits arising from the death of a retired member of staff who began their employment after 8 March 1980.

The BSEPP is regarded to all intents and purposes as a plan asset for the obligations insured by entities outside of the Group. Obligations of the pension plan insured by the Group's associate entities are not considered plan assets.

A Control Board has been created for the BSEPP, formed of representatives of the sponsor and representatives of the participants and beneficiaries. This Control Board is the body responsible for supervising its operation and execution.

Insurance contracts

Insurance contracts generally cover certain commitments arising from the Collective Bargaining Agreement for Banks, including in particular:

- Commitments expressly excluded from the BSEPP (indicated in the previous section).
- Serving employees covered by a collective bargaining agreement of Banco Atlántico.
- Pension commitments undertaken with certain serving employees not provided for under the collective bargaining agreement.
- Commitments towards employees on extended leave of absence not covered with benefits accrued in Banco Sabadell's employee pension plan.
- Commitments towards early retirees; these may be partly financed with benefits accrued in the BSEPP.

These insurance policies have been arranged with companies outside the Bank, whose insured commitments are mainly those towards former Banco Atlántico employees, and with BanSabadell Vida, S.A. de Seguros y Reaseguros.

Voluntary social welfare agency (Entidad de Previsión Social Voluntaria, or E.P.S.V.)

The acquisition and subsequent merger of Banco Guipuzcoano resulted in the takeover of Gertakizun, E.P.S.V., which covers defined benefit commitments in respect of serving and former employees, who are insured by insurance contracts. It was set up by the aforesaid bank in 1991 as an agency with a separate legal personality. All obligations with respect to serving and former employees are insured by entities outside the Group.

Internal funds

Internal funds are used to settle obligations with early retirees up to their legal retirement age.

The origins of liabilities recognised in respect of post-employment benefits and other similar long-term obligations on the Bank's balance sheet are shown below:

Thousand euro

	2024	2023	2022	2021	2020
Obligations arising from pension and similar commitments	514,836	502,983	559,504	732,658	811,819
Fair value of plan assets	(467,663)	(451,569)	(501,493)	(652,786)	(716,128)
Net liability recognised on balance sheet	**47,173**	**51,414**	**58,011**	**79,872**	**95,691**

The return on Banco Sabadell's employee pension plan was 6.65% and that of the E.P.S.V. was 0.57% in 2024 (5.37% and -0.17%, respectively, in 2023).

Movements during 2024 and 2023 in obligations due to pensions and similar commitments and the fair value of the plan assets are as follows:

Thousand euro

	Obligations arising from pension and similar commitments	Fair value of plan assets	Net liability recognised on balance sheet
Balance as at 31 December 2022	**559,504**	**501,493**	**58,011**
Interest costs	17,452	—	17,452
Interest income	—	15,693	(15,693)
Normal cost in year	76	—	76
Past service cost	1,232	—	1,232
Benefits paid	(44,997)	(37,251)	(7,746)
Payments for settlements, curtailments and terminations	(1,300)	(1,300)	—
Net contributions by the Institution	—	(233)	233
Actuarial gains or losses from changes in demographic assumptions	—	—	—
Actuarial gains or losses from changes in financial assumptions	(23,085)	—	(23,085)
Actuarial gains or losses from experience	(10,517)	—	(10,517)
Return on plan assets excluding interest income	—	(31,391)	31,391
Other movements	4,618	4,558	60
Balance as at 31 December 2023	**502,983**	**451,569**	**51,414**
Interest costs	18,045	—	18,045
Interest income	—	16,255	(16,255)
Normal cost in year	65	—	65
Past service cost	630	—	630
Benefits paid	(43,583)	(36,247)	(7,336)
Settlements, curtailments and terminations	(1,570)	(1,570)	—
Net contributions by the Institution	—	1,941	(1,941)
Actuarial gains or losses from changes in demographic assumptions	—	—	—
Actuarial gains or losses from changes in financial assumptions	33,121	—	33,121
Actuarial gains or losses from experience	4,020	—	4,020
Return on plan assets excluding interest income	—	34,590	(34,590)
Other movements	1,125	1,125	—
Balance as at 31 December 2024	**514,836**	**467,663**	**47,173**

The breakdown of the Bank's pension commitments and similar obligations as at 31 December 2024 and 2023, based on the financing vehicle, coverage and the interest rate applied in their calculation, is given below:

Thousand euro

		2024	
Financing vehicle	**Coverage**	**Amount**	**Interest rate**
Pension plans		**239,514**	
Insurance policies with related parties	Matched	22,631	3.00%
Insurance policies with unrelated parties	Matched	216,322	3.00%
Insurance policies with unrelated parties	Without cover	561	3.00%
Insurance contracts		**275,282**	
Insurance policies with related parties	Matched	55,164	3.00%
Insurance policies with unrelated parties	Matched	220,118	3.00%
Internal funds	Without cover	**40**	3.00%
Total obligations		**514,836**	

Thousand euro

		2023	
Financing vehicle	**Coverage**	**Amount**	**Interest rate**
Pension plans		**236,299**	
Insurance policies with related parties	Matched	22,709	3.75%
Insurance policies with unrelated parties	Matched	213,150	3.75%
Insurance policies with unrelated parties	Without cover	440	3.75%
Insurance contracts		**266,615**	
Insurance policies with related parties	Matched	55,095	3.75%
Insurance policies with unrelated parties	Matched	211,520	3.75%
Internal funds	Without cover	**69**	3.75%
Total obligations		**502,983**	

The value of the obligations under the pension plan and insurance contracts covered by matched insurance policies as at 31 December 2024 amounted to 514,235 thousand euros (502,474 thousand euros as at 31 December 2023); therefore, in 99.88% of its commitments (99.90% as at 31 December 2023), there is no mortality risk (mortality tables) or profitability risk (interest rate) for the Bank. Therefore, the evolution of interest rates and demography of groups in 2024 had no impact on the Institution's capacity to pay its pension commitments.

The sensitivity analysis for the actuarial assumptions of the technical interest rate and the rate of salary increase shown in Note 1.3.15 to these annual financial statements, as at 31 December 2024 and 2023, shows how the obligation and the service cost of the current year would have been affected by changes deemed reasonably possible as at that date.

%	2024	2023
Sensitivity analysis	**Percentage change**	
Discount rate		
Interest rate -50 basis points:		
Assumption	2.50 %	3.25 %
Change in obligation	4.75 %	4.59 %
Change in current service cost	11.75 %	10.64 %
Interest rate +50 basis points:		
Assumption	3.50 %	4.25 %
Change in obligation	(4.38)%	(4.24)%
Change in current service cost	(10.06)%	(9.19)%
Rate of salary increase		
Rate of salary increase -50 basis points:		
Assumption	2.50 %	2.50 %
Change in obligation	(0.01)%	(0.01)%
Change in current service cost	(3.61)%	(3.03)%
Rate of salary increase +50 basis points:		
Assumption	3.50 %	3.50 %
Change in obligation	0.01 %	0.01 %
Change in current service cost	4.86 %	3.50 %

The estimate of probable present values, as at 31 December 2024, of benefits payable for the next ten years, is set out below:

Thousand euro	Years										
	2025	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**Total**
Probable pensions	7,484	7,204	6,923	6,630	6,325	6,014	5,691	5,361	5,028	4,692	**61,352**

The fair value of contracts linked to pensions (reimbursement rights) recognised on the balance sheet amounted to 80,888 thousand euros as at 31 December 2024 (80,693 thousand euros as at 31 December 2023); see Note 16.

The main categories of the plan assets as at 31 December 2024 and 2023 are indicated here below:

%	2024	2023
Mutual funds	3.37 %	3.63 %
Deposits and guarantees	0.42 %	0.38 %
Other (non-linked insurance policies)	96.21 %	95.99 %
Total	**100 %**	**100 %**

There were no financial instruments issued by the Bank included in the fair value of plan assets as at 31 December 2024 and 2023.

Note 22 – Shareholders' equity

The breakdown of the balance of shareholders' equity on the balance sheets as at 31 December 2024 and 2023 is the following:

Thousand euro

	2024	2023
Capital	680,028	680,028
Share premium	7,695,227	7,695,227
Other equity	15,434	12,625
Retained earnings	5,918,817	5,165,689
Other reserves	(2,334,149)	(2,228,293)
(-) Treasury shares	(119,344)	(39,621)
Profit or loss for the year	1,505,815	1,088,014
(-) Interim dividends	(428,911)	(162,103)
Total	**12,932,917**	**12,211,566**

Capital

The Bank's share capital as at 31 December 2024 and 2023 stood at 680,027,680.875 euros and is represented by 5,440,221,447 registered shares with a par value of 0.125 euros each. All shares are fully paid up and numbered in sequential order from 1 to 5,440,221,447, inclusive.

On 29 January 2025, the Board of Directors of Banco Sabadell agreed to reduce the Bank's share capital in the amount of 6,566 thousand euros, through the redemption charged to unrestricted reserves of all the treasury shares acquired under the share buyback programme approved on 10 April 2024 by the shareholders at the Banco Sabadell Annual General Meeting, until the suspension of that programme on 9 May 2024, i.e. 52,531,365 shares with a par value of 0.125 euros each, representing approximately 0.97% of the Bank's share capital. This capital reduction was approved as part of the resolution adopted at the aforesaid Annual General Meeting of 10 April 2024. After the aforesaid capital reduction through the redemption of treasury shares agreed by the Bank's Board of Directors on 29 January 2025, the Bank's share capital will stand at 673,461,260.25 euros and will be represented by 5,387,690,082 registered shares with a par value of 0.125 euros each, all fully paid up and numbered in sequential order from 1 to 5,387,690,082, inclusive. This transaction does not entail the reimbursement of contributions made by shareholders, as the Bank is the holder of the redeemed shares. As at the sign-off date of these annual financial statements, the public deed for this capital reduction and its entry in the Companies Register remained pending.

The Bank's shares are traded on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through the stock exchange interconnection system operated by Sociedad de Bolsas, S.A.

None of the other subsidiary companies included in the scope of consolidation are listed on the stock exchange.

The rights conferred to the equity instruments are those regulated by the Capital Companies Act. During the Annual General Meeting, shareholders may exercise a percentage of votes equivalent to the percentage of the share capital in their possession. The Articles of Association do not contain any provision for additional loyalty voting rights.

Capital reduction in 2023

On 30 November 2023, the Board of Directors of Banco Sabadell agreed to execute a reduction of the Bank's share capital in the amount of 23,343 thousand euros, through the redemption charged to unrestricted reserves of all the treasury shares acquired under the share buyback programme, i.e. 186,743,254 shares with a par value of 0.125 euros each, representing approximately 3.32% of the Bank's share capital (see Note 2). This capital reduction was approved as part of the resolution adopted by the Annual General Meeting on 23 March 2023.

The capital reduction and the amendment to Article 7 of the Articles of Association relating to share capital were entered in the Companies Register of Alicante on 11 December 2023, the reduction being thus completed and the redeemed shares delisted.

This operation did not entail the reimbursement of contributions made by shareholders, as the Bank was the holder of the redeemed shares.

Significant investments in the Bank's capital

As required by Articles 23 and 32 of Royal Decree 1362/2007 of 19 October, implementing Securities Market Law 24/1988 of 28 July, on transparency requirements relating to information on issuers whose securities have been admitted to trading on an official secondary market or on any other European Union regulated market, the following table gives details of significant investments in Banco Sabadell's share capital as at 31 December 2024:

Name or company name of shareholder	% of voting rights assigned to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
BlackRock, Inc (1)	—	6.20%	—	0.10%	6.30%
Dimensional Fund Advisors LP (2)	—	3.73%	—	—	3.73%
David Martínez Guzmán (3)	—	3.56%	—	—	3.56%
Zurich Insurance Group Ltd (4)	—	3.02%	—	—	3.02%

The sources for the information provided are communications sent by shareholders to the National Securities Market Commission (CNMV) or directly to the Bank. In accordance with Royal Decree 1362/2007 of 19 October, implementing Securities Market Law 24/1998 of 28 July, on transparency requirements relating to information on issuers whose securities have been admitted to trading on an official secondary market or on any other European Union regulated market, a shareholder is considered to own a significant shareholding when they have in their possession a proportion of at least 3% of the voting rights, or 1% in the case of residents in tax havens.

(1) BlackRock, Inc. owns an indirect shareholding through several of its subsidiaries.

(2) Dimensional Fund Advisors LP disclosed the shares held in funds and accounts advised by either itself or by its subsidiary undertakings. The voting rights correspond to shares held in those funds and accounts. Neither Dimensional Fund Advisors LP nor any of its subsidiaries are beneficial owners of those shares and/or their voting rights.

(3) Fintech Europe, S.À.R.L. (FE) is 100% owned by Fintech Investments Ltd. (FIL), which is the investment fund managed by Fintech Advisory Inc. (FAI). FAI is 100% owned by David Martínez Guzmán. Consequently, the stake currently held by FE is deemed to be under the control of David Martínez Guzmán.

(4) Zurich Insurance Group Ltd. is the parent company of Zurich Group and directly owns 100% of Zurich Insurance Company Ltd, which in turn holds the direct shareholding in Banco de Sabadell, S.A.

Share premium

The balance of the share premium as at 31 December 2024 amounted to 7,695,227 thousand euros.

In 2023, the share premium was reduced by 180,657 thousand euros, which corresponds to the difference between the purchase price of the shares redeemed as part of the Bank's capital reduction explained in this note (204,000 thousand euros) and the nominal value of those shares (23,343 thousand euros).

Furthermore, pursuant to applicable legislation, a restricted capital redemption reserve was created in 2023, with a charge to the share premium in an amount equal to the nominal value of the redeemed shares, 23,343 thousand euros, subject to the same disposal requirements applied for the share capital reduction.

Retained earnings and Other reserves

The balance of these headings of the balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	2024	2023
Restricted reserves:	**233,913**	**228,033**
Statutory reserve (*)	136,006	140,674
Reserve for treasury shares pledged as security	60,426	50,061
Reserve for investments in the Canary Islands	11,023	10,840
Reserve for redenomination of share capital	113	113
Capital redemption reserve	26,345	26,345
Unrestricted reserves	**3,350,755**	**2,709,363**
Total	**3,584,668**	**2,937,396**

At the Annual General Meeting of 10 April 2024 the shareholders approved, as proposed by the Board of Directors, the reclassification to voluntary reserves of the amount held in the statutory reserve in excess of 20% of the share capital resulting from the capital reduction carried out during 2023, that is, 4,668 thousand euros.

Other equity

This heading includes share-based remuneration pending settlement which, as at 31 December 2024 and 2023, amounted to 15,434 thousand euros and 12,625 thousand euros, respectively.

Treasury shares

The movements of the parent company's shares acquired by the Bank during 2024 and 2023 are as follows:

	No. of shares	Nominal value *(in thousand euro)*	Average price *(in euro)*	% Shareholding
Balance as at 31 December 2022	**24,772,683**	**3,096.58**	**0.96**	**0.44**
Purchases	248,821,193	31,102.65	1.10	4.43
Sales	236,416,334	29,552.04	1.11	4.21
Balance as at 31 December 2023	**37,177,542**	**4,647.19**	**1.07**	**0.68**
Purchases	68,001,385	8,500.17	1.65	1.25
Sales	26,338,537	3,292.32	1.27	0.48
Balance as at 31 December 2024	**78,840,390**	**9,855.04**	**1.51**	**1.45**

Net gains and losses arising from transactions involving own equity instruments are included under the heading "Shareholders' equity – Other reserves" on the balance sheet, and they are shown in the statement of changes in equity, in the row corresponding to the sale or cancellation of treasury shares.

As at 31 December 2024, the number of the Bank's shares pledged as collateral for transactions was 32,192,958 with a nominal value of 4,024 thousand euros (44,978,083 shares with a nominal value of 5,622 thousand euros as at 31 December 2023).

The number of Banco de Sabadell, S.A. equity instruments owned by third parties but managed by the different companies of the Group amounted to 2,557,673 and 12,398,979 securities as at 31 December 2024 and 2023, with a nominal value as at those dates of 320 thousand euros and 1,550 thousand euros, respectively. In both years, 100% of the securities corresponded to Banco Sabadell shares.

Note 23 – Accumulated other comprehensive income

The composition of this heading of equity as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Items that will not be reclassified to profit or loss	(55,432)	(64,140)
Actuarial gains or (-) losses on defined benefit pension plans	(3,485)	(4,898)
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	(51,947)	(59,242)
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	(71,669)	(132,165)
Hedge of net investments in foreign operations [effective portion] (*)	(20,946)	7,220
Foreign currency translation	146,401	60,767
Hedging derivatives. Cash flow hedges [effective portion] (**)	(80,301)	(64,982)
Amount deriving from outstanding operations	(96,210)	(87,231)
Amount deriving from discontinued operations	15,909	22,249
Fair value changes of debt instruments measured at fair value through other comprehensive income	(116,823)	(135,170)
Hedging instruments [not designated elements]	—	—
Non-current assets and disposal groups classified as held for sale	—	—
Total	**(127,101)**	**(196,305)**

(*) The value of the hedge of net investments in foreign operations is fully obtained from outstanding transactions (see Note 11).

(**) Cash flow hedges mainly mitigate interest rate risk and other risks (see Note 11).

The breakdown of the items in the statement of recognised income and expenses as at 31 December 2024 and 2023, indicating their gross and net of tax effect amounts, is as follows:

Thousand euro

	2024			2023		
	Gross value	**Tax effect**	**Net**	**Gross value**	**Tax effect**	**Net**
Items that will not be reclassified to profit or loss	11,135	(2,427)	8,708	8,292	(745)	7,547
Actuarial gains or (-) losses on defined benefit pension plans	2,019	(606)	1,413	(2,101)	630	(1,471)
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	9,116	(1,821)	7,295	10,393	(1,375)	9,018
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	64,237	(3,741)	60,496	121,346	(44,316)	77,030
Hedge of net investments in foreign operations [effective portion]	(28,165)	—	(28,165)	14,333	—	14,333
Foreign currency translation	85,633	—	85,633	(41,945)	—	(41,945)
Hedging derivatives. Cash flow hedges reserve [effective portion]	(21,087)	5,768	(15,319)	65,380	(19,614)	45,766
Fair value changes of debt instruments measured at fair value through other comprehensive income	27,856	(9,509)	18,347	83,578	(24,702)	58,876
Hedging instruments [not designated elements]	—	—	—	—	—	—
Non-current assets and disposal groups classified as held for sale	—	—	—	—	—	—
Total	**75,372**	**(6,168)**	**69,204**	**129,638**	**(45,061)**	**84,577**

Note 24 – Off-balance sheet exposures

The composition of off-balance sheet exposures as at 31 December 2024 and 2023 is as follows:

Thousand euro

Commitments and guarantees given	**Note**	**2024**	**2023**
Loan commitments given		**22,044,023**	**20,500,850**
Of which, amount classified as stage 2		*434,477*	483,306
Of which, amount classified as stage 3		*47,273*	*62,425*
Drawable by third parties		22,044,023	20,500,850
By credit institutions		527,252	691,596
By general governments		961,635	910,744
By other resident sectors		16,973,216	15,353,500
By non-residents		3,581,920	3,545,010
Provisions recognised on liabilities side of the balance sheet	21	51,055	61,158
Financial guarantees given (*)		**3,855,851**	**7,052,638**
Of which, amount classified as stage 2		*167,030*	*165,222*
Of which, amount classified as stage 3		*38,046*	*44,828*
Provisions recognised on liabilities side of the balance sheet (**)	21	15,760	23,814
Other commitments given		**9,426,660**	**7,988,420**
Of which, amount classified as stage 2		*333,588*	*372,597*
Of which, amount classified as stage 3		*168,964*	*223,000*
Other guarantees given		6,779,774	6,877,782
Assets earmarked for third-party obligations		—	—
Irrevocable letters of credit		692,742	738,668
Additional settlement guarantee		25,000	25,000
Other guarantees and sureties given		6,062,032	6,114,114
Other contingent risks		—	—
Other commitments given		2,646,886	1,110,638
Financial asset forward purchase commitments		2,567,269	1,007,047
Conventional financial asset purchase contracts		1	8,249
Capital subscribed but not paid up		19	19
Underwriting and subscription commitments		—	—
Other loan commitments given		79,597	95,323
Provisions recognised on liabilities side of the balance sheet	21	64,772	68,674
Total		**35,326,534**	**35,541,908**

(*) Includes 137,407 and 99,631 thousand euro as of 31 December 2024 and 2023, respectively, corresponding to financial guarantees given in connection with construction and real estate development.

(**) Includes 3,034 thousand euros and 3,402 thousand euros as at 31 December 2024 and 2023, respectively, corresponding to provisions for financial guarantees given in connection with construction and real estate development.

Total commitments drawable by third parties as at 31 December 2024 include home equity loan commitments amounting to 2,903,878 thousand euros (3,012,961 thousand euros as at 31 December 2023). As regards other commitments, in the majority of cases there are other types of guarantees which are in line with the Group's Risk Management Policy.

Financial guarantees and other commitments given classified as stage 3

The movement of the balance of financial guarantees and other commitments given classified as stage 3 during 2023 and 2024 was the following:

Thousand euro

Balances as at 31 December 2022	**323,704**
Additions	43,391
Disposals	(99,268)
Balances as at 31 December 2023	**267,827**
Additions	36,225
Disposals	(97,043)
Balances as at 31 December 2024	**207,009**

The breakdown by geographical area of the balance of financial guarantees and other commitments given classified as stage 3 as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Spain	204,136	265,046
Rest of European Union	398	448
United Kingdom	65	15
Americas	2,012	1,905
Rest of the world	398	413
Total	**207,009**	**267,827**

Credit risk allowances corresponding to financial guarantees and other commitments given as at 31 December 2024 and 2023, broken down by the method used to determine such allowances, are as follows:

Thousand euro

	2024	2023
Specific individually measured allowances:	**62,700**	**67,247**
Stage 2	4,112	7,454
Stage 3	58,588	59,793
Specific collectively measured allowances:	**17,832**	**25,241**
Stage 1	2,551	3,930
Stage 2	4,868	6,325
Stage 3	10,240	14,672
Allowances for country risk	173	314
Total	**80,532**	**92,488**

Movements in these allowances during the years 2024 and 2023, together with movements in allowances for loan commitments given, are shown in Note 21.

Note 25 – Off-balance sheet customer funds and financial instruments deposited by third parties

Off-balance sheet customer funds managed by the Bank, those sold but not under management and the financial instruments deposited by third parties as at 31 December 2024 and 2023 are shown below:

Thousand euro

	2024	2023
Off-balance sheet customer funds	**46,171,179**	**40,560,556**
Managed by the bank:	**5,402,834**	**4,186,603**
Investment companies	674,277	588,844
Asset management	4,728,557	3,597,759
Sold by the bank:	**40,768,345**	**36,373,953**
Mutual Funds	27,634,033	23,503,719
Pension funds	3,352,487	3,249,167
Insurance	9,781,825	9,621,067
Financial instruments deposited by third parties	**76,979,789**	**67,755,559**
Total	**123,150,968**	**108,316,115**

Note 26 – Interest income and expenses

These headings in the income statement include interest accrued during the year on all financial assets and financial liabilities the yield of which, implicit or explicit, is obtained by applying the effective interest rate approach, irrespective of whether they are measured at fair value or otherwise, and using corrections of income from hedge accounting operations.

The majority of interest income is generated by financial assets measured either at amortised cost or at fair value through other comprehensive income.

The breakdown of net interest income for the years ended 31 December 2024 and 2023 is the following:

Thousand euro

	2024	2023
Interest income		
Loans and advances	5,663,930	4,995,019
Central banks	797,782	904,669
Credit institutions	394,629	227,015
Customers	4,471,519	3,863,335
Debt securities (*)	573,946	510,338
Stage 3 assets	17,098	22,772
Correction of income from hedging operations	375,256	246,459
Other interest	24,501	57,819
Total	**6,654,731**	**5,832,407**
Interest expense		
Deposits	(1,912,272)	(1,476,183)
Central banks	(48,481)	(305,164)
Credit institutions	(456,928)	(464,097)
Customers	(1,406,863)	(706,922)
Debt securities issued	(612,721)	(529,260)
Correction of expenses on hedging operations	(460,140)	(452,639)
Other interest	(16,542)	(36,506)
Total	**(3,001,675)**	**(2,494,588)**
Net interest income	**3,653,056**	**3,337,819**

(*) Includes 19,582 thousand euros in 2024 and 15,902 thousand euros in 2023 corresponding to interest on financial assets recognised at fair value through profit or loss (trading portfolio).

The improvement in net interest income is mainly due to the higher yield of the loan book, which offsets the higher cost of customer funds and capital markets.

The average annual interest rate during 2024 and 2023 of the following balance sheet headings is shown below:

%

	2024	2023
Assets		
Cash, cash balances at central banks and other demand deposits	3.56	3.08
Debt securities	3.11	2.62
Loans and advances		
Customers	4.14	3.55
Liabilities		
Deposits		
Central banks and Credit institutions	(3.56)	(2.99)
Customers	(0.91)	(0.59)
Debt securities issued	(3.82)	(3.05)

Positive (negative) figures correspond to income (expenses) for the Bank.

Note 27 – Fee and commission income and expenses

Fee and commission income and expenses on financial operations and the provision of services in 2024 and 2023 are as follows:

Thousand euro

	2024	2023
Fees from risk transactions	**264,948**	**275,060**
Asset-side transactions	157,432	163,118
Sureties and other guarantees	107,516	111,942
Service fees	**601,602**	**633,370**
Payment cards	107,213	121,130
Payment orders	80,288	80,900
Securities	59,333	54,135
Demand deposits	225,728	245,812
Other	129,040	131,393
Asset management and marketing fees	**276,173**	**263,206**
Mutual funds	118,752	112,614
Sale of pension funds and insurance products	126,018	127,723
Asset management	31,403	22,869
Total	**1,142,723**	**1,171,636**
Memorandum item		
Fee and commission income	1,249,569	1,238,999
Fee and commission expenses	(106,846)	(67,363)
Fees and commissions, net	**1,142,723**	**1,171,636**

Note 28 – Net profit or net loss on financial operations and net exchange differences

The composition of this heading of the income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	11,463	7,470
Financial assets at fair value through other comprehensive income	6,442	(1,342)
Financial assets at amortised cost	5,907	4,679
Financial liabilities at amortised cost	(886)	4,133
Gains or (-) losses on financial assets and liabilities held for trading, net	(335,660)	38,166
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	12,715	4,896
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	—	—
Gains or (-) losses from hedge accounting, net	1,763	14,445
Total	**(309,719)**	**64,977**
By type of financial instrument:		
Net gain/(loss) on debt securities	3,044	4,359
Net gain/(loss) on other equity instruments	(22,304)	405
Net gain/(loss) on derivatives	(304,676)	58,368
Net gain/(loss) on other items (*)	14,217	1,845
Total	**(309,719)**	**64,977**

(*) Mainly includes gains/(losses) on the loan portfolios sold during 2024 and 2023.

The breakdown of the heading “Exchange differences [gain or (-) loss], net” of the income statement for the years ended 31 December 2024 and 2023 is shown below:

Thousand euro

	2024	2023
Exchange differences [gain or (-) loss], net	320,953	(106,255)

The “Net gain/(loss) on derivatives” heading in the table above includes, among other things, the change in the fair value of derivatives used to hedge against the foreign exchange risk of debit and credit balances denominated in foreign currencies. As at 31 December 2024, the losses generated by these derivatives amounted to 314,219 thousand euros (gains of 136,797 thousand euros as at 31 December 2023), which are recognised under the heading “Gains or (-) losses on financial assets and liabilities held for trading, net” of the 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 income statement.

During 2024, the Bank carried out sales of certain debt securities which it held in its portfolio of financial assets at fair value through other comprehensive income, generating gains of 6,442 thousand euros (losses of 1,342 thousand euros as at 31 December 2023), of which 4,724 thousand euros came from the sale of debt securities held with general governments. In 2023, the Bank did not dispose of debt securities issued by general governments and recorded in this portfolio.

Note 29 – Other operating expenses

The composition of this heading of the income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Contribution to deposit guarantee scheme	(6,294)	(132,209)
Contribution to resolution fund	—	(76,068)
Other items	(280,730)	(231,994)
Of which: temporary levy of credit institutions and financial credit establishments (*)	*(191,882)*	*(156,182)*
Total	**(287,024)**	**(440,271)**

(*) See Note 1.3.17.

The reduction of the balance recognised under the heading “Contribution to deposit guarantee schemes” is due, mainly, to the fact that it has not been necessary to make annual contributions to the deposit guarantee under the DGF in 2024, as the fund had reached the legally required minimum of available financial resources as at 31 December 2023 (see Note 1.3.17).

Furthermore, the Bank did not receive any requirements from the Single Resolution Board to make contributions to the Single Resolution Fund (SRF) in 2024, the available financial means having reached, as at 31 December 2023, the minimum target level of at least 1% of covered deposits held in Member States participating in the Single Resolution Mechanism (see Note 1.3.17).

The “Other items” heading includes expenses corresponding to the Spanish tax on deposits of credit institutions, amounting to 37,972 thousand euros in 2024 (34,418 thousand euros in 2023), as well as expenses associated with non-financial activities.

Note 30 – Administrative expenses

This heading of the income statement includes expenses incurred by the Bank corresponding to staff and other general administrative expenses.

Staff expenses

The staff expenses recognised in the income statement for the years ended 31 December 2024 and 2023 were as follows:

Thousand euro

	Note	2024	2023
Payrolls and bonuses for active staff		(809,134)	(749,375)
Social Security payments		(198,376)	(188,210)
Contributions to defined benefit pension plans	21	(65)	(76)
Contributions to defined contribution pension plans		(28,371)	(26,578)
Other staff expenses		(38,156)	(42,656)
Total		**(1,074,102)**	**(1,006,895)**

As at 31 December 2024 and 2023, the breakdown of the Bank's average workforce by category and sex is as follows:

Average number of employees

	2024			2023		
	Men	Women	Total	Men	Women	Total
Senior management	481	238	719	423	195	618
Middle management	1,571	1,153	2,724	1,696	1,258	2,954
Specialist staff	3,996	5,683	9,679	3,797	5,481	9,278
Total	**6,048**	**7,074**	**13,122**	**5,916**	**6,934**	**12,850**

The breakdown of the Bank's average workforce who informed the Bank that they have a disability of 33% or more, by category, as at 31 December 2024 and 2023 is as follows:

Average number of employees

	2024	2023
Senior management	3	3
Middle management	14	12
Specialist staff	110	104
Total	**127**	**119**

As at 31 December 2024 and 2023, the breakdown of the Bank's workforce by category and sex is as follows:

Number of employees

	2024			2023		
	Men	Women	Total	Men	Women	Total
Senior management	486	244	730	442	209	651
Middle management	1,604	1,194	2,798	1,777	1,406	3,183
Specialist staff	3,952	5,646	9,598	3,762	5,369	9,131
Total	**6,042**	**7,084**	**13,126**	**5,981**	**6,984**	**12,965**

Of the total workforce as at 31 December 2024, 131 employees had informed the Bank that they had some form of recognised disability (120 as at 31 December 2023).

Long-term share-based complementary incentive scheme

Pursuant to the Remuneration Policy, the latest version of which was approved by the Board of Directors at its meeting of 20 December 2024, at the proposal of the Board Remuneration Committee, members of the Group's Identified Staff, with the exception of Non-Executive Directors, were allocated long-term remuneration through the schemes in effect during 2024, as described below:

Long-term remuneration scheme

Every year, the Board of Directors, at the proposal of the Board Remuneration Committee, approves Long-Term Remuneration aimed at members of the Group's Identified Staff with allocated variable remuneration, with the exception of management staff assigned to TSB Banking Group Plc or its subsidiaries, which consists of allocating a certain amount to each beneficiary, determined based on a monetary amount corresponding to a percentage of each beneficiary's fixed remuneration. 55% of the incentive is paid in the Bank's shares (using the weighted average price of the last 20 trading sessions of the month of December of the first year of the accrual period to calculate the number of shares), with the remaining 45% paid in cash. The incentive accrual period consists of three financial years, beginning on 1 January of the financial year immediately following the date of its approval and ending two years later, on 31 December of the third financial year. The aforesaid accrual period in turn comprises two sub-periods:

- Individual annual targets measurement period: this period lasts one financial year, from 1 January to 31 December of the year following the date on which the incentive is approved. During that period, each beneficiary's annual targets are measured (formed of Group targets, management targets and individual targets) established to determine the "Adjusted Target".

- Group multi-year targets measurement period: this period lasts three financial years, beginning on 1 January of the financial year immediately following the date on which the incentive is approved and ending two years later, on 31 December of the third financial year. During that period, the Group's multi-year targets are measured in order to determine the final incentive, which is subject to the Risk Correction Factor. The Group's multi-year targets for each incentive are linked to the following indicators and weights, whose achievement percentages are used to calculate the final payment owed, if any, to management staff who have been assigned that incentive:

Incentive	Indicators and weights
Long-Term Remuneration 2019-2021, 2020-2022 and 2021-2023	- Total shareholder return (25%) - Group liquidity coverage ratio (25%) - CET1 capital indicator (25%) - Group return on risk-adjusted capital (RoRAC) (25%)
Long-term remuneration 2022-2024	- Total shareholder return (25%) - Group liquidity coverage ratio (25%) - CET1 capital indicator (25%) - Return on tangible equity (ROTE) (25%)
Long-Term Remuneration 2023-2025 and 2024-2026	- Total shareholder return (40%) - Return on tangible equity (ROTE) (40%) - Sustainability indicator (20%)

In addition to the achievement of the annual and multi-year targets described above, payment of the incentives is subject to the requirements set out in the general conditions of each long-term remuneration scheme.

The main characteristics of the current incentives of the long-term remuneration scheme are summarised below:

Thousand euro

Incentive	Date approved by Board of Directors	Incentive accrual period	Individual annual targets	Group multi-year targets			Amount pending payment as at 31/12/2024
			Measurement period	Measurement period	Percentage achievement	Final payment	
2019-2021 Long-term remuneration	20/12/2018	01/01/2019 - 31/12/2021	01/01/2019 - 31/12/2019	01/01/2019 - 31/12/2021	0% total shareholder return. 100% liquidity coverage ratio. 100% CET1 indicator. 0% RoRAC indicator.	50% of target	222
2020-2022 Long-term remuneration	19/12/2019	01/01/2020 - 31/12/2022	01/01/2020 - 31/12/2020	01/01/2020 - 31/12/2022	50% total shareholder return. 100% liquidity coverage ratio. 100% CET1 indicator. 100% RoRAC indicator.	87.5% of target	348
2021-2023 Long-term remuneration	17/12/2020	01/01/2021 - 31/12/2023	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2023	100% total shareholder return. 100% liquidity coverage ratio. 100% CET1 indicator. 100% RoRAC indicator.	100% of target	4,533
2022-2024 Long-term remuneration	16/12/2021	01/01/2022 - 31/12/2024	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2024	100% total shareholder return. 100% liquidity coverage ratio. 100% CET1 indicator. 100% ROTE indicator.	100% of target	4,363
2023-2025 Long-term remuneration	21/12/2022	01/01/2023 - 31/12/2025	01/01/2023 - 31/12/2023	01/01/2023 - 31/12/2025	—	—	—
2024-2026 Long-term remuneration	21/12/2023	01/01/2024 - 31/12/2026	01/01/2024 - 31/12/2024	01/01/2024 - 31/12/2026	—	—	—

As regards the staff expenses associated with share-based incentive schemes (see Note 1.3.13), the balancing entry for such expenses is recognised in equity in the case of stock options settled with shares (see statement of total changes in equity – share-based payments), while those settled with cash are recognised in the “Other liabilities” heading of the balance sheet.

Expenditure recognised in relation to incentive schemes and long-term remuneration granted to employees in 2024 and 2023 is shown below:

Thousand euro

	2024	2023
To be settled in shares	1,766	1,632
To be settled in cash	1,452	1,330
Total	**3,218**	**2,962**

Other general administrative expenses

The composition of this heading in the income statement for the years 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Property, plant and equipment	(32,532)	(33,840)
Information technology	(476,592)	(431,717)
Communication	(7,395)	(5,581)
Publicity	(62,293)	(54,513)
Subcontracted administrative services	(75,508)	(76,705)
Contributions and taxes	(142,866)	(133,180)
Technical reports	(54,795)	(12,908)
Security services and fund transfers	(15,369)	(15,426)
Entertainment expenses and staff travel expenses	(11,741)	(8,708)
Membership fees	(2,471)	(2,968)
Other expenses	(32,717)	(38,245)
Total	**(914,279)**	**(813,791)**

Audit firm fees

The fees received by KPMG Auditores, S.L. in the years ended 31 December 2024 and 2023 for audit services, validation of the Sustainability Report and other services were as follows:

Thousand euro

	2024	2023
Audit services (*)	**2,606**	**2,498**
Of which: Audit of the Bank's annual and interim accounts	2,577	2,471
Of which: Audit of the annual accounts of foreign branches (**)	29	27
Audit-related services	**345**	**272**
Of which: Services that auditors are required to provide under applicable legislation	124	109
Other services	**96**	**—**
Of which: Tax services	—	—
Of which: Other	96	—
Total	**3,047**	**2,770**

(*) Including fees corresponding to the year's audit, irrespective of the date on which that audit was completed.

(**) Corresponding to the branch located in London.

The fees received by other companies forming part of the KPMG network in the years ended 31 December 2024 and 2023 for audit and other services were as follows:

Thousand euro

	2024	2023
Audit services (*)	**393**	**341**
Of which: Audit of the annual accounts of foreign branches	393	341
Audit-related services	**55**	**54**
Of which: Services that auditors are required to provide under applicable legislation	—	—
Other services	**366**	**474**
Of which: Tax services	—	—
Of which: Other	366	474
Total	**814**	**869**

(*) Including fees corresponding to the year's audit, irrespective of the date on which that audit was completed.

The main items included under "Audit-related services" correspond to fees related to reports that the auditors are required to produce under applicable regulations, the issuance of comfort letters and other assurance reports. Furthermore, "Other services" includes fees related to reviews of the Pillar 3 Disclosures reports for the years ended 31 December 2024 and 2023, and those related to assurance services in connection with the Non-Financial Disclosures Reports for 2024 and 2023.

Lastly, outside of Spain, the Bank engaged auditors other than KPMG to carry out the audits of foreign branches. Audit and other services provided to branches amounted to 24 thousand euros and 0 thousand euros in the year ended 31 December 2024, respectively (23 and 0 thousand euros in the year ended 31 December 2023).

The information related to non-audit services provided by KPMG Auditores, S.L. to companies controlled by the Bank during 2024 and 2023 is set out in the consolidated annual financial statements for 2024.

All services provided by the auditors and companies forming part of their network comply with the requirements for statutory auditor independence set forth in the Spanish Audit Law and do not, in any case, include work that is incompatible with the account audit function.

Note 31 – Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains

The composition of this heading of the income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Financial assets at fair value through other comprehensive income		236	852
Debt securities	7	236	852
Other equity instruments		—	—
Financial assets at amortised cost (*)	10	(467,811)	(694,159)
Debt securities		(187)	(1,191)
Loans and advances		(467,624)	(692,968)
Total		**(467,575)**	**(693,307)**

(*) This figure mainly includes allowances recorded in the income statement allocated to cover credit risk exposures, as shown in the impairment allowances movements of Note 10.

Note 32 – Impairment or (-) reversal of impairment on non-financial assets

The composition of this heading of the income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Property, plant and equipment for own use	14	(32,032)	(1,368)
Investment properties	14	795	463
Total		**(31,237)**	**(905)**

The allowance for the impairment of investment properties in 2024 and 2023 was calculated based on Level 2 valuations (see Note 5). The fair value of impaired assets amounted to 17,271 thousand euros and 26,732 thousand euros as at 31 December 2024 and 2023, respectively.

Note 33 – Gains or (-) losses on derecognition of non-financial assets, net

The composition of this heading of the income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Property, plant and equipment		(1,601)	(1,096)
Interests	13	698	(2,359)
Total		**(903)**	**(3,455)**

The sale of tangible assets under finance leases in which the Bank acted as lessor did not have a material impact on the 2024 and 2023 income statements.

Note 34 – Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The composition of this heading of the income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Property, plant and equipment for own use and foreclosed		(13,858)	(41,599)
Gains/losses on sales		(2,538)	(7,291)
Impairment/Reversal	12	(11,320)	(34,308)
Interests		—	437
Other items		(243)	(2,253)
Total		**(14,101)**	**(43,415)**

In 2024 and 2023 the heading “Plant and equipment for own use and foreclosed - Impairment/reversal” mainly includes foreclosed properties in the process of being sold. Furthermore, in 2023, this heading included the impact of the recognition at fair value of tangible assets to be disposed of as part of the sale of the merchant acquiring business (see Note 12).

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

The total allowance for the impairment of non-current assets held for sale in 2024 and 2023 was calculated based on Level 2 valuations (see Note 5). The fair value of impaired assets amounted to 323,505 thousand euros and 375,184 thousand euros as at 2024 and 2023 year-end, respectively.

Note 35 – Tax situation (income tax relating to continuing operations)

Consolidated tax group

Banco de Sabadell, S.A. is the parent company of a consolidated tax group for corporation tax purposes, comprising, as subsidiaries, all the Spanish entities in which the Bank holds an interest that meet the requirements of the Spanish Corporation Tax Law.

The amount of this tax in the year has been calculated bearing in mind this circumstance and it will be paid to Banco de Sabadell S.A., as the parent company of the Group, by the entities belonging to the consolidated tax group, so that the parent company may settle the consolidated tax with the tax authority (Hacienda Pública).

Reconciliation

The reconciliation between the pre-tax profit and the taxable income for corporation tax purposes for 2024 and 2023 is shown below:

Thousand euro

	2024	2023
Profit/(loss) before tax	2,126,457	1,424,098
Increases in taxable income	533,999	445,776
From profits	533,999	445,776
From equity	—	—
Decreases in taxable income	(1,705,253)	(1,271,469)
From profits	(1,581,932)	(1,134,478)
From equity	(123,321)	(136,991)
Taxable income	**955,203**	**598,405**
Tax payable (30%)	**(286,561)**	**(179,522)**
Deductions for double taxation, donations and other	12,769	2,182
Net tax payable (current tax in the year)	**(273,792)**	**(177,340)**
Tax for timing differences in the year (net)	(241,676)	(170,056)
Other adjustments (net) (*)	(105,174)	11,312
(Tax expense or (-) income related to profit from continuing operations)	**(620,642)**	**(336,084)**

(*) Includes -69 million euros in 2024 (-58 million euros in 2023) of expense for corporation tax on foreign branches and offices.

The effective tax rate, calculated as tax expenses related to profit divided by profit or loss before tax, came to 29.2% and 23.6% in 2024 and 2023, respectively.

Taxable income – increases and decreases

The increases and decreases in taxable income are analysed in the following table on the basis of whether they arose from timing or permanent differences:

Thousand euro

	2024	2023
Permanent difference	270,348	269,432
Gains/(losses) on sale of equity instruments	—	6,093
Amortisation of Goodwill	—	12,268
Non-deductible expenses	255,106	209,557
Impairment allowances	10,243	36,975
Other	4,999	4,539
Timing difference arising during the year	246,360	155,882
Timing difference arising in previous years	17,291	20,462
Increases	**533,999**	**445,776**
Permanent difference	(666,856)	(528,271)
Gains/(losses) on sale of equity instruments (exempt)	(233,439)	(129,158)
Difference in effective tax rate on permanent establishments	(269,815)	(230,273)
Impairment allowances	(20,191)	(2,041)
Expenses recognised in equity	(98,189)	(115,391)
Other	(45,222)	(51,408)
Timing difference arising during the year	—	—
Timing difference arising in previous years	(1,038,397)	(743,198)
Decreases	**(1,705,253)**	**(1,271,469)**

Deferred tax assets and liabilities

Under current tax and accounting regulations, certain timing differences should be taken into account when quantifying the relevant tax expense related to profit from continuing operations.

In 2013, Spain made a provision (Royal Decree-Law 14/2013) for tax assets generated by allowances for the impairment of loans and other assets arising from the potential insolvency of debtors not related to the relevant taxable person, as well as those corresponding to contributions or provisions in respect of social welfare schemes and, where appropriate, early retirement schemes, to be afforded the status of assets guaranteed by the Spanish State (hereinafter, “monetisable tax assets”).

Monetisable tax assets can be converted into credit enforceable before the Spanish Tax Authority in cases where the taxable person incurs accounting losses or the Institution is liquidated or legally declared insolvent. Similarly, they can be exchanged for public debt securities, once the 18-year term has elapsed, calculated from the last day of the tax period in which these assets were recognised in the accounting records. To retain the State guarantee, and to keep their status as monetisable tax assets, deferred tax assets generated up to 2016 are subject to an annual capital contribution of 1.5% of the deferred tax assets that meet the legal requirements.

Movements of deferred tax assets and liabilities during 2024 and 2023 are shown below:

Thousand euro

Deferred tax assets	**Monetisable**	**Non-monetisable**	**Tax credits for losses carried forward**	**Deductions not applied**	**Total**
Balances as at 31 December 2022	**3,964,922**	**1,126,484**	**235,485**	**7**	**5,326,898**
(Debit) or credit recorded in the income statement	(92,904)	78,683	(69,691)	—	(83,912)
(Debit) or credit recorded in equity	—	(45,061)	—	—	(45,061)
Exchange differences and other movements	36,285	7,168	36,928	19	80,400
Balances as at 31 December 2023	**3,908,303**	**1,167,274**	**202,722**	**26**	**5,278,325**
(Debit) or credit recorded in the income statement	(145,071)	(29,599)	(98,359)	(2,241)	(275,270)
(Debit) or credit recorded in equity		33,935			33,935
Exchange differences and other movements	(177,506)	(61,979)	(7,361)	2,215	(244,631)
Balances as at 31 December 2024	**3,585,726**	**1,109,631**	**97,002**	**—**	**4,792,359**

Thousand euro

Deferred tax liabilities	**Total**
Balances as at 31 December 2022	**66,044**
(Debit) or credit recorded in the income statement	(2,246)
(Debit) or credit recorded in equity	502
Exchange differences and other movements	467
Balances as at 31 December 2023	**64,767**
(Debit) or credit recorded in the income statement	8,465
(Debit) or credit recorded in equity	51
Exchange differences and other movements	(4,799)
Balances as at 31 December 2024	**68,484**

The sources of the deferred tax assets and liabilities recognised in the balance sheets as at 31 December 2024 and 2023 are as follows:

Thousand euro

Deferred tax assets	2024	2023
Monetisable	**3,585,726**	**3,908,304**
Due to credit impairment	3,061,831	3,368,559
Due to real estate asset impairment	400,075	414,680
Due to pension funds	123,820	125,065
Non-monetisable	**1,109,631**	**1,167,274**
Tax credits for losses carried forward	**97,002**	**202,722**
Deductions not applied	**—**	**26**
Total	**4,792,359**	**5,278,326**

Deferred tax liabilities	2024	2023
Property restatements	50,672	53,091
Adjustments to value of wholesale debt issuances arising in business combinations	1,295	4,020
Other financial asset value adjustments	8,962	1,657
Other	7,555	5,999
Total	**68,484**	**64,767**

As indicated in Note 1.3.18, according to the information available as at year-end and the projections taken from the Bank's business plan for the coming years, the Group estimates that it will be able to generate sufficient taxable income to offset tax loss carry-forwards within a period of three years and non-monetisable tax assets, where these can be deducted according to current tax regulations, within a period of 10 years.

In addition, the Group performs a sensitivity analysis of the most significant variables used in the deferred tax asset recoverability analysis, taking into consideration reasonable changes to the key assumptions on which the projected results of each entity or tax group are based and the estimated reversal of timing differences. With respect to Spain, the variables considered are those used in the sensitivity analysis of the calculation of the recoverable amount of goodwill (see Note 15). The conclusions drawn from that analysis are not significantly different from those reached without stressing the significant variables.

The Constitutional Court declared, in its ruling 11/2024 dated 18 January 2024, published in the Official State Gazette (*Boletín Oficial del Estado*) on 20 February 2024, that certain measures related to corporation tax introduced by Royal Decree-Law 3/2016 of 2 December were unconstitutional. Those measures were reintroduced in Law 7/2024 of 20 December, which is applicable to the financial year 2024.

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

The Bank has no deferred tax assets that have not been recognised in the balance sheet.

Other information

In compliance with the accounting obligations set out in Article 86 of Law 27/2014 of 27 November on Corporation Tax, with regard to the mergers carried out to date between Banco de Sabadell, S.A. and Solbank SBD, S.A., Banco Herrero, S.A., Banco de Asturias, S.A., BanSabadell Leasing EFC, S.A., Solbank Leasing EFC, S.A., BanAsturias Leasing EFC, S.A., Banco Atlántico, S.A., Banco Urquijo, S.A., Europea de Inversiones y Rentas S.L., Banco CAM, S.A., Banco Guipuzcoano, S.A., BS Profesional, Axel Group, Sabadell Solbank S.A.U. (formerly Lloyds Bank), Banco Gallego, S.A., and Bansabadell Financiación E.F.C., S.A., the requisite information was included in the first annual report of Banco de Sabadell, S.A. approved following each of the aforesaid mergers.

Canary Islands investment reserve

As set out in Note 2 to these annual financial statements, the Annual General Meeting held on 10 April 2024 approved the allocation of a reserve for investments in the Canary Islands amounting to 183 thousand euros. This reserve was fully realised in 2023 through investments carried out in that same year in various items of property, plant and equipment classified as fixtures and fittings.

Years subject to tax inspection

As at 31 December 2024, Banco de Sabadell S.A.'s corporation tax payments for 2020 and subsequent years are open to review. The year 2020 and subsequent years are also open to review in relation to payments of Value Added Tax (VAT).

Proceedings

In January 2022, the State Agency for Tax Administration (Administración Estatal de Administración Tributaria, or AEAT) gave notice to Banco Sabadell, as the parent company of the consolidated tax group, of the commencement of verification and investigation proceedings in relation to the main taxes affecting the Group. Specifically, the items and periods listed below:

- Corporation Tax for the years 2015 to 2019.
- Capital contribution associated with the conversion of deferred tax assets into credit eligible for the Spanish Tax Authority (Capital Contribution) for the years 2016 to 2019.
- Value Added Tax (VAT) for the years 2018 and 2019.
- Withholdings and payments on account (employment income, income from movable capital) for the years 2018 and 2019.
- Tax on deposits of credit institutions *(Impuesto sobre Depósitos de las Entidades de Crédito*, IDEC) for the years 2017 to 2019.

Documents corresponding to those proceedings were signed on 30 November 2023 and details of them can be found in Note 35 "Tax situation" of the annual financial statements for 2023. The proceedings were completed in 2024. At the end of the current year, matters in dispute and brought before the Central Tax Appeal Board (Tribunal Económico-administrativo Central, or TEAC) in relation to corporation tax (deduction for technological innovation) and VAT (sectoral issues), remain pending resolution, as explained in the following section ("Ongoing disputes").

In January 2024, Banco Sabadell, as the parent company of the consolidated tax group, was notified of the commencement of verification and investigation proceedings in relation to the temporary levy on credit institutions and financial credit establishments, paid in 2023. A Statement of Disagreement, disputing the tax assessment, was signed on 30 September 2024, in response to the corresponding allegations submitted. As at year-end, the tax clearance certificate remains pending release.

Lastly, on 4 February 2025, the State Tax Agency (AEAT) gave notice of the commencement of verification and investigation proceedings in relation to Banco Sabadell, as parent company of the VAT group, in its capacity as legal representative of that group, in connection with VAT corresponding to the periods January 2021 to December 2023.

Ongoing disputes

The main tax-related disputes that were ongoing as at 31 December 2024 are set out below:

- Administrative-financial claims brought before the TEAC in respect of corporation tax settlement agreements for the years 2015 to 2017 and 2018 to 2019, specifically related to the deduction for technological innovation, settled on the basis of application of the criterion established by Spain's National Court (*Audiencia Nacional*, a division of the Supreme Court) in its rulings of 23 November and 9 December 2022.
- Administrative-financial claim brought before the TEAC regarding the VAT settlement agreement for the years 2018 to 2019, in relation to certain sectoral issues.
- Appeal for judicial review before Spain's National Court in relation to Order HFP/94/2023 of 2 February approving, among others, Model 797 "Temporary levy of credit institutions and financial credit establishments. Declaration of payment made" and Model 798 "Temporary levy of credit institutions and financial credit establishments. Advance payment".

  In addition, requests for rectification have been submitted in respect of both tax authority Model 798 "Advance payment" and Model 797 "Declaration of payment made" in relation to the temporary levy on credit institutions and financial credit establishments. These rectifications are currently at the administrative stage, in the process of administrative-financial proceedings or now form part of the verification proceedings referred to in the preceding point.

The Bank has made suitable provisions for any contingencies that it is thought could arise in relation to the ongoing proceedings and disputes described in this Note.

In relation to the remaining tax periods and items for which the statute of limitations is unexpired, due to potential differences in the interpretation of tax regulations, the results of the tax authority inspections for the years subject to review may give rise to contingent tax liabilities, which it is not possible to quantify objectively. However, the Bank considers that the possibility of such liabilities materialising is remote and, if they did materialise, the resulting tax charge would not have any significant impact on these annual financial statements.

International tax reform - Pillar Two rules

On 21 December 2024, Law 7/2024 of 20 December was published which, inter alia, transposes into Spanish law, Directive (EU) 2022/2523 of 14 December 2022, establishing a top-up tax ("top-up tax") to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups (referred to as the "Pillar Two rule"), applicable with retroactive effect to each financial year commencing after 31 December 2023. It should also be noted that, of the other jurisdictions that are significant for the Group (United Kingdom and Mexico), as at 31 December 2024, only the United Kingdom has approved domestic regulations in relation to Pillar Two; those regulations entered into force on 31 December 2023 and are applicable to each year beginning after that date.

The Group, in its capacity as a large-scale multinational group of which the Bank is the ultimate parent entity, is subject to that top-up tax.

The Bank has also applied the mandatory temporary exception related to accounting for deferred taxes arising from implementation of the Pillar Two rule, as provided by the Tenth Final Provision of the aforesaid Law 7/2024.

In addition, based on the available information, an analysis was carried out considering, when applicable, the safe harbours provided for in the Fourth Transitional Provision of the Pillar Two rule, concluding that the impact of Pillar Two for the Group is not significant.

Tax on net interest and commission income of certain financial institutions

Final Provision Nine of Law 7/2024 of 20 December established a tax on the net interest and commission income of certain financial institutions (*Impuesto sobre el Margen de Intereses y Comisiones*, or IMIC). This tax, which is direct and progressive, is levied on the net interest and commission income arising from the activity in Spain of credit institutions, financial credit establishments and branches of foreign credit institutions obtained, respectively, in the tax periods beginning in the years 2024, 2025 and 2026. In terms of the tax rate, this is established on a scale which, after reducing the tax base by 100 million euros, includes five brackets: 1%, 3.5%, 4.8%, 6% and 7% (maximum rate applicable to the taxable base above 5 billion euros).

Royal Decree-Law 2024 of 23 December came into force on 25 December 2024 and amended the accrual of the tax, establishing that it shall accrue on the last day of the calendar month immediately following the end of the tax period for entities subject to payment of that tax as at the aforesaid date. That Royal Decree-Law was repealed, by agreement of the Spanish Parliament's lower house of representatives (*Congreso de Diputados*), on 22 January 2025.

The Bank has not recorded any impact in its annual financial statements as at the end of 2024 as a result of the establishment of the above-mentioned tax, having estimated net tax payable of around 140 million euros for the first tax year in question.

Note 36 – Related party transactions

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

On 24 April 2024, the Board of Directors of Banco Sabadell approved, following a favourable report from the Board Audit and Control Committee, a related-party transaction with Acerinox, S.A. involving a bilateral loan of 150 million euros, granted to Acerinox, S.A., with a 3.75% interest rate, a two-year grace period and semi-annual straight-line repayment over five years, which was formally arranged on 27 June 2024. It is deemed a related party transaction as Banco Sabadell directors Laura González Molero and George Donald Johnston III are Independent Directors of Acerinox, S.A. Ms Molero is also member of its Audit Committee and Chair of its Appointments, Remuneration and Corporate Governance Committee, while Mr Johnston is member of its Executive Committee.

As the amount of this transaction, together with three other transactions carried out in the last twelve months, was more than 2.5% of the turnover recorded in Banco Sabadell's consolidated annual financial statements for 2023, an 'Other Relevant Information' disclosure, alongside the corresponding report from the Board Audit and Control Committee, was published on the CNMV's website on 27 June 2024 and 12 July 2024, with register numbers 29,404 and 29,678, and on Banco Sabadell's corporate website (www.grupbancsabadell.com), in accordance with that set forth in Article 529 *unvicies* of the Capital Companies Act. Furthermore, information was provided in the Other Relevant Information disclosure referred to above and on Banco Sabadell's website (www.grupbancsabadell.com) regarding the three above-mentioned transactions, two of which were approved by the Board of Directors on 24 April 2024, following a favourable report from the Board Audit and Control Committee (also attached to that same Other Relevant Information notice), while the third was approved by Compliance in its decision of 28 September 2023 as a related-party transaction, as per the powers conferred by the Board of Directors of Banco Sabadell on 1 July 2021. These three transactions consisted, respectively, of the renewal of a multi-company credit policy (co-shared by Acerinox, S.A.) for 80 million euros, at 3-month Euribor + 0.90% and maturing after 3 years; the renewal of a multi-company credit policy (co-shared by Acerinox, S.A.) for 15 million US dollars, at 3-month SOFR + 1% and maturing after 3 years; and the renewal of a multi-company credit policy (available equally to Acerinox, S.A. and Acerinox Europa, S.A.U.) for 20 million US dollars, at 3-month SOFR + 1.10% and maturing after 1 year.

Details of the most significant balances held with related parties as at 31 December 2024 and 2023, as well as the effect of related-party transactions on the income statements for 2024 and 2023, are shown below:

Thousand euro

	2024				
	Subsidiaries	Associates	Key personnel	Other related parties	TOTAL
Assets:					
Loans and advances – Credit institutions	2,819,417	—	—	—	**2,819,417**
Loans and advances – Customers	4,584,530	47,381	3,967	1,010,009	**5,645,887**
Liabilities:					
Deposits from credit institutions	21,244	—	—	—	**21,244**
Customer deposits	3,804,351	680,686	5,849	297,475	**4,788,361**
Debt securities issued	607,650	—	—	—	**607,650**
Off-balance sheet exposures:					
Financial guarantees given	1,960,197	319	7	22,598	**1,983,121**
Loan commitments given	1,596,359	14,611	373	334,042	**1,945,385**
Other commitments given	60,320	6,491	—	72,745	**139,556**
Income statement:					
Interest income	381,496	4,075	50	24,157	**409,778**
Interest expenses	(85,156)	(17,013)	(86)	(6,411)	**(108,666)**
Fees and commissions, net	113,617	11,768	15	5,754	**131,154**
Other general expenses	(468,206)	(5,260)	—	(3,401)	**(476,867)**

Thousand euro

	2023				
	Subsidiaries	Associates	Key personnel	Other related parties	TOTAL
Assets:					
Loans and advances – Credit institutions	2,015,194	—	—	—	**2,015,194**
Loans and advances – Customers	4,997,385	39,234	3,757	829,620	**5,869,996**
Liabilities:					
Deposits from credit institutions	15,600	—	—	—	**15,600**
Customer deposits	2,535,612	455,741	5,452	218,477	**3,215,282**
Debt securities issued	734,421	—	—	—	**734,421**
Off-balance sheet exposures:					
Financial guarantees given	5,066,197	294	—	29,136	**5,095,627**
Loan commitments given	1,532,217	54	378	261,702	**1,794,351**
Other commitments given	45,697	6,491	—	84,726	**136,914**
Income statement:					
Interest income	320,530	3,461	47	18,108	**342,146**
Interest expenses	(43,071)	(4,010)	(75)	(915)	**(48,071)**
Fees and commissions, net	123,426	1,781	13	1,452	**126,672**
Other general expenses	(443,044)	(4,873)	—	(3,517)	**(451,434)**

As at 31 December 2024 and 2023 there were no subordinated bonds held by related parties.

Total risk transactions granted by the Bank and consolidated companies to all Directors of the parent company amounted to 782 thousand euros as at 31 December 2024, of which 649 thousand euros corresponded to loans and advances and 133 thousand euros to loan commitments given (875 thousand euros as at 31 December 2023, consisting of 738 thousand euros in loans and advances and 137 thousand euros in loan commitments given). With regard to Senior Management, risk transactions granted by the Bank and consolidated companies amounted to 3,558 thousand euros as at 31 December 2024, of which 3,318 thousand euros corresponded to loans and advances and 240 thousand euros to loan commitments given (3,019 thousand euros in loans and advances and 241 thousand euros in loan commitments given as at 31 December 2023). These transactions form part of the ordinary business of the Bank and are carried out under normal market conditions.

With regard to liabilities, these amounted to 4,088 thousand euros for Directors of the parent company (3,751 thousand euros as at 31 December 2023) and 1,761 thousand euros for Senior Management as at 31 December 2024 (1,700 thousand euros as at 31 December 2023).

Note 37 – Remuneration of members of the Board of Directors and Senior Management and their respective balances

The Director Remuneration Policy for the years 2024, 2025 and 2026 was approved by the shareholders at the Annual General Meeting of 23 March 2023 and complies with European directives and regulations and with prevailing legislation, particularly Spanish Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions, Royal Decree 84/2015 of 13 February implementing the aforesaid Law and Bank of Spain Circular 2/2016 of 2 February, addressed to credit institutions, on supervision and solvency, which completes the transposition into Spanish law of Directive 2013/36/EU and Regulation (EU) No 575/2013, as well as EBA Guidelines on internal governance (EBA/GL/2021/05) of 2 July 2021, EBA Guidelines (EBA/GL/2021/04) of 2 July 2021 on sound remuneration policies under Directive 2013/36/EU, and Commission Delegated Regulation (EU) 2021/923.

For further details on Directors’ remuneration, see the Annual Report on Director Remuneration for 2024. Additionally, for further details on Senior Management remuneration, see the Annual Corporate Governance Report for 2024. These documents are included for reference as part of the Directors' Report.

Remuneration of members of the Board of Directors

Non-Executive Directors

The following table shows, for the years ended 31 December 2024 and 2023, the remuneration paid to Non-Executive Directors for services provided by them in that capacity:

Thousand euro

Non-executive members of the Board of Directors	Director category	Remuneration for Board membership	Remuneration for Board Committee membership	Remuneration for positions held in Group companies	Total 2024	Total 2023
Josep Oliu Creus	Non-Executive Chair	1,625	—	—	1,625	1,600
Pedro Fontana García	Independent Deputy Chair	232	158	—	390	342
Anthony Frank Elliott Ball (1)	Independent Director	—	—	—	—	24
Aurora Catá Sala	Independent Director	125	65	—	190	173
Ana Colonques García-Planas (2)	Independent Director	82	41	—	123	—
Luis Deulofeu Fuguet	Independent Director	125	75	30	230	205
María José García Beato	Other External Director	125	70	—	195	170
Mireya Giné Torrens	Independent Director	125	77	28	230	195
Laura González Molero	Independent Director	125	70	—	195	145
George Donald Johnston III	Lead Independent Director	147	97	—	244	206
David Martínez Guzmán	Proprietary Director	125	—	—	125	95
José Manuel Martínez Martínez (3)	Independent Director	32	20	—	52	170
Alicia Reyes Revuelta	Independent Director	125	75	—	200	170
Manuel Valls Morató	Independent Director	125	110	—	235	178
Pedro Viñolas Serra (4)	Independent Director	125	80	—	205	90
Total		**3,243**	**938**	**58**	**4,239**	**3,763**

(1) Resigned from his position as Director, effective as from the date of the Ordinary Annual General Meeting of 2023, which took place on 23 March 2023.

(2) On 10 April 2024, the shareholders at the Annual General Meeting approved her appointment as member of the Board of Directors, in the capacity of Independent Director. She accepted the position on 27 May 2024.

(3) Resigned from his position as Director, effective as from the date of the Ordinary Annual General Meeting of 2024, which took place on 10 April 2024.

(4) On 23 March 2023 the shareholders at the Annual General Meeting approved his appointment as a member of the Board of Directors, in the capacity of Independent Director and he accepted the position on 22 June 2023.

Based on the revised remuneration scheme and remuneration amounts of the Board and its Board Committees, and in accordance with the powers conferred by the Banco Sabadell Director Remuneration Policy to the Board of Directors, on 31 January 2024 the Board approved an update to the remuneration amounts envisaged for 2024. That update was described in detail in the 2023 Annual Report on Director Remuneration.

No contributions were made to meet pension commitments for Non-Executive Directors in 2024 and 2023. The amount of funds accumulated in workplace retirement planning schemes for Non-Executive Directors as at 31 December 2024 was 9,168 thousand euros (7,650 thousand euros as at 31 December 2023).

Executive Directors

The following table gives a breakdown of remuneration granted in 2024 and 2023 to individual Executive Directors of the Bank:

Thousand euro

Executive members of the Board of Directors	Director category	Fixed components		Variable components		Contributions to workplace retirement planning systems	Total 2024	Total 2023
		Wage	Remuneration for Board membership	Short-term variable remuneration	Long-term variable remuneration			
César González-Bueno Mayer	Sabadell Group CEO	1,693	125	1,096	698	301	3,913	3,631
David Vegara Figueras	Executive director	623	125	133	133	110	1,124	1,025
Total		**2,316**	**250**	**1,229**	**831**	**411**	**5,037**	**4,656**

In accordance with the policy in force approved by the shareholders at the Annual General Meeting, the remuneration of Executive Directors for services provided by them in that capacity consists of a fixed remuneration component and a variable remuneration component comprised of two elements:

Variable remuneration

Short-term variable remuneration

The short-term variable remuneration of Executive Directors is determined taking into account the performance in the financial year measured through targets aligned with the risk taken. The Executive Directors have Group targets assigned to them, which include both risk management and control metrics and solvency and capital metrics. They may also have strategic targets with weights assigned to each indicator, and a scale of achievement.

Long-term variable remuneration

The Executive Directors have long-term remuneration, which is granted annually in cycles based on the achievement of annual and multi-year (three-year) targets, with a corresponding reference amount established at the beginning of each cycle. On completion of the first year of the cycle, the remuneration is adjusted during the first quarter of the subsequent year, according to (i) the level of achievement of the short-term variable remuneration targets corresponding to the first cycle, and (ii) any *ex ante* adjustments.

The payment of the adjusted reference amount will depend on the level of achievement of the multi-year targets described in the corresponding Annual Report on Director Remuneration. The amount ultimately paid out will be, at most, the adjusted reference amount, which shall not be increased in any case.

Both short-term and long-term variable remuneration will be subject to the criteria concerning deferral and payment in capital instruments described in the Director Remuneration Policy.

Contributions to workplace retirement planning schemes

The amount of funds accumulated in workplace retirement planning schemes for Executive Directors as at 31 December 2024 was 1,828 thousand euros (1,349 thousand euros as at 31 December 2023).

Remuneration of Senior Management members

Pursuant to applicable regulations, the information set out below includes the remuneration of Senior Management members (excluding members of the Board of Directors) and the Internal Audit Officer. The amounts include the remuneration of members of Senior Management during the period they have held this status.

Thousand euro

	2024	2023
Total remuneration (*) (**)	9,684	9,121
Contributions to workplace retirement planning systems		
Number of members as at the end of the year	10	10

(*) Includes remuneration of the Group's previous Chief Financial Officer, who resigned as General Manager on 18 November 2024.

(**) Total remuneration as at 2024 year-end includes contributions to workplace retirement planning systems amounting to 1,050 thousand euros (964 thousand euros as at 2023 year-end).

As at the end of 2024 and 2023, no early contract termination payments were made to any member of Senior Management.

The amount of funds accumulated in workplace retirement planning schemes for Senior Management members and for the Internal Audit Officer as at 31 December 2024 was 6,026 thousand euros (4,535 thousand euros as at 31 December 2023).

The members of Senior Management and the Internal Audit Officer of Banco Sabadell as at 31 December 2024, not including Executive Directors on the Board, are the following:

General Managers	**Area of responsibility**
Marc Armengol Dulcet	IT & Ops
Gonzalo Barettino Coloma	General Secretariat
Elena Carrera Crespo	Sustainability and Efficiency
Cristóbal Paredes Camuñas	Corporate & Investment Banking
Carlos Paz Rubio	Risk
Marcos Prat Rojo	Strategy
Sonia Quibus Rodríguez	People
Jorge Rodríguez Maroto	Retail Banking
Carlos Ventura Santamans	Business Banking and Network
Deputy General Manager - Internal Audit Officer	
Nuria Lázaro Rubio	Internal Audit

Details of existing agreements between the company and members of the Board and management staff with regard to severance pay are set out in the Annual Corporate Governance Report, which is included for reference purposes in the Directors' Report.

At its meeting of 30 November 2023, the Board of Directors appointed Marcos Prat Rojo as a General Manager of Banco Sabadell; he took on the role of Strategy Director, reporting to the Chief Executive Officer, subject to obtaining the European Central Bank's statement of no objection to his suitability and effective as from that time. The Board also approved his inclusion as a member of Banco Sabadell's Management Committee during that same meeting. On 25 March 2024 a statement of no objection to that role was obtained from the European Central Bank.

At its meeting of 30 October 2024, the Board of Directors appointed Sergio Alejandro Palavecino Tomé as Chief Financial Officer and General Manager of Banco Sabadell, subject to obtaining a statement of no objection from the European Central Bank and effective as from that time. The Board also approved his inclusion as a member of Banco Sabadell's Management Committee during that same meeting.

As at the end of 2024, internal organisational changes were approved, effective as from 1 January 2025, including the appointment of Marc Armengol Dulcet as Head of Operations and Technology and as Chief Executive Officer of the UK subsidiary, TSB, thus ceasing to be a member of Banco Sabadell's Management Committee.

Other information relating to the Board

In accordance with the provisions of Article 229 of Royal Legislative Decree 1/2010 of 2 July, approving the restated text of the Capital Companies Act in relation to the duty to avoid situations of conflict of interest, and without prejudice to the provisions of Article 529 *vicies et seq.* of the aforesaid Act[4], directors have reported to the company that, during 2024, they or parties related to them, as defined in Article 231 of the Capital Companies Act:

- Have not carried out transactions with the company without taking into account usual operations, performed under standard conditions for customers and whose amount is immaterial, understanding such operations to be those that do not need to be reported to give a true and fair view of the company's equity, financial situation and income, or any operations carried out and considered to be "related party transactions" in accordance with Article 529 *vicies* of the Capital Companies Act, having applied the corresponding approval procedure and reporting requirement, in accordance with Articles 529 *unvicies et seq.* of the aforesaid Capital Companies Act.

Have not used the name of the company or their position as director to unduly influence the performance of personal transactions.

- Have not made use of corporate assets, including the company's confidential information, for personal purposes.
- Have not taken undue advantage of the company's business opportunities.

[4] Related-party transactions are governed by their own special regime.

- Have not obtained advantages or remuneration from third parties other than the company or its Group in connection with the performance of their duties, with the exception of acts of mere courtesy.

- Have not carried out activities on their own behalf or on behalf of a third party that involve competition with the company, whether on an isolated or potential basis, or that might otherwise place them in permanent conflict with the company's interests.

The Bank has entered into a civil liability insurance policy for 2024 that covers the Institution's directors and senior management staff. The total premium paid was 1,360 thousand euros (1,395 thousand euros in 2023).

Note 38 – Other information

Transactions with significant shareholders

No major transactions with significant shareholders were carried out during 2024 and 2023.

Environmental disclosures

In light of the challenges posed by climate change and in its capacity as a financial institution, Banco Sabadell Group has an important role to play in the transition towards a sustainable economy and in achieving the goals of the Paris Agreement and the UN 2030 Agenda. To that end, Banco Sabadell has an ESG action framework aligned with the Sustainable Development Goals (SDGs), in which climate action (SDG 13) is a priority in its business and in its corporate strategy.

Through its Sustainability Policy and its Environmental and Social Risk Framework, Banco Sabadell steers its activities and organisation in line with ESG parameters. The integration of environmental, social and governance factors is present both in decision-making and when responding to the needs and concerns of all its stakeholders. In the same vein, Banco Sabadell, TSB and Banco Sabadell Mexico have adopted those parameters in their own commitments.

As a financial institution, Banco Sabadell plays an essential role in rebuilding an inclusive and decarbonised economy. This involves mobilising resources, identifying technologies and generating opportunities, as well as incorporating new capabilities and carrying out internal transformation efforts to embed sustainability into all of its agendas. It also manages the risk associated with its customer portfolio, minimising the impact of ESG risks and funding a large portion of the investments needed to honour the Paris Agreement, the European Green Deal and the UN 2030 Agenda.

In this context, and with the goal of continuing to accelerate the economic and social transformations that will contribute to sustainable development, the Bank has been applying ESG factors to its strategy, governance and business model since 2022. It has achieved this through the launch of its ESG framework, Sabadell's Commitment to Sustainability, with specific targets for 2025-2050 across four strategic pillars. These commitments include the alignment of business targets with SDGs and they establish levers for transformation and promotion actions. The main courses of action are the following:

- Progress as a sustainable institution: the Bank focuses on achieving greenhouse gas (GHG) emissions neutrality, on making progress in diversity, on ensuring talent and on continuing to incorporate ESG criteria into its governance arrangements, in addition to collaborating in key partnerships.

- Support customers in the transition to a sustainable economy: to that end, the Institution sets decarbonisation pathways, supports customers in the transition with specialised solutions for renewable energies, energy efficiency and sustainable mobility, and it establishes the Environmental and Social Risk Framework, which contains sectoral rules that limit controversial activities and/or activities with a negative impact on social and environmental development.

- Offer investment opportunities that contribute to sustainability: in the investor ecosystem, the Bank focuses on increasing opportunities for savings and investment that contribute to sustainability, rolling out a wide range of social, ethical, green and sustainability bonds and funds, both its own and those of third parties.

- Work together for a sustainable and cohesive society: in its commitment to society, the Institution believes that it is imperative to take an active role to improve financial education, drive forward inclusion, minimise vulnerabilities and ensure secure transactions and exchanges of information.

The Bank also continues to make progress in the area of sustainable finance through its ESG Activities Plan. This plan acts as an operational tool to ensure compliance with the objectives stemming from new regulations and needs in the regulatory and supervisory environment, impacting on strategy and the business model, governance, risk management and disclosure. Among its main courses of action, which are regularly monitored by the Sustainability Committee, it is worth noting the mobilisation of resources and capabilities in sustainable finance, the progress made with the Sustainable Finance Plan, ensuring disclosure to the market and identifying the mechanisms for sustainable progress in fields such as communication, training and measurement.

All of these actions and goals set out in Sabadell's Commitment to Sustainability define the Bank's ESG roadmap.

Given the activities in which it is engaged, as at 31 December 2024, the Bank does not have any responsibilities, expenses, assets, revenues, provisions or contingencies of an environmental nature that could be deemed significant with respect to its equity, financial position or results; therefore, no specific disclosures are included in the environmental disclosures document provided for in Order JUS/616/2022 of 30 June, approving the new templates for the submission to the Companies Register of the annual financial statements of institutions required to published them.

For further details, see the Sustainability Report, which is included as part of the consolidated Directors' Report.

Relationships with agents

In accordance with Article 21 of Royal Decree 84/2015 of 13 February, implementing Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions, the Bank has not kept any agency contracts in force with agents authorised to operate on a frequent basis with its customers, in the name of or on behalf of the principal, to negotiate or arrange transactions typical of the activity of a credit institution.

Customer Care Service (SAC)

The Customer Care Service (*Servicio de Atención al Cliente*, or SAC) and its head, who is appointed by the Board of Directors, report directly to the Compliance division and are independent of the Bank's business and operational lines. The main function of the SAC is to handle and resolve complaints and claims brought forward by customers and users of the financial services of Banco de Sabadell, S.A. and the entities that adhere to the relevant regulations, where these relate to their interests and legally recognised rights arising from contracts, transparency and customer protection regulations or good financial practices and uses, in accordance with the Banco Sabadell Regulations for the Protection of Customers and Users of Financial Services.

In addition, the SAC can issue recommendations or suggestions derived from the analysis of complaints and claims it receives.

The following entities adhere to the SAC Regulations: Sabadell Asset Management, S.A., S.G.I.I.C. Sociedad Unipersonal, Urquijo Gestión, S.G.I.I.C, S.A. and Sabadell Consumer Finance, S.A.U.

In 2024, Banco Sabadell's Customer Care Service (SAC) received 104,621 complaints and 105,355 complaints were handled during the year, with 1,565 claims and complaints pending analysis as at 31 December 2024.

Details of complaints received by the SAC in 2024, broken down by type of product or service, are provided here below:

	Complaints	% of total received
Product		
Loans and credit secured with mortgages	62,557	59.8 %
Loans and credit not secured with collateral	10,172	9.7 %
Demand deposits and payment accounts	21,766	20.8 %
Payment instruments and electronic money	4,649	4.4 %
Other payment services	2,843	2.7 %
Other products/services	1,809	1.7 %
Other products	825	0.8 %
Total	**104,621**	**100.0 %**

Complaints and claims processed by SAC at first instance

During 2024, the SAC received 99,558 complaints and claims, in accordance with the provisions of Order ECO 734/2004 of 11 March and 100,262 have been processed. Of these, 52,781 complaints and claims were accepted and resolved and 47,481 were refused due to reasons set out in the SAC Regulations.

Of the total number of complaints and claims accepted for processing and resolved by the SAC, 31,919 (60.5%) were resolved in the customer's favour, 20,854 (39.5%) in the Institution's favour and in 8 cases the customer withdrew their complaint.

Of the total number of complaints and claims accepted for processing and resolved by the SAC, 29,676 (56.2%) were processed within a period of 15 working days, 20,789 (39.4%) within a period of less than one month and 2,316 (4.4%) within a period longer than one month.

Complaints and claims managed by the Ombudsman

At Banco Sabadell, the role of Customer Ombudsman is performed by José Luis Gómez-Dégano y Ceballos-Zúñiga. The Ombudsman is responsible for resolving complaints brought forward by the customers and users of Banco de Sabadell, S.A., and those of the other aforementioned entities associated with it, at both first and second instance, and for resolving issues that are passed on by the SAC. The Ombudsman's decisions are binding on the Institution.

In 2024, the SAC received a total of 4,289 complaints and claims via the Customer Ombudsman, of which 4,302 were handled during the year.

With regard to claims and complaints resolved by the Customer Ombudsman, 1,116 were resolved in the customer's favour, 889 were resolved in the Institution's favour, and in 9 cases the customer withdrew their complaint. The Ombudsman rejected 2,259 complaints in accordance with the regulations governing their activity. As at 31 December 2024, 59 complaints were pending submission of allegations and 29 were pending the Ombudsman's ruling.

Complaints and claims managed by the Bank of Spain and the CNMV

Under current legislation, customers or users who are dissatisfied with the response received from the SAC or from the Customer Ombudsman may submit their claims and complaints to the Market Conduct and Complaints Department of the Bank of Spain, to the CNMV, or to the Directorate General for Insurance and Pension Funds, subject to the essential prerequisite of having previously addressed their complaint or claim to the Institution.

The SAC received a total of 774 complaints referred by the Bank of Spain and the CNMV up to 31 December 2024. In 2024, taking into account complaints that remained pending at the end of the previous year, 634 were accepted for processing and resolved.

Note 39 – Subsequent events

No significant events meriting disclosure have occurred since 31 December 2024, other than those described in these notes to the annual financial statements.

Schedule I – Banco Sabadell Group companies

Banco Sabadell Group companies as at 31 December 2024 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	% Shareholding		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/ (loss)	Dividends paid	Total assets			
Aurica Coinvestments, S.L.	Holding	Barcelona - Spain	—	61.76	50,594	(2,726)	4,715	2,614	52,659	31,247	(15,192)	(1,879)
Banco Atlantico (Bahamas) Bank & Trust Ltd. in Liquidation (*)	Credit institution	Nassau - Bahamas	99.99	0.01	—	142	(142)	—	—	—	—	(142)
Banco de Sabadell, S.A. (**)	Credit institution	Sabadell - Spain (***)	—	—	680,028	10,619,973	1,505,815	—	184,332,055	—	13,785,066	1,270,615
Banco Sabadell, S.A., Institución de Banca Múltiple	Credit institution	Mexico City - Mexico	99.99	0.01	635,734	(6,956)	39,706	—	5,985,029	673,037	(39,889)	21,207
BanSabadell Factura, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	100.00	—	100	1,425	738	—	2,695	799	727	738
BanSabadell Inversió Desenvolupament, S.A.U.	Holding	Sant Cugat del Valles - Spain	100.00	—	16,975	185,352	5,200	—	211,243	108,828	94,999	5,879
Bansabadell Mediación, Operador De Banca-Seguros Vinculado Del Grupo Banco Sabadell, S.A.	Other regulated companies	Alicante - Spain	—	100.00	301	60	3,468	3,110	41,774	524	(2,404)	3,468
BanSabadell Reassurance, S.A.	Other regulated companies	Luxembourg - Luxembourg	100.00	—	3,600	—	(90)	—	3,580	3,600	—	(90)
Bitarte, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	6,506	(2,048)	94	—	4,441	9,272	(4,755)	94
BStartup 10, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	1,000	4,827	717	—	13,653	1,000	493	(265)
Crisae Private Debt, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	—	100.00	3	489	252	—	882	200	292	252
Desarrollos y Participaciones Inmobiliarias 2006, S.L.U. in Liquidation	Real estate	Elche - Spain	—	100.00	—	—	—	—	1,644	—	—	(2,127)
Duncan Holdings 2022-1 Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	4,523	4,783
Duncan Holdings 2024-1 Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
Ederra, S.A.	Real estate	Sant Cugat del Valles - Spain	97.85	—	2,036	34,012	810	—	36,933	36,062	(541)	833
ESUS Energía Renovable, S.L.	Production of electricity	Vigo - Spain	—	100.00	8,000	4,182	(685)	—	43,918	13,115	(1,598)	(1,235)
Fonomed Gestión Telefónica Mediterráneo, S.A.U.	Other ancillary activities	Alicante - Spain	100.00	—	1,232	21,084	459	—	23,355	19,271	2,773	524
Gazteluberri, S.L.	Real estate	Sant Cugat del Valles - Spain	—	100.00	53	(20,875)	(686)	—	1,802	23,891	(44,712)	(686)
Gest 21 Inmobiliaria, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	7,810	1,164	(8)	—	8,976	80,516	(46,665)	(8)
Gestión Financiera del Mediterráneo, S.A.U.	Other financial services	Alicante - Spain	100.00	—	13,000	2,600	4,373	6,052	20,087	66,787	(48,083)	1,182
Gier Operations 2021, S.L.U. in Liquidation (****)	Other ancillary activities	Andorra - Andorra	100.00	—	—	16	(16)	—	—	—	—	(16)
Guipuzcoano Promoción Empresarial, S.L.	Holding	Sant Cugat del Valles - Spain	—	100.00	53	(77,366)	(2,982)	—	5,159	7,160	(84,474)	(2,982)
Hobalear, S.A.U.	Real estate	Sant Cugat del Valles - Spain	—	100.00	60	85	2	—	148	414	85	2
Hondarriberri, S.L.	Holding	Sant Cugat del Valles - Spain	99.99	0.01	41	9,052	599	—	19,068	165,669	93,672	4,304
Hotel Management 6 Gestión Activa, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	135,730	28,082	(997)	—	162,816	136,335	27,476	(531)
Interstate Property Holdings, LLC.	Holding	Miami - United States	100.00	—	7,293	(525)	252	—	7,150	3,804	8,111	252
Inverán Gestión, S.L. in Liquidation	Real estate	Sant Cugat del Valles - Spain	44.83	55.17	90	(96)	(8)	—	42	45,090	(45,096)	(8)
Inversiones Cotizadas del Mediterráneo, S.L.	Holding	Alicante - Spain	100.00	—	308,000	214,897	8,184	—	988,722	589,523	(66,490)	8,184
Manston Invest, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	33,357	(13,783)	(68)	—	19,794	33,357	(13,783)	(68)
Mariñamendi, S.L.	Real estate	Sant Cugat del Valles - Spain	—	100.00	62	(11,640)	(34)	—	3,842	109,529	(121,108)	(34)
Mediterráneo Sabadell, S.L.	Holding	Alicante - Spain	50.00	50.00	85,000	17,696	254	—	103,063	510,829	(408,133)	254
Paycomet, S.L.U.	Payment institution	Torrelodones - Spain	100.00	—	200	90,604	7,941	—	145,748	103,104	22,983	5,047
Puerto Pacific Vallarta, S.A. de C.V.	Real estate	Mexico City - Mexico	—	100.00	28,947	(16,624)	(44)	—	12,279	29,164	(12,338)	(44)
Ripollet Gestión, S.L.U.	Other financial services	Sant Cugat del Valles - Spain	100.00	—	20	28	433	—	609,611	593	(546)	433
Rubí Gestión, S.L.U.	Other financial services	Sant Cugat del Valles - Spain	100.00	—	3	8	(11)	—	518,988	53	(42)	(11)

Banco Sabadell Group companies as at 31 December 2024 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	% Shareholding		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/ (loss)	Dividends paid	Total assets			
Sabadell Consumer Finance, S.A.U.	Credit institution	Sabadell - Spain	100.00	—	35,720	100,419	2,349	—	2,454,394	72,232	68,829	2,349
Sabadell Information Systems Limited	Provision of technology services	London - United Kingdom	—	100.00	12,036	23,479	362	—	36,179	41,296	(7,743)	289
Sabadell Digital, S.A.U.	Provision of technology services	Sabadell - Spain	100.00	—	40,243	190,801	99,391	—	1,541,892	269,695	(43,832)	86,391
Sabadell Innovation Capital, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	1,000	39,996	7	—	42,616	1,000	(8,598)	7
Sabadell Patrimonio Inmobiliario, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	30,116	789,225	(2,714)	—	817,652	863,895	(44,554)	(2,714)
Sabadell Real Estate Activos, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	100,060	234,017	(25)	—	334,336	500,622	(166,545)	(25)
Sabadell Real Estate Development, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	15,807	131,841	(14,053)	—	822,125	4,748,442	(4,585,579)	(12,055)
Sabadell Real Estate Housing, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	2,073	682	(12)	—	4,902	23,792	(21,038)	(12)
Sabadell Securities USA, Inc.	Other financial services	Miami - United States	100.00	—	551	7,405	911	—	9,123	551	6,378	911
Sabadell Strategic Consulting, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	100.00	—	3	890	259	—	2,186	3	890	259
Sabadell Venture Capital, S. L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	3	24,564	(1,378)	—	80,562	3	11,595	1,182
Sabcapital, S.A de C.V., SOFOM, E.R.	Other financial corporations	Mexico City - Mexico	49.00	51.00	127,864	62,548	34,259	—	1,205,596	121,781	66,835	34,282
Sinia Capital, S.A. de C.V.	Holding	Mexico City - Mexico	—	100.00	20,830	2,041	4,284	—	50,342	19,492	2,811	3,785
Sinia Renovables, S.A.U.	Trusts, funds and similar financial entities	Sant Cugat del Valles - Spain	100.00	—	15,000	12,663	1,827	—	208,328	15,000	11,731	1,790
Sogeviso Servicios Gestión Vivienda Innovación Social, S.L.U.	Real estate	Alicante - Spain	100.00	—	3	10,208	(217)	—	11,112	3	11,102	484
Stonington Spain, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	60,729	(11,945)	(57)	—	49,119	60,729	(11,945)	(57)
Tasaciones de Bienes Mediterráneo, S.A. in Liquidation	Other ancillary activities	Alicante - Spain	99.88	0.12	1,000	1,504	(1)	—	2,552	5,266	(2,763)	—
Tenedora de Inversiones y Participaciones, S.L.	Holding	Alicante - Spain	100.00	—	296,092	(148,006)	(42,923)	—	288,605	2,995,977	(2,868,514)	(20,172)
TSB Bank PLC	Credit institution	Edinburgh - United Kingdom	—	100.00	90,710	2,213,207	236,132	354,477	55,535,233	2,110,033	428,595	245,345
TSB Banking Group PLC	Holding	London - United Kingdom	100.00	—	7,028	2,224,146	359,284	140,097	4,045,597	2,527,195	(269,497)	1,096
TSB Banking Group plc Employee Share Trust	Other ancillary activities	Saint Helier - Jersey	—	100.00	1	(18,182)	84	—	321	—	(16,904)	2
TSB Covered Bonds (Holdings) Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds (LM) Limited	Other ancillary activities	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds LLP	Trusts, funds and similar financial entities	London - United Kingdom	—	100.00	1	8,263	(99)	—	8,216	—	24	(99)
Urquijo Gestión, S.A.U., S.G.I.I.C.	Fund management activities	Madrid - Spain	100.00	—	3,606	3,322	6,339	—	18,610	3,084	3,844	6,339
VeA Rental Homes, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	5,000	(451)	(129)	—	10,974	24,000	(19,451)	(131)
Venture Debt SVC, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	3	—	—	—	5,059	3	—	—
Total								**506,350**		**17,206,867**	**5,631,022**	**1,667,171**

(*) Formerly Banco Atlantico (Bahamas) Bank & Trust Ltd.

(**) The amount reported in "Contribution to reserves or losses in consolidated companies" and in "Contribution to Group consolidated profit/(loss)" includes contributions by companies that were removed from the scope during 2024 of 0 thousand euros and -465 thousand euros, respectively.

(***) The Board of Directors of Banco Sabadell, in its meeting held on 22 January 2025, resolved to set the registered office at Sabadell, Plaça de Sant Roc no. 20. The registered office was previously located in Alicante, at Avenida Óscar Esplá, 37.

(****) Formerly Gier Operations 2021, S.L.U.

Banco Sabadell Group companies as at 31 December 2024 accounted for using the equity method (*)

Thousand euro

Company name	Line of business	Registered office	% Shareholding		Company data (a)					Group investment	Contribution to reserves or losses in consolidated companies (d)	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/(loss) (b)	Dividends paid (c)	Total assets			
Aurica III, Fondo de Capital Riesgo	Trusts, funds and similar financial entities	Barcelona - Spain	—	47.50	51,130	2,023	1,411	—	54,729	24,318	6,243	9,072
Aurica IIIB, S.C.R., S.A.	Trusts, funds and similar financial entities	Barcelona - Spain	—	42.85	1,382	34,409	947	—	36,849	12,520	6,070	5,513
BanSabadell Pensiones, E.G.F.P., S.A.	Other regulated companies	Madrid - Spain	50.00	—	7,813	38,281	6,357	—	56,190	40,378	(17,243)	3,179
BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	10,000	71,591	35,047	20,450	313,846	34,000	7,412	18,291
BanSabadell Vida, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	43,858	386,624	125,236	73,550	9,864,395	27,106	105,185	114,721
Catalana de Biogás Iberia, S.L.	Production of electricity	Barcelona - Spain	—	24.90	10	(864)	1	—	1	2	(2)	—
Conecta2 Generación Renovable II, S.L.U.	Other power generation	Sant Cugat del Valles - Spain	—	49.00	2,961	—	—	—	13,521	1,451	—	—
Doctor Energy Central Services, S.L.	Business and other management consultancy activities	Granollers - Spain	—	21.61	381	(36)	(119)	—	1,356	116	(69)	2
Energíes Renovables Terra Ferma, S.L.	Production of electricity	Barcelona - Spain	—	50.00	6	(85)	9	—	3,537	3	(3)	—
Enerlan Solutions, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	147	10	—	753	274	(238)	(6)
Financiera Iberoamericana, S.A.	Other financial corporations	Havana - Cuba	50.00	—	38,288	18,527	9,378	3,405	113,215	19,144	4,709	4,086
Flex Equipos de Descanso, S.A.	Manufacturing	Getafe - Spain	—	19.16	66,071	39,803	5,383	4,791	355,893	50,930	35,329	4,791
Ingubide, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	3	57	—	351	152	(117)	(23)
Murcia Emprende, S.C.R. de R.S., S.A.	Other financial services	Murcia - Spain	28.70	—	2,557	939	(375)	—	3,165	2,026	(1,083)	(47)
Parque Eólico Casa Vieja S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Parque Eólico Villaumbrales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	763	267	(15)	—
Parque Eólico Perales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Parque Eólico Los Pedrejones S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Portic Barcelona, S.A.	Data processing, hosting and related activities	Barcelona - Spain	25.81	—	291	1,887	(203)	—	2,236	5	552	(47)
SBD Creixent, S.A.	Real estate	Sabadell - Spain	23.05	—	5,965	(336)	318	—	6,099	3,524	(2,296)	142
Sydinia, S.L.	Production of electricity	Albacete - Spain	—	50.00	562	(120)	1	—	1	281	(20)	(40)
Total								**102,196**		**217,298**	**144,369**	**159,634**

(*) Companies accounted for using the equity method as the Group does not have control over them but does have significant influence.

(a) Figures for foreign companies translated to euros at the historical exchange rate; amounts in the consolidated income statement translated at the average exchange rate.

(b) Results pending approval by Annual General Meeting of Shareholders and Partners.

(c) Includes supplementary dividends from previous year and interim dividends paid to Group.

(d) The heading “Reserves or accumulated losses of investments in joint ventures and associates” on the consolidated balance sheet as at 31 December 2024 also includes -65,353 thousand euros corresponding to Promontoria Challenger I, S.A., an entity classified as a non-current asset held for sale.

The balance of total revenue from associates consolidated by the equity method and individually considered to be non-material amounts to 594,396 thousand euros as at 31 December 2024. The balance of liabilities as at the end of 2024 amounts to 515,474 thousand euros.

Changes in the scope of consolidation in 2024

Additions to the scope of consolidation:

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Fair value of equity instruments issued for the acquisition		% Voting rights acquired	% Total voting rights	Type of shareholding	Method	Reason
			Acquisition cost	Fair value of equity instruments issued for the acquisition					
BanSabadell Reassurance, S.A.	Group	15/4/2024	3,600	—	100.00 %	100.00 %	Direct	Full consolidation	a
Conecta2 Generación Renovable II, S.L.U.	Associate	1/8/2024	1,451	—	49.00 %	49.00 %	Indirect	Equity method	b
Duncan Holdings 2024-1 Limited	Group	7/2/2024	—	—	100.00 %	100.00 %	Indirect	Full consolidation	a
Total newly consolidated subsidiaries			**—**						
Total newly consolidated associates			**1,451**						

(a) Incorporation of subsidiaries.

(b) Added due to acquisition of shares.

Exclusions from the scope of consolidation:

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
Plaxic Estelar, S.L.	Associate	3/4/2024	45.01 %	— %	—	Indirect	Equity method	a
Hotel Management 6 Holdco, S.L.U.	Associate	23/12/2024	100.00 %	— %	(25)	Indirect	Equity method	a
Other					1,471			

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

Banco Sabadell Group companies as at 31 December 2023 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	% Shareholding		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/ (loss)	Dividends paid	Total assets			
Aurica Coinvestments, S.L.	Holding	Barcelona - Spain	—	61.76	50,594	(3,205)	4,712	2,614	52,175	50,594	(15,793)	(1,577)
Banco Atlantico (Bahamas) Bank & Trust Ltd.	Credit institution	Nassau - Bahamas	99.99	0.01	1,598	712	(90)	—	2,952	2,439	(435)	(90)
Banco de Sabadell, S.A. (*)	Credit institution	Alicante - Spain	—	—	680,028	10,247,219	1,088,014	—	179,945,913	—	12,961,312	1,020,744
Banco Sabadell, S.A., Institución de Banca Múltiple	Credit institution	Mexico City - Mexico	99.99	0.01	635,734	65,095	25,755	—	5,721,555	725,419	(42,119)	2,197
BanSabadell Factura, S.L.U.	Other ancillary activities	Sant Cugat del Vallès - Spain	100.00	—	100	812	613	—	1,828	799	114	613
BanSabadell Inversió Desenvolupament, S.A.U.	Holding	Sant Cugat del Vallès - Spain	100.00	—	16,975	165,564	21,193	—	205,074	108,828	84,911	6,827
Bansabadell Mediación, Operador de Banca-Seguros Vinculado del Grupo Banco Sabadell, S.A.	Other regulated companies	Alicante - Spain	—	100.00	301	60	3,110	8,393	38,485	524	(3,552)	4,259
Bitarte, S.A.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	6,506	(2,288)	240	—	4,640	9,272	(4,582)	(173)
BStartup 10, S.L.U.	Holding	Sant Cugat del Vallès - Spain	—	100.00	1,000	4,495	509	—	12,761	1,000	(374)	(185)
Crisae Private Debt, S.L.U.	Other ancillary activities	Sant Cugat del Vallès - Spain	—	100.00	3	286	203	—	607	200	88	204
Desarrollos y Participaciones Inmobiliarias 2006, S.L.U. in Liquidation	Real estate	Elche - Spain	—	100.00	1,942	(89,871)	(209)	—	42	1,919	(89,848)	(209)
Duncan Holdings 2022-1 Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	5,993	(1,469)
Ederra, S.A.	Real estate	Sant Cugat del Vallès - Spain	97.85	—	2,036	34,452	(461)	—	36,486	36,062	(38)	(503)
ESUS Energía Renovable, S.L.	Production of electricity	Vigo - Spain	—	90.00	50	(1,522)	(313)	—	18,476	45	(1,666)	(584)
Fonomed Gestión Telefónica Mediterráneo, S.A.U.	Other ancillary activities	Alicante - Spain	100.00	—	1,232	20,652	382	—	25,479	19,271	3,477	2,068
Gazteluberri, S.L.	Real estate	Sant Cugat del Vallès - Spain	—	100.00	53	(20,795)	(79)	—	1,795	23,891	(44,634)	(79)
Gest 21 Inmobiliaria, S.L.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	7,810	1,140	24	—	8,995	80,516	(46,689)	24
Gestión Financiera del Mediterráneo, S.A.U.	Other financial services	Alicante - Spain	100.00	—	13,000	2,596	6,046	9,531	21,818	66,787	(42,846)	(2,296)
Gier Operations 2021, S.L.U.	Other ancillary activities	Andorra - Andorra	100.00	—	730	(9)	(9)	—	712	730	(9)	(9)
Guipuzcoano Promoción Empresarial, S.L.	Holding	Sant Cugat del Vallès - Spain	—	100.00	53	(77,109)	(258)	—	5,264	7,160	(84,207)	(258)
Hobalear, S.A.U.	Real estate	Sant Cugat del Vallès - Spain	—	100.00	60	79	6	—	146	414	79	6
Hondarriberri, S.L.	Holding	Sant Cugat del Vallès - Spain	99.99	0.01	41	8,991	61	—	10,100	165,669	93,348	324
Hotel Management 6 Gestión Activa, S.L.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	135,730	28,210	(129)	—	163,812	136,335	50,295	45
Hotel Management 6 Holdco, S.L.U.	Real estate	Sant Cugat del Vallès - Spain	—	100.00	29,074	(24,148)	(178)	—	61,401	27,611	(22,685)	(178)
Interstate Property Holdings, LLC.	Holding	Miami - United States	100.00	—	7,293	(1,152)	211	—	6,439	3,804	7,900	211
Inverán Gestión, S.L. in Liquidation	Real estate	Sant Cugat del Vallès - Spain	44.83	55.17	90	(96)	—	—	50	45,090	(45,096)	—
Inversiones Cotizadas del Mediterráneo, S.L.	Holding	Alicante - Spain	100.00	—	308,000	207,830	6,564	—	1,008,718	589,523	(73,054)	6,564
Manston Invest, S.L.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	33,357	(13,688)	(95)	—	19,921	33,357	(13,689)	(95)
Mariñamendi, S.L.	Real estate	Sant Cugat del Vallès - Spain	—	100.00	62	(11,598)	(43)	—	3,821	109,529	(121,065)	(43)
Mediterráneo Sabadell, S.L.	Holding	Alicante - Spain	50.00	50.00	85,000	16,567	1,085	—	103,121	510,829	(409,218)	1,085
Paycomet, S.L.U.	Payment institution	Torrelodones - Spain	100.00	—	200	(19,658)	21,981	—	88,170	80,622	1,021	21,962
Puerto Pacific Vallarta, S.A. de C.V.	Real estate	Mexico City - Mexico	—	100.00	28,947	(14,693)	(74)	—	14,180	29,164	(12,264)	(74)
Ripollet Gestión, S.L.U.	Other financial services	Sant Cugat del Vallès - Spain	100.00	—	20	396	(369)	—	625,387	593	(177)	(369)
Rubí Gestión, S.L.U.	Other financial services	Sant Cugat del Vallès - Spain	100.00	—	3	14	(6)	—	295,504	53	(36)	(6)

Banco Sabadell Group companies as at 31 December 2023 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	% Shareholding		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/ (loss)	Dividends paid	Total assets			
Sabadell Consumer Finance, S.A.U.	Credit institution	Sabadell - Spain	100.00	—	35,720	95,237	5,182	—	2,139,044	72,232	63,647	5,182
Sabadell Information Systems Limited	Provision of technology services	London - United Kingdom	—	100.00	12,036	21,507	422	—	34,469	41,296	(8,160)	422
Sabadell Digital, S.A.U.	Provision of technology services	Sabadell - Spain	100.00	—	40,243	236,148	(45,105)	—	1,473,772	269,695	1,434	(49,813)
Sabadell Innovation Capital, S.L.U.	Holding	Sant Cugat del Vallès - Spain	—	100.00	1,000	8,552	31,752	—	43,824	1,000	(7,607)	(991)
Sabadell Patrimonio Inmobiliario, S.A.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	30,116	795,014	(5,789)	—	821,973	863,895	(38,820)	(5,734)
Sabadell Real Estate Activos, S.A.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	100,060	234,014	3	—	334,918	500,622	(166,548)	3
Sabadell Real Estate Development, S.L.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	15,807	137,336	(5,495)	—	1,036,087	4,748,442	(4,573,410)	(8,263)
Sabadell Real Estate Housing, S.L.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	2,073	662	20	—	4,786	23,792	(21,058)	20
Sabadell Securities USA, Inc.	Other financial services	Miami - United States	100.00	—	551	6,197	694	—	7,601	551	5,692	686
Sabadell Strategic Consulting, S.L.U.	Other ancillary activities	Sant Cugat del Vallès - Spain	100.00	—	3	664	226	—	1,625	3	664	226
Sabadell Venture Capital, S. L.U.	Holding	Sant Cugat del Vallès - Spain	—	100.00	3	14,160	2,818	—	72,709	3	9,552	1,075
Sabcapital, S.A de C.V., SOFOM, E.R.	Other financial corporations	Mexico City - Mexico	49.00	51.00	127,864	49,577	44,928	51,527	1,420,571	126,007	25,073	41,762
Sinia Capital, S.A. de C.V.	Holding	Mexico City - Mexico	—	100.00	20,830	15,320	(6,405)	—	58,881	22,435	(4,160)	9,721
Sinia Renovables, S.A.U.	Trusts, funds and similar financial entities	Sant Cugat del Vallès - Spain	100.00	—	15,000	2,055	9,591	—	176,162	15,000	4,449	8,047
Sogeviso Servicios Gestión Vivienda Innovación Social, S.L.U.	Real estate	Alicante - Spain	100.00	—	3	10,078	248	—	11,960	3	11,659	(439)
Stonington Spain, S.L.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	60,729	(11,826)	(119)	—	49,277	60,729	(11,826)	(119)
Tasaciones de Bienes Mediterráneo, S.A. in Liquidation	Other ancillary activities	Alicante - Spain	99.88	0.12	1,000	1,417	87	—	2,507	5,266	(2,850)	87
Tenedora de Inversiones y Participaciones, S.L.	Holding	Alicante - Spain	100.00	—	296,092	(129,129)	(38,776)	—	232,643	2,975,977	(2,739,862)	(38,596)
TSB Bank PLC	Credit institution	Edinburgh - United Kingdom	—	100.00	90,710	1,945,133	196,655	137,839	54,786,747	1,814,636	351,887	212,331
TSB Banking Group PLC	Holding	London - United Kingdom	100.00	—	7,028	1,826,060	138,687	56,749	3,358,703	2,207,741	(245,481)	(21,409)
TSB Banking Group plc Employee Share Trust	Other ancillary activities	Saint Helier - Jersey	—	100.00	1	(15,404)	(25)	—	286	—	(14,787)	1
TSB Covered Bonds (Holdings) Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds (LM) Limited	Other ancillary activities	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds LLP	Trusts, funds and similar financial entities	London - United Kingdom	—	100.00	1	20	3	—	72	—	21	3
Urquijo Gestión, S.A.U., S.G.I.I.C.	Fund management activities	Madrid - Spain	100.00	—	3,606	4,858	(1,536)	1,257	8,573	3,084	5,380	(1,536)
VeA Rental Homes, S.A.U.	Real estate	Sant Cugat del Vallès - Spain	100.00	—	5,000	(222)	(2,229)	—	13,131	22,000	(17,222)	(2,229)
Venture Debt SVC, S.L.U.	Holding	Sant Cugat del Vallès - Spain	—	100.00	3	—	—	—	5,251	3	—	—
Total								**267,910**		**16,642,461**	**4,762,129**	**1,209,373**

(*) The amount reported in "Contribution to reserves or losses in consolidated companies" and in "Contribution to Group consolidated profit/(loss)" includes contributions by companies that were removed from the scope during 2023 of -14 thousand euros and -2,590 thousand euros, respectively.

Banco Sabadell Group companies as at 31 December 2023 accounted for using the equity method (*)

Thousand euro

Company name	Line of business	Registered office	% Shareholding		Company data (a)					Group investment	Contribution to reserves or losses in consolidated companies (d)	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/(loss) (b)	Dividends paid (c)	Total assets			
Aurica III, Fondo de Capital Riesgo	Trusts, funds and similar financial entities	Barcelona - Spain	—	47.50	51,130	81,088	1,306	6,290	64,340	24,318	2,115	4,128
Aurica IIIB, S.C.R., S.A.	Trusts, funds and similar financial entities	Barcelona - Spain	—	42.85	34,557	79,139	908	1,518	43,386	12,520	3,562	2,507
BanSabadell Pensiones, E.G.F.P., S.A.	Other regulated companies	Madrid - Spain	50.00	—	7,813	34,412	3,343	—	49,106	40,378	(18,915)	1,672
BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	10,000	85,856	28,211	11,000	312,609	34,000	16,997	10,866
BanSabadell Vida, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	43,858	241,380	118,491	—	9,556,627	27,106	82,370	96,365
Catalana de Biogás Iberia, S.L.	Production of electricity	Barcelona - Spain	—	24.90	10	(373)	1	—	1	2	—	(2)
Doctor Energy Central Services, S.L.	Business and other management consultancy activities	Granollers - Spain	—	16.66	300	(100)	(166)	—	1,276	75	(50)	(19)
Energíes Renovables Terra Ferma, S.L.	Production of electricity	Barcelona - Spain	—	50.00	6	(73)	(15)	—	3,236	3	(3)	—
Enerlan Solutions, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	142	80	—	559	274	—	—
Financiera Iberoamericana, S.A.	Other financial corporations	Havana - Cuba	50.00	—	38,288	13,539	9,441	2,753	104,156	19,144	3,825	4,289
Flex Equipos de Descanso, S.A.	Manufacturing	Getafe - España	—	19.16	66,071	58,387	6,186	4,791	365,595	50,930	36,123	3,997
Ingubide, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	43	139	—	520	152	—	—
Murcia Emprende, S.C.R. de R.S., S.A.	Other financial services	Murcia - Spain	28.70	—	2,557	910	(182)	—	3,340	2,026	(910)	(173)
SBD Creixent, S.A.	Real estate	Sabadell - Spain	23.05	—	5,965	(891)	256	—	6,030	3,524	(2,299)	4
Sydinia, S.L.	Production of electricity	Albacete - Spain	—	50.00	226	(40)	1	—	1	113	—	(20)
Parque Eólico Casa Vieja S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Parque Eólico Villaumbrales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	832	267	(15)	—
Parque Eólico Perales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Parque Eólico Los Pedrejones S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Plaxic Estelar, S.L.	Real estate	Barcelona - Spain	—	45.01	1,762	(15,237)	(11)	—	31,992	3,906	(3,114)	(792)
Portic Barcelona, S.A.	Data processing, hosting and related activities	Barcelona - Spain	25.00	—	291	1,841	25	—	2,391	5	548	(14)
Total								**26,352**		**219,544**	**120,189**	**122,808**

(*) Companies accounted for using the equity method as the Group does not have control over them but does have significant influence.

(a) Figures for foreign companies translated to euros at the historical exchange rate; amounts in the consolidated income statement translated at the average exchange rate.

(b) Results pending approval by Annual General Meeting of Shareholders and Partners.

(c) Includes supplementary dividends from previous year and interim dividends paid to Group.

(d) The heading "Reserves or accumulated losses of investments in joint ventures and associates" on the consolidated balance sheet as at 31 December 2023 also includes -65,353 thousand euros corresponding to Promontoria Challenger I, S.A., an entity classified as a non-current asset held for sale.

The balance of total revenue from associates consolidated by the equity method and individually considered to be non-material amounts to 621,313 thousand euros as at 31 December 2024. The balance of liabilities as at the end of 2023 amounts to 540,899 thousand euros.

Changes in the scope of consolidation in 2023

Additions to the scope of consolidation:

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Fair value of equity instruments issued for the acquisition		% Voting rights acquired	% Total voting rights	Type of shareholding	Method	Reason
			Acquisition cost	Fair value of equity instruments issued for the acquisition					
Sydinia, S.L.	Associate	20/07/2023	113	—	50.00 %	50.00 %	Indirect	Equity method	a
Enerlan Solutions, S.L.	Associate	21/11/2023	274	—	19.00 %	19.00 %	Indirect	Equity method	a
Ingubide, S.L.	Associate	21/11/2023	152	—	19.00 %	19.00 %	Indirect	Equity method	a
Total newly consolidated subsidiaries			**—**						
Total newly consolidated associates			**539**						

(a) Acquisition of associates.

Exclusions from the scope of consolidation:

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
BanSabadell Financiación, E.F.C., S.A.	Subsidiary	10/10/2023	100.00 %	— %	—	Direct	Full consolidation	b
Business Services for Operational Support, S.A.U.	Subsidiary	19/1/2023	100.00 %	— %	43	Direct	Full consolidation	a
Duncan de Inversiones S.I.C.A.V., S.A. in Liquidation	Subsidiary	11/1/2023	99.81 %	— %	—	Direct	Full consolidation	a
Galeban 21 Comercial, S.L	Subsidiary	18/10/2023	100.00 %	— %	64	Direct	Full consolidation	a
Sabadell Innovation Cells, S.L.U.	Subsidiary	28/9/2023	100.00 %	— %	121	Direct	Full consolidation	a
Compañía de Cogeneración del Caribe Dominicana, S.A.	Subsidiary	15/2/2023	100.00 %	— %	312	Indirect	Full consolidation	a
Fuerza Eólica De San Matías, S. de R.L. de C.V.	Subsidiary	15/12/2023	100.00 %	— %	11,892	Indirect	Full consolidation	c
Urumea Gestión, S.L. in Liquidation	Subsidiary	28/12/2023	100.00 %	— %	—	Indirect	Full consolidation	a
Other					(4,237)			
Total					**8,195**			

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

(b) Removed from the scope due to merger by absorption.

(c) Removed from the scope due to sale.

Schedule II – Structured entities - Securitisation funds

Thousand euro

Year	Securitisation funds fully retained on the balance sheet	Entity	Total securitised assets as at 31/12/2024	Of which: issued via mortgage transfer certificates (*)	Of which: issued via mortgage participations (*)
2005	TDA CAM 4 F.T.A	Banco CAM	64,892	10,953	53,424
2005	TDA CAM 5 F.T.A	Banco CAM	198,195	58,922	137,948
2006	TDA 26-MIXTO, F.T.A	Banco Guipuzcoano	30,194	1,117	28,679
2006	TDA CAM 6 F.T.A	Banco CAM	147,381	63,663	82,169
2006	FTPYME TDA CAM 4 F.T.A	Banco CAM	44,490	33,330	—
2006	TDA CAM 7 F.T.A	Banco CAM	234,596	100,713	131,966
2006	CAIXA PENEDES 1 TDA, FTA	BMN- Penedés	79,610	17,333	62,188
2007	TDA 29, F.T.A	Banco Guipuzcoano	44,684	4,732	39,184
2007	TDA CAM 8 F.T.A	Banco CAM	206,549	55,848	148,870
2007	TDA CAM 9 F.T.A	Banco CAM	223,480	84,327	138,187
2007	CAIXA PENEDES PYMES 1 TDA, FTA	BMN- Penedés	12,895	11,775	—
2008	CAIXA PENEDES FTGENCAT 1 TDA, FTA	BMN- Penedés	22,861	22,353	—
2009	ICO-FTVPO 1, F.T.H (CP)	BMN- Penedés	395	—	395
2017	TDA SABADELL RMBS 4, F.T	Banco Sabadell	2,985,630	2,983,837	—
2022	SABADELL CONSUMO 2, FT	Banco Sabadell	288,683	—	—
2024	SABADELL CONSUMO 3, FT	Banco Sabadell	686,917	—	—
Total			**5,271,452**	**3,448,903**	**823,010**

(*) Corresponds to the allocation at source of loans when mortgage transfer certificates and mortgage participations were issued.

Thousand euro

Year	Securitisation funds fully derecognised from the balance sheet	Entity	Total securitised assets as at 31/12/2024	Of which: issued via mortgage transfer certificates (*)	Of which: issued via mortgage participations (**)
2006	TDA 25, FTA	Banco Gallego	—	—	—
2010	FONDO PRIVADO PYMES 1	Banco CAM	211,907	88,345	23,817
2019	SABADELL CONSUMO 1, FT	Banco Sabadell	75,745	—	—
Total			**287,652**	**88,345**	**23,817**

(**) Corresponds to the allocation at source of loans when mortgage transfer certificates and mortgage participations were issued.

Schedule III – Details of outstanding issues and subordinated liabilities

Debt securities issued

The breakdown of the Bank's issues as at 31 December 2024 and 2023 is as follows:

Thousand euro

Issuer	Issue date	Amount 31/12/2024	Amount 31/12/2023	Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
Banco de Sabadell, S.A.	16/03/2018	6,000	6,000	MAX(EURIBOR 3M; 0,67%)	17/03/2025	Euro	Retail
Banco de Sabadell, S.A.	07/09/2018	—	750,000	1.63%	07/03/2024	Euro	Institutional
Banco de Sabadell, S.A.	14/11/2018	2,500	2,500	MAX(EURIBOR 3M; 1,5%)	14/11/2025	Euro	Retail
Banco de Sabadell, S.A.	10/05/2019	—	419,600	1.75%	10/05/2024	Euro	Institutional
Banco de Sabadell, S.A.	22/07/2019	1,000,000	1,000,000	0.88%	22/07/2025	Euro	Institutional
Banco de Sabadell, S.A.	27/09/2019	500,000	500,000	1.13%	27/03/2025	Euro	Institutional
Banco de Sabadell, S.A. (*)	07/11/2019	—	500,000	0.63%	07/11/2024	Euro	Institutional
Banco de Sabadell, S.A. (*)	11/09/2020	500,000	500,000	1.13%	11/03/2026	Euro	Institutional
Banco de Sabadell, S.A. (*)	16/06/2021	500,000	500,000	0.88%	16/06/2027	Euro	Institutional
Banco de Sabadell, S.A.	29/11/2021	67,000	67,000	MAX(EURIBOR 12M; 0,77%)	30/11/2026	Euro	Institutional
Banco de Sabadell, S.A. (*)	24/03/2022	750,000	750,000	2.63%	24/03/2025	Euro	Institutional
Banco de Sabadell, S.A.	30/03/2022	120,000	120,000	3.15%	30/03/2037	Euro	Institutional
Banco de Sabadell, S.A. (*)	08/09/2022	500,000	500,000	5.38%	08/09/2025	Euro	Institutional
Banco de Sabadell, S.A.	02/11/2022	750,000	750,000	5.13%	10/11/2027	Euro	Institutional
Banco de Sabadell, S.A. (*)	23/11/2022	75,000	75,000	5.50%	23/11/2031	Euro	Institutional
Banco de Sabadell, S.A. (*)	07/02/2023	750,000	750,000	5.25%	07/02/2028	Euro	Institutional
Banco de Sabadell, S.A. (*)	07/06/2023	750,000	750,000	5.00%	07/06/2028	Euro	Institutional
Banco de Sabadell, S.A. (*)	08/09/2023	750,000	750,000	5.50%	08/09/2028	Euro	Institutional
Banco de Sabadell, S.A. (*)	15/01/2024	750,000	—	4.00%	15/01/2029	Euro	Institutional
Banco de Sabadell, S.A. (*)	13/03/2024	500,000	—	4.25%	13/09/2029	Euro	Institutional
Banco de Sabadell, S.A. (*)	13/09/2024	542,705	—	5.00%	13/10/2029	Pounds sterling	Institutional
Banco de Sabadell, S.A. (*)	27/11/2024	500,000	—	3.500%	27/05/2030	Euro	Institutional
Total straight bonds		**9,313,205**	**8,690,100**				

(*) "Maturity/call date" refers to the first call option.

Thousand euro

Issuer	Issue date	Amount 31/12/2024	Amount 31/12/2023	Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
Banco de Sabadell, S.A.	14/07/2014	—	10,000	Underlying benchmark	15/07/2024	Euro	Retail
Banco de Sabadell, S.A.	05/11/2018	—	10,000	Underlying benchmark	01/04/2024	Euro	Retail
Banco de Sabadell, S.A.	12/11/2018	—	3,200	Underlying benchmark	31/07/2024	Euro	Retail
Banco de Sabadell, S.A.	03/06/2022	8,900	8,900	MAX (EURIBOR 12M;2.75%)	03/06/2027	Euro	Institutional
Banco de Sabadell, S.A.	01/08/2022	9,200	9,200	MAX (EURIBOR 12M;4%)	02/08/2027	Euro	Institutional
Total structured bonds		**18,100**	**41,300**				

Thousand euro

Issuer	Issue date	Amount 31/12/2024	Amount 31/12/2023	Average interest rate 31/12/2024	Maturity/call date	Issue currency	Target of offering
Banco de Sabadell, S.A. (*)	08/05/2024	1,126,933	2,125,763	—	Various	Euro	Institutional
Total commercial paper		**1,126,933**	**2,125,763**				

(*) Programme with issuance limit of 7,000,000 thousand euros, which can be extended to 9,000,000 thousand euros, registered with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR).

Thousand euro

Issuer	Issue date	Amount		Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023				
Banco de Sabadell, S.A.	26/01/2016	—	550,000	EURIBOR 3M + 0,80 %	26/01/2024	Euro	Institutional
Banco de Sabadell, S.A.	24/05/2016	—	50,000	EURIBOR 3M + 0,53 %	24/05/2024	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2016	—	1,000,000	0.63%	10/06/2024	Euro	Institutional
Banco de Sabadell, S.A.	29/12/2016	—	250,000	0.97%	27/12/2024	Euro	Institutional
Banco de Sabadell, S.A.	26/04/2017	1,100,000	1,100,000	1.00%	26/04/2027	Euro	Institutional
Banco de Sabadell, S.A.	21/07/2017	500,000	500,000	0.89%	21/07/2025	Euro	Institutional
Banco de Sabadell, S.A.	21/12/2018	390,000	390,000	1.09%	21/12/2026	Euro	Institutional
Banco de Sabadell, S.A.	20/12/2019	—	750,000	EURIBOR 12M + 0,07 %	17/06/2024	Euro	Institutional
Banco de Sabadell, S.A.	20/12/2019	750,000	750,000	EURIBOR 12M + 0,10 %	22/12/2025	Euro	Institutional
Banco de Sabadell, S.A.	20/01/2020	1,000,000	1,000,000	0.13%	10/02/2028	Euro	Institutional
Banco de Sabadell, S.A.	23/06/2020	—	1,500,000	EURIBOR 12M + 0,08 %	19/12/2024	Euro	Institutional
Banco de Sabadell, S.A.	30/03/2021	1,000,000	1,000,000	EURIBOR 12M + 0,02 %	30/03/2026	Euro	Institutional
Banco de Sabadell, S.A.	08/06/2021	1,000,000	1,000,000	EURIBOR 12M + 0,01 %	08/06/2026	Euro	Institutional
Banco de Sabadell, S.A.	08/06/2021	1,000,000	1,000,000	EURIBOR 12M + 0,02 %	08/06/2027	Euro	Institutional
Banco de Sabadell, S.A.	21/01/2022	1,500,000	1,500,000	EURIBOR 12M + 0,01 %	21/09/2027	Euro	Institutional
Banco de Sabadell, S.A.	30/05/2022	1,000,000	1,000,000	1.75%	30/05/2029	Euro	Institutional
Banco de Sabadell, S.A.	12/12/2022	500,000	500,000	EURIBOR 12M + 0,14 %	12/06/2028	Euro	Institutional
Banco de Sabadell, S.A.	21/12/2022	500,000	500,000	EURIBOR 3M + 0,60 %	20/12/2030	Euro	Institutional
Banco de Sabadell, S.A.	28/02/2023	1,000,000	1,000,000	3.50%	28/08/2026	Euro	Institutional
Banco de Sabadell, S.A.	21/12/2023	200,000	200,000	EURIBOR 3M + 0,77 %	22/12/2031	Euro	Institutional
Banco de Sabadell, S.A.	05/06/2024	1,000,000	—	3.25%	05/06/2034	Euro	Institutional
Banco de Sabadell, S.A.	17/06/2024	750,000	—	EURIBOR 12M + 0,24 %	17/06/2029	Euro	Institutional
Banco de Sabadell, S.A.	15/10/2024	750,000	—	2.75%	15/04/2030	Euro	Institutional
Banco de Sabadell, S.A.	19/12/2024	1,500,000	—	2.83%	19/9/2033	Euro	Institutional
Subscribed by Group companies		(8,065,000)	(8,065,000)				
Total mortgage covered bonds		**7,375,000**	**7,475,000**				

Subordinated liabilities

Subordinated liabilities issued by the Bank as at 31 December 2024 and 2023 are as follows:

Thousand euro

Issuer	Issue date	Amount		Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023				
Banco de Sabadell, S.A.	06/05/2016	500,000	500,000	5.63%	06/05/2026	Euro	Institutional
Banco de Sabadell, S.A. (*)	17/01/2020	300,000	300,000	2.00%	17/01/2025	Euro	Institutional
Banco de Sabadell, S.A. (*)	15/01/2021	500,000	500,000	2.50%	15/04/2026	Euro	Institutional
Banco de Sabadell, S.A.	16/02/2023	500,000	500,000	6.00%	16/05/2028	Euro	Institutional
Banco de Sabadell, S.A. (*)	27/03/2024	500,000	—	5.13%	27/03/2029	Euro	Institutional
Total subordinated bonds		**2,300,000**	**1,800,000**				

(*) "Maturity/call date" refers to the first call option.

Thousand euro

Issuer	Issue date	Amount		Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023				
Banco de Sabadell, S.A. (*)	15/03/2021	500,000	500,000	5.75%	15/9/2026	Euro	Institutional
Banco de Sabadell, S.A. (*)	19/11/2021	750,000	750,000	5.00%	19/11/2027	Euro	Institutional
Banco de Sabadell, S.A. (*)	18/01/2023	500,000	500,000	9.38%	18/7/2028	Euro	Institutional
Total preferred securities		**1,750,000**	**1,750,000**				

(*) Perpetual issue. "Maturity/call date" refers to the first call option. The aforesaid subordinated securities and undated 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 – Other risk information

Credit risk exposure

Loans and advances to customers, broken down by activity and type of guarantee

The breakdown of the balance of the heading "Loans and advances – Customers" by activity and type of guarantee, excluding advances not classed as loans, as at 31 December 2024 and 2023, respectively, is as follows:

Thousand euro

	2024							
				Secured 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	**9,031,291**	**21,346**	**391,961**	**16,131**	**5,990**	**—**	**813**	**390,373**
Other financial corporations and individual entrepreneurs (financial business activity)	**3,395,273**	**236,367**	**430,033**	**449,526**	**96,726**	**75,147**	**9,223**	**35,778**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**57,301,649**	**9,443,914**	**5,319,266**	**6,612,140**	**3,854,934**	**1,566,333**	**1,458,655**	**1,271,118**
Construction and real estate development (including land)	2,462,004	1,091,527	120,731	469,434	447,846	126,396	53,437	115,145
Civil engineering construction	1,222,898	23,767	142,003	140,707	8,869	2,371	5,206	8,617
Other purposes	53,616,747	8,328,620	5,056,532	6,001,999	3,398,219	1,437,566	1,400,012	1,147,356
Large enterprises	31,807,151	2,029,492	2,474,381	2,153,921	703,967	311,262	944,817	389,906
SMEs and individual entrepreneurs	21,809,596	6,299,128	2,582,151	3,848,078	2,694,252	1,126,304	455,195	757,450
Other households	**42,662,466**	**38,020,609**	**640,600**	**8,252,536**	**11,000,498**	**15,344,456**	**2,394,815**	**1,668,904**
Home loans	37,208,678	36,913,944	200,851	7,451,124	10,634,673	15,140,542	2,312,593	1,575,863
Consumer loans	2,681,059	30,713	92,428	31,095	29,107	30,912	10,653	21,374
Other purposes	2,772,729	1,075,952	347,321	770,317	336,718	173,002	71,569	71,667
TOTAL	**112,390,679**	**47,722,236**	**6,781,860**	**15,330,333**	**14,958,148**	**16,985,936**	**3,863,506**	**3,366,173**
MEMORANDUM ITEM **Refinancing, refinanced and restructured transactions**	**2,454,450**	**1,245,822**	**147,165**	**587,434**	**330,562**	**253,268**	**110,348**	**111,375**

Thousand euro

	2023							
				Secured 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	**8,879,167**	**23,776**	**393,229**	**18,369**	**6,621**	**42**	**857**	**391,116**
Other financial corporations and individual entrepreneurs (financial business activity)	**3,360,525**	**206,658**	**236,874**	**232,729**	**161,030**	**5,606**	**9,239**	**34,928**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**54,642,284**	**9,532,935**	**4,127,237**	**5,285,857**	**4,087,739**	**1,734,081**	**1,249,784**	**1,302,711**
Construction and real estate development (including land)	2,785,128	1,198,880	115,394	485,869	516,027	179,444	52,431	80,503
Civil engineering construction	1,005,165	26,668	43,482	39,612	8,729	2,981	5,465	13,363
Other purposes	50,851,991	8,307,387	3,968,361	4,760,376	3,562,983	1,551,656	1,191,888	1,208,845
Large enterprises	28,800,192	1,735,589	1,717,062	1,073,530	824,323	348,757	791,500	414,541
SMEs and individual entrepreneurs	22,051,799	6,571,798	2,251,299	3,686,846	2,738,660	1,202,899	400,388	794,304
Other households	**41,270,371**	**37,020,249**	**549,552**	**8,093,122**	**10,549,010**	**13,672,542**	**3,131,385**	**2,123,742**
Home loans	36,100,898	35,779,350	250,150	7,426,854	10,157,025	13,413,483	3,026,458	2,005,680
Consumer loans	2,225,033	40,182	98,490	33,245	26,146	27,913	16,605	34,763
Other purposes	2,944,440	1,200,717	200,912	633,023	365,839	231,146	88,322	83,299
TOTAL	**108,152,347**	**46,783,618**	**5,306,892**	**13,630,077**	**14,804,400**	**15,412,271**	**4,391,265**	**3,852,497**
MEMORANDUM ITEM **Refinancing, refinanced and restructured transactions**	**3,222,346**	**1,726,637**	**129,952**	**699,226**	**472,504**	**379,137**	**164,477**	**141,245**

Forbearance

The outstanding balance of refinancing and restructuring transactions as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024							
	Credit institutions	General governments	Other financial corporations and individual entrepreneurs (financial business activity)	Non-financial corporations and individual entrepreneurs (non-financial business activity)	*Of which: lending for construction and real estate development (including land)*	Other households	Total	Additional information: lending included under non-current assets and disposal groups classified as held for sale
TOTAL								
Not secured with collateral								
Number of transactions	8	10	126	27,627	*823*	9,505	**37,276**	1
Gross carrying amount	2	4,923	14,304	1,436,025	*51,220*	78,834	**1,534,088**	242
Secured with collateral								
Number of transactions	—	1	4	4,488	*231*	7,423	**11,916**	1
Gross carrying amount	—	49	45	1,143,132	*56,398*	528,247	**1,671,473**	20
Impairment allowances	—	34	11,844	572,672	*41,993*	166,561	**751,111**	258
Of which, non-performing loans								
Not secured with collateral								
Number of transactions	8	1	21	19,394	*603*	5,841	**25,265**	1
Gross carrying amount	2	165	13,164	867,920	*41,597*	52,062	**933,313**	242
Secured with collateral								
Number of transactions	—	—	2	2,689	*161*	3,835	**6,526**	1
Gross carrying amount	—	—	44	477,377	*38,527*	352,761	**830,182**	20
Impairment allowances	—	34	11,826	529,581	*40,780*	155,058	**696,499**	258
TOTAL								
Number of transactions	8	11	130	32,115	*1,054*	16,928	**49,192**	2
Gross value	2	4,972	14,349	2,579,157	*107,618*	607,081	**3,205,561**	262
Impairment allowances	—	34	11,844	572,672	*41,993*	166,561	**751,111**	258

Thousand euro

	2023							
	Credit instituti ons	General governme nts	Other financial corporations and individual entrepreneurs (financial business activity)	Non-financial corporations and individual entrepreneurs (non-financial business activity)	*Of which: lending for construction and real estate development (including land)*	Other households	Total	Additional information: lending included under non-current assets and disposal groups classified as held for sale
TOTAL								
Not secured with collateral								
Number of transactions	—	12	65	28,615	*784*	17,735	**46,427**	8
Gross carrying amount	—	6,338	17,562	1,773,447	*72,421*	161,669	**1,959,016**	1,047
Secured with collateral								
Number of transactions	—	1	8	5,484	*272*	12,234	**17,727**	52
Gross carrying amount	—	75	179	1,347,259	*77,368*	913,369	**2,260,882**	5,802
Impairment allowances	—	429	15,005	693,739	*65,640*	288,379	**997,552**	4,815
Of which, non-performing loans								
Not secured with collateral								
Number of transactions	—	2	30	18,782	*548*	11,820	**30,634**	8
Gross carrying amount	—	630	16,249	1,001,701	*60,029*	93,622	**1,112,202**	1,047
Secured with collateral								
Number of transactions	—	1	4	3,195	*194*	6,351	**9,551**	52
Gross carrying amount	—	75	150	579,368	*52,233*	600,573	**1,180,166**	5,803
Impairment allowances	—	429	14,969	629,810	*64,089*	266,454	**911,662**	4,815
TOTAL								
Number of transactions	—	13	73	34,099	*1,056*	29,969	**64,154**	60
Gross value	—	6,413	17,741	3,120,706	149,789	1,075,038	**4,219,898**	6,849
Impairment allowances	—	429	15,005	693,739	*65,640*	288,379	**997,552**	4,815

The value of the guarantees received to ensure collection associated with refinancing and restructuring transactions, broken down into collateral and other guarantees, as at 31 December 2024 and 2023, is as follows:

Thousand euro

Guarantees received	**2024**	**2023**
Value of collateral	1,369,159	1,855,681
Of which: securing stage 3 loans	*555,747*	*815,409*
Value of other guarantees	815,075	893,948
Of which: securing stage 3 loans	*379,959*	*404,497*
Total value of guarantees received	**2,184,234**	**2,749,629**

Movements in the balance of refinancing and restructuring transactions during 2024 and 2023 are as follows:

Thousand euro

	2024	2023
Opening balance	**4,219,898**	**4,832,539**
(+) Forbearance (refinancing and restructuring) in the period	500,424	1,067,242
Memorandum item: impact recognised on the income statement for the period	*80,903*	*123,084*
(-) Debt repayments	(365,931)	(383,994)
(-) Foreclosures	(3,713)	(4,924)
(-) Derecognised from the balance sheet (reclassified as write-offs)	(64,936)	(90,204)
(+)/(-) Other changes (*)	(1,080,181)	(1,200,761)
Year-end balance	**3,205,561**	**4,219,898**

(*) Includes transactions no longer classified as refinancing, refinanced or restructured, as they meet the requirements for reclassification as stage 1, having completed the cure period.

The table below shows the value of transactions which, after refinancing or restructuring, were classified as stage 3 exposures during 2024 and 2023:

Thousand euro

	2024	2023
General governments	**—**	**—**
Other legal entities and individual entrepreneurs	**128,577**	**193,359**
Of which: Lending for construction and real estate development	*1,890*	*9,418*
Other natural persons	**34,326**	**92,250**
Total	**162,903**	**285,609**

The average probability of default on current refinancing and restructuring transactions broken down by activity as at 31 December 2024 and 2023 is as follows:

%

	2024	2023
General governments (*)	**—**	**—**
Other legal entities and individual entrepreneurs	**13**	**17**
Of which: Lending for construction and real estate development	*17*	*17*
Other natural persons	**14**	**19**

(*) Authorisation has not been granted for the use of internal models in the calculation of capital requirements.
Average probability of default calculated as at 30 September 2024.

Concentration risk

Geographical exposure

Global

The breakdown of risk concentration, by activity and at a global level, as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024				
	TOTAL	**Spain**	**Rest of European Union**	**Americas**	**Rest of the world**
Central banks and Credit institutions	**33,301,880**	**15,833,910**	**12,195,068**	**2,761,021**	**2,511,881**
General governments	**33,048,432**	**25,586,756**	**5,784,776**	**1,676,087**	**813**
Central government	23,743,487	16,635,274	5,431,495	1,675,915	803
Other	9,304,945	8,951,482	353,281	172	10
Other financial corporations and individual entrepreneurs	**8,678,273**	**3,085,828**	**104,519**	**1,445,858**	**4,042,068**
Non-financial corporations and individual entrepreneurs	**62,128,920**	**49,594,774**	**4,200,715**	**6,738,069**	**1,595,362**
Construction and real estate development	3,117,674	3,007,514	49,468	46,434	14,258
Civil engineering construction	1,303,478	812,719	85,105	317,067	88,587
Other purposes	57,707,768	45,774,541	4,066,142	6,374,568	1,492,517
Large enterprises	35,322,364	24,210,692	3,540,489	6,288,521	1,282,662
SMEs and individual entrepreneurs	22,385,404	21,563,849	525,653	86,047	209,855
Other households	**42,758,412**	**39,086,765**	**1,519,916**	**644,433**	**1,507,298**
Home loans	37,208,678	33,851,421	1,502,521	370,515	1,484,221
Consumer loans	2,681,059	2,655,577	6,292	10,199	8,991
Other purposes	2,868,675	2,579,767	11,103	263,719	14,086
TOTAL	**179,915,917**	**133,188,033**	**23,804,994**	**13,265,468**	**9,657,422**

Thousand euro

	2023				
	TOTAL	**Spain**	**Rest of European Union**	**Americas**	**Rest of the world**
Central banks and Credit institutions	**39,416,318**	**25,499,906**	**6,318,395**	**2,361,147**	**5,236,870**
General governments	**30,493,042**	**24,179,787**	**4,767,470**	**1,542,286**	**3,499**
Central government	21,333,745	15,268,815	4,519,320	1,542,125	3,485
Other	9,159,297	8,910,972	248,150	161	14
Other financial corporations and individual entrepreneurs	**8,265,630**	**3,060,806**	**84,325**	**1,520,197**	**3,600,302**
Non-financial corporations and individual entrepreneurs	**58,932,993**	**48,168,437**	**3,625,005**	**5,452,714**	**1,686,837**
Construction and real estate development	3,415,637	3,265,516	74,974	44,218	30,929
Civil engineering construction	1,106,055	776,127	14,205	240,774	74,949
Other purposes	54,411,301	44,126,794	3,535,826	5,167,722	1,580,959
Large enterprises	31,806,301	22,434,834	2,857,795	5,107,768	1,405,904
SMEs and individual entrepreneurs	22,605,000	21,691,960	678,031	59,954	175,055
Other households	**41,368,335**	**37,836,574**	**1,324,890**	**598,992**	**1,607,879**
Home loans	36,100,898	32,888,290	1,306,620	324,260	1,581,728
Consumer loans	2,225,033	2,206,858	7,319	2,433	8,423
Other purposes	3,042,404	2,741,426	10,951	272,299	17,728
TOTAL	**178,476,318**	**138,745,510**	**16,120,085**	**11,475,336**	**12,135,387**

By autonomous community

The breakdown of risk concentration, by activity and at the level of Spanish autonomous communities, as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024									
	TOTAL	AUTONOMOUS COMMUNITIES								
		Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla y León	Catalonia
Central banks and Credit institutions	**15,833,910**	**6,516**	**—**	**—**	**—**	**—**	**655,272**	**—**	**—**	**2,000,871**
General governments	**25,586,756**	**838,013**	**200,973**	**435,044**	**281,625**	**623,209**	**3,798**	**104,287**	**1,165,056**	**753,196**
Central government	16,635,274	—	—	—	—	—	—	—	—	—
Other	8,951,482	838,013	200,973	435,044	281,625	623,209	3,798	104,287	1,165,056	753,196
Other financial corporations and individual entrepreneurs	**3,085,828**	**2,742**	**7,021**	**1,545**	**1,075**	**658**	**188**	**416**	**2,995**	**200,796**
Non-financial corporations and individual entrepreneurs	**49,594,774**	**2,204,174**	**962,055**	**1,204,512**	**1,984,778**	**1,384,480**	**155,089**	**706,115**	**1,067,832**	**16,021,119**
Construction and real estate development	3,007,514	91,110	29,656	32,521	64,018	17,467	9,378	16,854	20,141	1,614,074
Civil engineering construction	812,719	26,752	25,486	19,449	5,900	4,588	2,209	9,292	12,429	137,435
Other purposes	45,774,541	2,086,312	906,913	1,152,542	1,914,860	1,362,425	143,502	679,969	1,035,262	14,269,610
Large enterprises	24,210,692	698,419	417,909	368,582	1,135,442	532,509	57,666	267,938	274,585	7,877,769
SMEs and individual entrepreneurs	21,563,849	1,387,893	489,004	783,960	779,418	829,916	85,836	412,031	760,677	6,391,841
Other households	**39,086,765**	**2,606,850**	**579,557**	**1,124,631**	**1,516,633**	**536,843**	**119,666**	**493,674**	**734,006**	**15,142,431**
Home loans	33,851,421	2,317,230	496,337	886,685	1,348,439	461,963	106,027	426,206	618,610	13,336,805
Consumer loans	2,655,577	154,893	36,607	105,897	92,551	48,152	6,445	38,237	59,202	909,395
Other purposes	2,579,767	134,727	46,613	132,049	75,643	26,728	7,194	29,231	56,194	896,231
TOTAL	**133,188,033**	**5,658,295**	**1,749,606**	**2,765,732**	**3,784,111**	**2,545,190**	**934,013**	**1,304,492**	**2,969,889**	**34,118,413**

Thousand euro

	2024								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and Credit institutions	**—**	**6,631**	**12,127,717**	**1**	**14,981**	**96,921**	**925,000**	**—**	**—**
General governments	**25,081**	**886,219**	**2,448,628**	**55,463**	**241,643**	**140,279**	**714,693**	**20,524**	**13,751**
Central government	—	—	—	—	—	—	—	—	—
Other	25,081	886,219	2,448,628	55,463	241,643	140,279	714,693	20,524	13,751
Other financial corporations and individual entrepreneurs	**18,774**	**2,636**	**1,699,467**	**3,097**	**3,157**	**1,101,952**	**19,897**	**19,399**	**13**
Non-financial corporations and individual entrepreneurs	**100,024**	**1,894,382**	**13,883,716**	**1,033,770**	**418,776**	**4,177,895**	**2,232,506**	**147,223**	**16,328**
Construction and real estate development	1,926	63,741	828,630	24,847	5,689	123,205	53,774	9,408	1,075
Civil engineering construction	2,760	34,267	423,452	11,124	1,954	62,791	31,605	648	578
Other purposes	95,338	1,796,374	12,631,634	997,799	411,133	3,991,899	2,147,127	137,167	14,675
Large enterprises	18,834	537,405	8,392,204	354,124	196,897	1,767,395	1,272,896	40,031	87
SMEs and individual entrepreneurs	76,504	1,258,969	4,239,430	643,675	214,236	2,224,504	874,231	97,136	14,588
Other households	**131,912**	**977,527**	**5,346,604**	**2,090,723**	**161,226**	**6,008,427**	**1,354,064**	**69,915**	**92,076**
Home loans	116,884	820,754	4,761,166	1,705,960	135,119	4,934,905	1,233,985	58,747	85,599
Consumer loans	7,451	73,155	248,036	211,791	8,912	590,169	54,984	5,975	3,725
Other purposes	7,577	83,618	337,402	172,972	17,195	483,353	65,095	5,193	2,752
TOTAL	**275,791**	**3,767,395**	**35,506,132**	**3,183,054**	**839,783**	**11,525,474**	**5,246,160**	**257,061**	**122,168**

Thousand euro

	TOTAL	2023								
		AUTONOMOUS COMMUNITIES								
		Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla y León	Catalonia
Central banks and Credit institutions	**25,499,906**	**5,410**	**—**	**—**	**—**	**—**	**670,043**	**—**	**—**	**1,577,939**
General governments	**24,179,787**	**578,710**	**241,671**	**381,166**	**343,768**	**664,383**	**3,215**	**135,071**	**1,043,140**	**760,577**
Central government	15,268,815	—	—	—	—	—	—	—	—	—
Other	8,910,972	578,710	241,671	381,166	343,768	664,383	3,215	135,071	1,043,140	760,577
Other financial corporations and individual entrepreneurs	**3,060,806**	**2,782**	**1,758**	**1,986**	**1,286**	**608**	**150**	**491**	**32,822**	**197,466**
Non-financial corporations and individual entrepreneurs	**48,168,437**	**2,263,294**	**960,830**	**1,176,070**	**2,083,646**	**1,038,755**	**184,294**	**636,809**	**1,055,802**	**16,169,504**
Construction and real estate development	3,265,516	84,243	32,392	34,190	70,540	25,438	5,298	17,468	24,539	1,838,760
Civil engineering construction	776,127	24,615	12,107	18,725	5,653	4,146	2,883	8,684	12,627	136,796
Other purposes	44,126,794	2,154,436	916,331	1,123,155	2,007,453	1,009,171	176,113	610,657	1,018,636	14,193,948
Large enterprises	22,434,834	710,257	414,335	375,031	1,227,307	380,781	77,867	204,641	253,307	7,417,729
SMEs and individual entrepreneurs	21,691,960	1,444,179	501,996	748,124	780,146	628,390	98,246	406,016	765,329	6,776,219
Other households	**37,836,574**	**2,522,178**	**543,468**	**1,125,218**	**1,447,245**	**497,811**	**109,110**	**462,788**	**703,676**	**14,872,406**
Home loans	32,888,290	2,260,819	480,061	890,596	1,302,328	433,508	96,987	403,927	594,361	13,078,263
Consumer loans	2,206,858	122,282	28,370	93,946	69,813	36,586	5,191	30,378	49,379	784,478
Other purposes	2,741,426	139,077	35,037	140,676	75,104	27,717	6,932	28,483	59,936	1,009,665
TOTAL	**138,745,510**	**5,372,374**	**1,747,727**	**2,684,440**	**3,875,945**	**2,201,557**	**966,812**	**1,235,159**	**2,835,440**	**33,577,892**

Thousand euro

	2023								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and Credit institutions	**—**	**4,984**	**22,079,780**	**1**	**—**	**80,081**	**1,081,668**	**—**	**—**
General governments	**39,126**	**760,893**	**2,290,898**	**60,696**	**266,743**	**586,724**	**682,970**	**52,617**	**18,604**
Central government	—	—	—	—	—	—	—	—	—
Other	39,126	760,893	2,290,898	60,696	266,743	586,724	682,970	52,617	18,604
Other financial corporations and individual entrepreneurs	**21,078**	**2,438**	**1,630,406**	**3,059**	**2,738**	**1,126,632**	**17,065**	**18,031**	**10**
Non-financial corporations and individual entrepreneurs	**117,830**	**1,985,974**	**12,489,791**	**989,310**	**491,835**	**4,375,260**	**1,979,080**	**153,562**	**16,791**
Construction and real estate development	2,139	89,728	813,881	26,778	9,548	139,160	42,655	7,811	948
Civil engineering construction	1,719	34,342	388,628	14,495	2,295	59,305	46,768	1,044	1,295
Other purposes	113,972	1,861,904	11,287,282	948,037	479,992	4,176,795	1,889,657	144,707	14,548
Large enterprises	21,433	612,673	7,265,280	286,334	248,726	1,897,426	988,186	53,364	157
SMEs and individual entrepreneurs	92,539	1,249,231	4,022,002	661,703	231,266	2,279,369	901,471	91,343	14,391
Other households	**126,503**	**887,106**	**4,904,229**	**2,059,113**	**159,379**	**5,980,732**	**1,282,546**	**67,945**	**85,121**
Home loans	113,058	739,180	4,330,340	1,715,650	132,805	5,012,629	1,167,233	57,450	79,095
Consumer loans	6,065	60,755	213,139	170,662	6,898	475,317	45,597	4,948	3,054
Other purposes	7,380	87,171	360,750	172,801	19,676	492,786	69,716	5,547	2,972
TOTAL	**304,537**	**3,641,395**	**43,395,104**	**3,112,179**	**920,695**	**12,149,429**	**5,043,329**	**292,155**	**120,526**

Sectoral concentration

The breakdown by activity sector of loans and advances to non-financial corporations, as at 31 December 2024 and 2023, is shown below:

Thousand euro

	2024	
	Gross carrying amount	Allowances
Agriculture, forestry and fishing	794,745	(36,419)
Mining and quarrying	500,566	(7,990)
Manufacturing	8,716,475	(223,219)
Electricity, gas, steam and air-conditioning supply	4,219,532	(58,638)
Water supply	327,799	(4,242)
Construction	4,470,551	(163,023)
Wholesale and retail trade	7,803,089	(272,011)
Transportation and storage	3,694,492	(52,625)
Hotel and catering	3,270,624	(104,898)
Information and communication	3,559,037	(38,076)
Financial and insurance activities	6,222,664	(43,158)
Real estate activities	5,596,097	(105,124)
Professional, scientific and technical activities	2,108,967	(81,933)
Administrative and support service activities	1,946,712	(38,041)
Public administration and defence, compulsory social security	591,768	(243)
Education	258,736	(10,044)
Human health services and social work activities	1,104,500	(17,399)
Arts, entertainment and recreation	396,551	(17,000)
Other services	460,305	(181,414)
TOTAL	**56,043,210**	**(1,455,497)**

Thousand euro

	2023	
	Gross carrying amount	Allowances
Agriculture, forestry and fishing	812,552	(41,432)
Mining and quarrying	384,785	(7,327)
Manufacturing	8,151,076	(262,063)
Electricity, gas, steam and air-conditioning supply	3,969,662	(44,653)
Water supply	329,557	(2,420)
Construction	4,529,931	(183,401)
Wholesale and retail trade	8,040,763	(297,237)
Transportation and storage	3,434,655	(74,410)
Hotel and catering	3,483,039	(124,144)
Information and communication	3,080,060	(29,838)
Financial and insurance activities	5,544,542	(153,386)
Real estate activities	5,513,919	(132,555)
Professional, scientific and technical activities	2,221,804	(87,137)
Administrative and support service activities	1,516,455	(36,844)
Public administration and defence, compulsory social security	452,009	(504)
Education	249,886	(9,961)
Human health services and social work activities	919,051	(18,260)
Arts, entertainment and recreation	396,503	(22,656)
Other services	278,917	(158,072)
TOTAL	**53,309,166**	**(1,686,300)**

Sovereign risk exposure

Sovereign risk exposures, broken down by type of financial instrument, as at 31 December 2024 and 2023, are as follows:

Thousand euro

	2024										
	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 (**)	With positive fair value	With negative fair value	Total	Other off-balance sheet exposures (***)	%
Spain	85,870	34,320	—	2,187,214	14,288,768	10,025,226	1,839	(4,702)	26,618,535	—	78.0%
Italy	359,729	4,144	—	209,921	3,954,297	—	—	—	4,528,091	—	13.3%
United States	—	—	—	1,239,443	329,671	171	—	—	1,569,285	—	4.6%
United Kingdom	—	—	—	—	—	3	—	—	3	—	0.0%
Portugal	19,597	12,293	—	—	654,431	49,594	—	—	735,915	—	2.2%
Mexico		—	—	103,336	—	—	—	—	103,336	—	0.3%
Rest of the world	167,439	22,562	—	72,847	297,663	3,619	—	—	564,130	—	1.7%
Total	**632,635**	**73,319**	**—**	**3,812,761**	**19,524,830**	**10,078,613**	**1,839**	**(4,702)**	**34,119,295**	**—**	**100.0%**

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

(**) Includes undrawn balances of credit transactions and other contingent risks (1,022 million euros as at 31 December 2024).

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

Thousand euro

	2023										
	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 (**)	With positive fair value	With negative fair value	Total	Other off-balance sheet exposures (***)	%
Spain	16,760	(158,175)	—	2,688,937	12,565,360	9,837,201	2,860	(6,064)	24,946,879	—	80.2 %
Italy	62,270	(9,798)	—	95,074	3,354,628	—	—	—	3,502,174	—	11.3 %
United States	—	—	—	1,086,999	338,484	161	—	—	1,425,644	—	4.6 %
United Kingdom	—	—	—	—	—	—	—	—	—	—	0.0 %
Portugal	—	(27,347)	—	—	734,133	—	—	—	706,786	—	2.3 %
Mexico	—	—	—	110,214	—	—	—	—	110,214	—	0.4 %
Rest of the world	6,891	(134,321)	—	72,082	443,811	8,598	—	—	397,061	—	1.3 %
Total	**85,921**	**(329,641)**	**—**	**4,053,306**	**17,436,416**	**9,845,960**	**2,860**	**(6,064)**	**31,088,758**	**—**	**100.0 %**

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

(**) Includes undrawn balances credit transactions and other contingent risks (947 million euros at 31 December 2023).

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

Exposure to construction and real estate development sector

Details of lending for construction and real estate development and the relevant allowances are set out below. The lending items shown have been classified according to their intended purpose, rather than by the debtor's NACE code. This means, for example, that if a debtor is (a) a real estate company, but uses the financing for a purpose other than construction or real estate development, it is not included in this table; alternatively, if the debtor is (b) a company whose primary activity is not construction or real estate, but where the loan is used for the financing of properties intended for real estate development, it is included in the table:

Million euro

	2024		
	Gross carrying amount	**Surplus above value of collateral**	**Impairment allowances (*)**
Lending for construction and real estate development (including land) (business in Spain)	**1,898**	**523**	**97**
Of which: non-performing	*141*	*735*	*84*

Million euro

	2023		
	Gross carrying amount	**Surplus above value of collateral**	**Impairment allowances (*)**
Lending for construction and real estate development (including land) (business in Spain)	**2,038**	**562**	**111**
Of which: non-performing	*169*	*92*	*94*

(*) Allowances for the exposure for which the Bank retains the credit risk. Does not include allowances for exposures with transferred risk.

Million euro

Gross carrying amount ***Memorandum item***	**2024**	**2023**
Write-offs (*)	33	12

Million euro

Memorandum item	**2024**	**2023**
Loans to customers, excluding General Governments (business in Spain) (carrying amount)	92,270	90,082
Total assets (total business) (carrying amount)	184,332	179,946
Allowances and provisions for exposures classified as stage 2 or stage 1 (total operations)	550	718

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

Million euro

	Gross carrying amount 2024	**Gross carrying amount 2023**
Not secured with real estate	**938**	**741**
Secured with real estate	**960**	**1,298**
Buildings and other completed works	487	627
Housing	361	466
Other	125	161
Buildings and other works in progress	428	615
Housing	402	590
Other	26	25
Land	45	56
Consolidated urban land	44	55
Other land	1	1
Total	**1,898**	**2,038**

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

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

Million euro

Guarantees received	**2024**	**2023**
Value of collateral	1,198	1,293
Of which: securing stage 3 loans	*30*	*44*
Value of other guarantees	234	315
Of which: securing stage 3 loans	*21*	*25*
Total value of guarantees received	**1,432**	**1,608**

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

Million euro

	2024	
	Gross carrying amount	***Of which: stage 3 exposures***
Loans for home purchase	**36,451**	**715**
Not secured with real estate	639	*67*
Secured with real estate	35,812	*648*

Million euro

	2023	
	Gross carrying amount	***Of which: stage 3 exposures***
Loans for home purchase	**35,271**	**872**
Not secured with real estate	603	*20*
Secured with real estate	34,668	*852*

The tables below show home equity loans granted to households for home purchase broken down by the loan-to-value ratio (ratio of total risk to amount of last available property appraisal) of transactions recorded by credit institutions (business in Spain):

Million euro

	2024	
	Gross value	***Of which: non-performing***
LTV ranges	**35,812**	**648**
LTV <= 40%	*7,051*	*105*
40% < LTV <= 60%	*10,375*	*136*
60% < LTV <= 80%	*14,582*	*160*
80% < LTV <= 100%	*2,322*	*113*
LTV > 100%	*1,481*	*134*

Million euro

	2023	
	Gross value	***Of which: non-performing***
LTV ranges	**34,668**	**852**
LTV <= 40%	6,942	*130*
40% < LTV <= 60%	9,884	*182*
60% < LTV <= 80%	12,923	*220*
80% < LTV <= 100%	3,039	*149*
LTV > 100%	1,880	*171*

The table below gives details of assets foreclosed or received in lieu of debt by the Bank, for transactions recorded by credit institutions within Spain:

Million euro

	2024	
	Gross carrying amount	**Allowances**
Real estate assets acquired through lending for construction and real estate development	**165**	**38**
Completed buildings	151	33
Housing	98	21
Other	53	12
Buildings under construction	—	—
Housing	—	—
Other	—	—
Land	14	5
Developed land	6	2
Other land	8	3
Real estate assets acquired through mortgage lending to households for home purchase	**414**	**109**
Other real estate assets foreclosed or received in lieu of debt	**13**	**4**
Capital instruments foreclosed or received in lieu of debt	**—**	
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**8,653**	**7,986**
Financing to institutions holding assets foreclosed or received in lieu of debt	**682**	**—**
TOTAL	**9,927**	**8,137**

Million euro

	2023	
	Gross carrying amount	**Allowances**
Real estate assets acquired through lending for construction and real estate development	**197**	**44**
Completed buildings	181	38
Housing	109	23
Other	72	15
Buildings under construction	1	1
Housing	1	1
Other	—	—
Land	15	5
Developed land	7	2
Other land	8	3
Real estate assets acquired through mortgage lending to households for home purchase	**456**	**118**
Other real estate assets foreclosed or received in lieu of debt	**18**	**5**
Capital instruments foreclosed or received in lieu of debt	**8,631**	**7,929**
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**951**	**—**
Financing to institutions holding assets foreclosed or received in lieu of debt	**—**	**—**
TOTAL	**10,253**	**8,096**

Schedule V – Detailed standalone income statement - Business in Spain for the 2024 and 2023 financial years (Statement FI 2.E)

Thousand euro

	2024	2023
Profit or (-) loss for the year	**1,304,769**	**915,720**
Profit or (-) loss after tax from continuing operations	**1,304,769**	**915,720**
Profit or (-) loss before tax from continuing operations	**1,856,642**	**1,193,824**
Total operating income, net	**4,482,647**	**4,077,404**
Interest income	6,239,940	5,447,416
Financial assets held for trading	19,582	15,902
Non-trading financial assets mandatorily at fair value through profit or loss	5,781	5,500
Financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	159,002	111,099
Financial assets at amortised cost	5,674,855	5,031,286
Derivatives - Hedge accounting, interest rate risk	375,257	246,459
Other assets	4,310	8,595
Interest income on liabilities	1,153	28,575
(Interest expenses)	(2,877,630)	(2,391,809)
(Financial liabilities held for trading)	(1)	(1)
(Financial liabilities designated at fair value through profit or loss)	—	—
(Financial liabilities at amortised cost)	(2,417,060)	(1,927,167)
(Derivatives - Hedge accounting, interest rate risk)	(460,140)	(452,640)
(Other liabilities)	(170)	(11,624)
(Interest expenses on assets)	(259)	(377)
(Expenses on share capital repayable on demand)	—	—
Dividend income	245,400	134,782
Financial assets held for trading	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	1,846	1,964
Investments in subsidiaries, joint ventures and associates accounted for using the equity method and others	243,554	132,818
Fee and commission income	1,187,333	1,187,483
(Fee and commission expenses)	(104,464)	(65,135)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	10,999	9,103
Financial assets at fair value through other comprehensive income	6,442	(1,342)
Financial assets at amortised cost	5,443	6,312
Financial liabilities at amortised cost	(886)	4,133
Other	—	—
Gains or (-) losses on financial assets and liabilities held for trading, net	(336,476)	36,369
Gains or (-) losses on trading financial assets and liabilities, net	—	—
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	12,715	4,896
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	—	—
Gains or (-) losses on financial assets and liabilities not held for trading, net	—	—
Gains or (-) losses from hedge accounting, net	1,763	14,445
Exchange differences [gain or (-) loss], net	320,998	(112,020)
Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net	—	—
Gains or (-) losses on derecognition of non-financial assets, net	(903)	(3,455)
Other operating income	62,033	44,012
(Other operating expenses)	(279,061)	(228,683)

	2024	2023
(Administrative expenses)	(1,906,203)	(1,740,579)
(Staff expenses)	(1,012,392)	(947,436)
(Other administrative expenses)	(893,811)	(793,143)
(Cash contributions to resolution funds and deposit guarantee schemes) (*)	(6,216)	(208,206)
(Depreciation and amortisation)	(140,802)	(159,158)
(Property, plant and equipment)	(137,696)	(141,813)
(Investment properties)	(1,500)	(3,521)
(Goodwill)	(1,368)	(13,636)
(Other intangible assets)	(238)	(188)
Modification gains or (-) losses, net	—	—
Financial assets at fair value through other comprehensive income	—	—
Financial assets at amortised cost	—	—
(Provisions or (-) reversal of provisions)	(49,249)	(12,683)
(Payment commitments to resolution funds and deposit guarantee schemes)	—	—
(Commitments and guarantees given)	19,540	6,677
(Other provisions)	(68,789)	(19,360)
(Increases or (-) decreases of the fund for general banking risks, net)	—	—
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	(468,655)	(673,608)
(Financial assets at fair value through other comprehensive income)	235	853
(Financial assets at amortised cost)	(468,890)	(674,461)
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	(9,541)	(45,026)
(Impairment or (-) reversal of impairment on non-financial assets)	(31,237)	(905)
(Property, plant and equipment)	(32,032)	(1,369)
(Investment properties)	795	464
(Goodwill)	—	—
(Other intangible assets)	—	—
(Other)	—	—
Negative goodwill recognised in profit or loss	—	—
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	—	—
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(14,102)	(43,415)
(Tax expense or (-) income related to profit or loss from continuing operations)	(551,873)	(278,104)
Extraordinary profit or (-) loss, after tax	—	—
Extraordinary profit or loss, before tax	—	—
(Tax expense or (-) income related to extraordinary profit or loss)	—	—
Profit or (-) loss after tax from discontinued operations	—	—
Profit or (-) loss before tax from discontinued operations	—	—
(Tax expense or (-) income related to discontinued operations)	—	—
Attributable to minority interest [non-controlling interests]	—	—
Attributable to owners of the parent	1,304,769	915,720

Directors' report

Banco Sabadell Group

1

Banco Sabadell Group

Banco de Sabadell, S.A. (hereinafter also referred to as Banco Sabadell, the Bank, the Company, or the Institution), with tax identification number (NIF) A08000143 and with registered office[1] in Sabadell, Plaça de Sant Roc, 20, engages in banking business and is subject to the standards and regulations governing banking institutions operating in Spain. It has been subject to prudential supervision on a consolidated basis by the European Central Bank (ECB) since November 2014.

The Bank is the parent company of a group of entities whose activity it controls directly and indirectly and which comprise, together with the Bank, Banco Sabadell Group. Banco Sabadell is formed of different financial institutions, brands, subsidiaries and investees that cover all aspects of financial business. It operates mainly in Spain, the United Kingdom and Mexico.

In 2024, the Group's organisation was structured around the following businesses:

— Banking Business Spain groups together the Retail Banking, Business Banking and Corporate Banking business units, with Retail Banking and Business Banking managed under the same branch network:
    — Retail Banking: offers financial products and services to individuals for personal use. These include investment products and medium- and long-term finance, such as consumer loans, mortgages, leasing and rental services, as well as other short-term finance. Funds come mainly from customers' term and demand deposits, savings insurance, mutual funds and pension plans. The main services also include payment methods such as cards and various kinds of insurance products.
    — Business Banking: offers financial products and services to companies and self-employed persons. These include investment and financing products, such as working capital products, revolving loans and medium- and long-term finance. It also offers custom structured finance and capital market solutions, as well as specialised advice for businesses. Funds mainly come from customers' term and demand deposits and mutual funds. The main services also include collection/payment solutions such as cards and PoS terminals, as well as import and export services. This business unit further includes Private Banking, which offers personalised expert advice, backed by specialised and high-value product capabilities for customers.
    — Corporate Banking: through its presence in Spain and in a further 11 countries, it offers financial and advisory solutions to large Spanish and international corporations and financial institutions. It structures its activity around two pillars, the first of which is the customer. It aims to serve its customers who are natural persons to meet the full range of their financial needs. This pillar is determined by the nature of those customers and includes large corporations classed under the Corporate Banking umbrella, financial institutions, Private Banking customers in the United States and the venture capital business carried out through BS Capital. The second pillar is specialised business, which encompasses the activities of Structured Finance, Treasury, Investment Banking, and Trading, Custody & Research. Its goal is to advise, design and execute custom

[1] The Board of Directors of Banco Sabadell, in its meeting held on 22 January 2025, resolved to amend Article 2 of the by-laws to set the registered office at Sabadell, Plaça de Sant Roc no. 20. The registered office was previously located in Alicante, at Avenida Óscar Esplá, 37.

operations that anticipate the specific financial needs of its customers, be they companies or individuals, with its scope of activity ranging from large corporations to smaller companies and customers, insofar as its solutions are the best way to meet their increasingly complex financial needs.

— Banking Business UK: the TSB franchise covers business conducted in the United Kingdom, which includes current and savings accounts, loans, credit cards and mortgages.
— Banking Business Mexico: offers banking and financial services for Corporate Banking, Commercial Banking and Retail Banking.

Banco Sabadell is the parent undertaking of a group of companies that, as at 31 December 2024, numbered a total of 84. Of these, aside from the parent company, 61 are considered subsidiaries and 22 are considered associates (as at 31 December 2023, there were 83 companies: the parent company, 60 subsidiaries and 22 associates).

1.1 Mission, values and business model

Mission and values

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

This is Banco Sabadell's raison d'être: to help its customers make the best economic decisions so that they may see their personal and/or business projects take shape. To that end, it gives customers the benefit of the opportunities offered by big data, digital capabilities and the expertise of its specialists.

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

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

- Commitment and Non-Conformism, values that define its way of being.
- Professionalism and Effectiveness, values that define its way of working.
- Empathy and Openness, values that define its way of interacting.

Business model, main objectives achieved and actions taken

The Institution's business model is geared towards profitable growth that generates value for shareholders. This is achieved through a strategy of business diversification based on criteria related to profitability, sustainability, efficiency and quality of service, together with a conservative risk profile, while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

The Bank's management model focuses on a long-term vision of customers, through constant efforts to promote customer loyalty by adopting an initiative-based and proactive approach to the relationship through the various channels that the customers of the Bank have at their disposal. The Bank offers a comprehensive range of products and services, qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.

Over the last thirteen years, Banco Sabadell has expanded its geographical footprint in Spain and increased its market share with a series of acquisitions, the most significant of which was its acquisition of Banco CAM in 2012. In 2013, Banco Sabadell was able to undertake other corporate operations as part of the restructuring of banks under suitable economic terms, such as the acquisition of the branch network of the former Caixa d'Estalvis del Penedès in Catalonia and Aragon and the acquisitions of Banco Gallego and Lloyds' business in Spain.

As a result of these acquisitions and the organic growth of recent years, Banco Sabadell has strengthened its position in some of Spain's most prosperous regions (Catalonia, Valencian Community and Balearic Islands) and it has also increased its market share in other key areas. According to the most recent information available, Banco Sabadell has a market share of 8% in loans and 7% in deposits at the domestic level. Banco Sabadell also has a good market share in other products, such as financing granted to non-financial corporations at 9%, mutual funds at 5% and PoS turnover at 17%.

With regard to international business, Banco Sabadell has always been a benchmark. This has not changed in 2024 and Banco Sabadell continues to be present in strategic areas, supporting companies in their international activity. Over the last few years, Banco Sabadell has expanded its international footprint. The main milestones have been the acquisition of British bank TSB in 2015 and the creation of a bank in Mexico in 2016.

With these developments, the Group has become one of the largest institutions in Spain's financial system. It has a geographically diverse business (74% in Spain, 23% in the UK and 3% in Mexico) and its customer base is now six times larger than it was in 2008. It has achieved all of this whilst safeguarding its solvency and liquidity.

2024 was a year characterised, in economic terms, by an acute contrast between the economic performance of the United States, which was better than initially expected, and that of the Eurozone, weighed down by weakness in Germany, which experienced an all but stagnant economy. Spain, for its part, continued to perform well, with robust growth. Inflation also continued to converge with central bank targets throughout 2024, allowing central banks to begin cutting official interest rates towards the middle of the year, although they indicated that they would continue to follow a cautious approach to interest rate adjustments going forward. 2024 was also a year marked by political and geopolitical events, such as the conflict in the Middle East and Trump's victory in the US presidential elections, Geopolitical risks thus increased, generating an additional source of uncertainty for the economic environment. Lastly, in relation to the financial markets, 2024 was once again a positive year, particularly for risk assets.

Against this backdrop, in year-on-year terms, Banco Sabadell significantly increased its net profit, supported by good performance both in Spain and in the UK (TSB) . It is worth noting the year-on-year growth of net interest income, the reduced cost of risk, the active and growing commercial momentum, and the contained increase in costs.

Banco Sabadell conducts its business in an ethical and responsible manner, gearing its commitment to society in a way that ensures its activities have a positive impact on people and the environment. Each and every person in the organisation plays their part in applying the principles and policies of corporate social responsibility, ensuring a high-quality and transparent customer service.

In addition to complying with applicable regulations and standards, Banco Sabadell has a set of policies, internal rules and codes of conduct that guarantee ethical and responsible behaviour at all levels of the organisation and in all Group activities.

1.2 Strategic priorities

In 2024, Banco Sabadell Group's strategic priorities were to (i) continue strengthening the Bank's competitive position in the domestic market and (ii) keep on improving the profitability of its businesses abroad, both in the United Kingdom and in other geographies, in addition to efficient cost control and adequate risk management.

By business line, in Retail Banking, the approach involved continuing with the profound transformation undertaken in recent years, which has resulted in a profound change in the products and services on offer and in the customer relationship model, consolidating a fundamentally digital and remote offering of products for which the customer wants autonomy, immediacy and convenience, such as consumer loans, accounts and cards. For more complex products, such as mortgages, insurance and savings/investment products, where the customer requires support, the approach is to reinforce the role of product specialists and offer multichannel support, along with greater process digitalisation.

As at the end of 2024, mortgages specialists generated over 50% of the total new business in this product. On the other hand, digital sales of consumer loans represented over 83% of the total, while pre-approved loans accounted for 87% of total new lending. Furthermore, 54% of new customers registered using the digital channel.

The goal in Retail Banking is to increase the customer base, responding better to their needs and being the main bank of more customers.

In Business Banking, the goal was to strengthen the Bank's sizeable franchise in this segment by establishing specific levers to achieve profitable growth, such as sector-specific solutions for businesses, support for customers in their internationalisation process and the expansion of specialised solutions for SMEs. This is to be reinforced with an optimal risk management framework, complementing the insights of risk experts and business experts with new business intelligence and data analytics tools. In terms of capabilities, a digital account was launched for self-employed professionals and the middle market team was bolstered to broaden the knowledge base already in use in Corporate Banking.

In 2024, the granting of new lending items continued to be steered better, so that more than 80% were granted to priority customers and sectors, and the 34 sector-specific product and service offerings for businesses and self-employed professionals were consolidated, delivering a significant increase in new business acquired from those sectors. The market share of Point-of-Sale (PoS) terminals rose to over 20%.

Private Banking already has 500 personal bankers assigned to it, and the product offering and advice tools have been enhanced with a clear growth objective for both turnover and customers.

The goal in Business Banking is to drive growth while safeguarding credit quality and boosting profitability.

The approach in Corporate Banking Spain was to develop plans to improve the profitability of each customer and increase the contribution of specialised product units to the generation of income. To that end, greater focus was placed on the continuous monitoring of customer profitability, measuring that profitability as the risk-adjusted return for each customer, and action plans were set in motion to increase profitability. As at the end of 2024, around 75% of customers had a Risk-Adjusted Return On Capital (RAROC) above 10%.

The goal in this business line is to obtain adequate profit per customer and to meet their needs.

TSB's priority was to focus on what it does best and what it is known for in the market: retail mortgages. TSB has an excellent platform, with high operational capabilities for mortgage management and a well-established network of brokers, a key factor in the British market where a substantial portion of new mortgages are arranged through this channel.

After radically turning around its financial results in recent years, TSB remains focused on its core business and on reducing costs. To that end, it has launched an efficiency plan in order to increase its contribution to the Group's profitability.

In the Group's other international businesses, the priority was to actively manage the capital allocated to them by the Group. Supplementary to this, specific priorities have been defined for each geography: in Mexico, the aim is to increase profitability, focusing on improving its cost of risk and reducing its cost of funding in pesos, launching the Sabadell Mexico digital account to that end. In the case of Miami, the goal is to further strengthen the Private Banking business, while other foreign branches will prioritise the provision of support to Spanish customers in their international activities.

The financial targets for 2024 have been met.

Upon conclusion of the strategic plan for 2021-2023, whose financial targets were amply met, at the start of the year Banco Sabadell disclosed its guidance for 2024. Economic and financial developments unfolded against a backdrop of interest rates that were, on average, lower than in the previous year, although they remained at levels that were ideal for banking intermediation activity and for the recovery of demand for credit.

The Institution remains firmly committed to shareholder remuneration.

The guidance set out in the Group's business plan was reflected in the following way in the income statement for this year:

Net interest income posted growth in the mid-single digits, as estimated in June, having improved the target to twice the one set at the beginning of the year. This positive change is explained by the positive contribution of the customer margin at the ex-TSB level, thanks to upward repricing of the loan book during the first half of the year and a cost of deposits that remained at contained levels. In addition, the positive evolution of lending activity began to come through this year, driving up net interest income, and it is expected to drive it up even further in 2025. In the meantime, at TSB, net interest income gradually recovered with each passing quarter, although it ended the year with a drop in the low single digits, as expected. All in all, the target was met, since net interest income went up by 6.3% in the year at the Group level.

In terms of fees and commissions, these were expected to record a drop of around 3%, explained by weaker performance of service fees, particularly those associated with current accounts, in a context of high interest rates. This target was upgraded after the sale of the merchant acquiring business was postponed due to the tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). Lastly, fees and commissions were down by 2%, a slight improvement on the guidance for the year.

In terms of costs, an annual increase in recurring costs of around 2.5% was estimated; this cost containment is mainly explained by the savings delivered by the efficiency plan in TSB announced in 2023. Annual recurring costs at the Group level increased by 2.7%, as expected. It should be noted that in 2024, 21 million euros of extraordinary costs were recognised in connection with TSB's new efficiency plan.

Furthermore, the total cost of risk target was upgraded twice during the year, thanks to a diversified balance sheet, risk management actions and improved asset quality. In September, it was estimated that it would end the year at levels of around 45 basis points. That target was met, as total cost of risk stood at 42 basis points in 2024, equivalent to 714 million euros of provisions and impairments.

Similarly, profitability recorded for 2024, measured in terms of Return on Tangible Equity (ROTE), was 14.9%, in line with the profitability or ROTE target of >13%, which was also upgraded several times during the year. In addition, in 2025, the resilience of the Group's income statement is expected to allow it to keep its profitability at around 14%, measured in terms of tangible equity.

Lastly, in relation to shareholder remuneration, Banco Sabadell's Board of Directors confirmed its shareholder remuneration commitment, committing to distribute, on a recurrent basis, its excess capital above the 13% CET1 ratio (post- impact of Basel IV[2]). Assuming fulfilment of the current business plan, it is thought that the excess capital generated in 2024 and 2025, along with recurring dividends and the buyback of shares pending execution following the tender offer announced by BBVA, will reach 3.3 billion euros (0.61 euros gross per share), of which 2,098 million euros or 0.3913 euros (gross) per share would correspond to 2024 and around 1,200 million euros or 0.22 euros (gross) per share would correspond to 2025, equivalent to more than 32% of the market capitalisation[3]. This represents a material improvement on the 2.9 billion euros (0.53 euros gross per share) announced previously, although part of the remuneration for 2025 may be subject to supervisory approval and to delivering on that business plan.

The remuneration in 2024 alone represents around 64% of the total committed shareholder remuneration amount for the next two years.

Therefore, the main financial targets set at the start of the year had been amply surpassed by the end.

[2] Basel IV marks the final phase of the Basel III standards.
[3] Data as at 2024 year-end.

1.3 Banco Sabadell share performance and shareholders

As at 31 December 2024 and 2023, the Bank's share capital stood at 680,027,680.875 euros and was represented by 5,440,221,447 registered shares with a par value of 0.125 euros each.

On 29 January 2025, the Board of Directors of Banco Sabadell agreed to reduce the Bank's share capital in the amount of 6,566 thousand euros, through the redemption of all the treasury shares acquired under the Share Buyback Programme approved on 10 April 2024 at Banco Sabadell's Annual General Meeting, until the suspension of that programme on 9 May 2024, i.e. 52,531,365 shares. As at the sign-off date of the consolidated annual financial statements, the entry into the Companies Register of the public deed for this capital reduction remained pending.

2024 was marked by the start of an accommodative cycle by central banks, with inflation on a downward path and macroeconomic indicators in the main developed economies giving mixed signals throughout the year, due to a generally more negative bias. In geopolitical terms, the war in Ukraine remained stagnant while tensions rose in the Middle East. In the United States, Donald Trump emerged as the clear winner of the presidential elections, which heightened the uncertainty surrounding the possible establishment of tariffs and restrictions on global trade.

In Spain, economic activity continued to be dynamic, with GDP growth far above the average of countries in the European Union and with upward revisions for the coming years. In addition, the unemployment rate fell to a ten-year low, while inflation was below 2%.

In financial markets, the first half of the year was characterised by a very positive tone, specifically in the financial sector. However, as the year went on and as a result of inflation rapidly dropping closer to central banks' targets, together with macroeconomic indicators that fuelled fears of a recession, central banks began a cycle of interest rate cuts. Against this backdrop, the financial sector underwent a stock market correction given the volatility of interest rate curves, which priced in an accelerated pace of interest rate cuts as a well as a lower terminal rate.

In the Eurozone, the European Central Bank began its accommodative monetary policy in June, introducing four interest rate cuts from that month onwards and reducing the deposit facility rate by 100 basis points to 3.00%. In addition, the 12-month Euribor ended the year at around 2.5%.

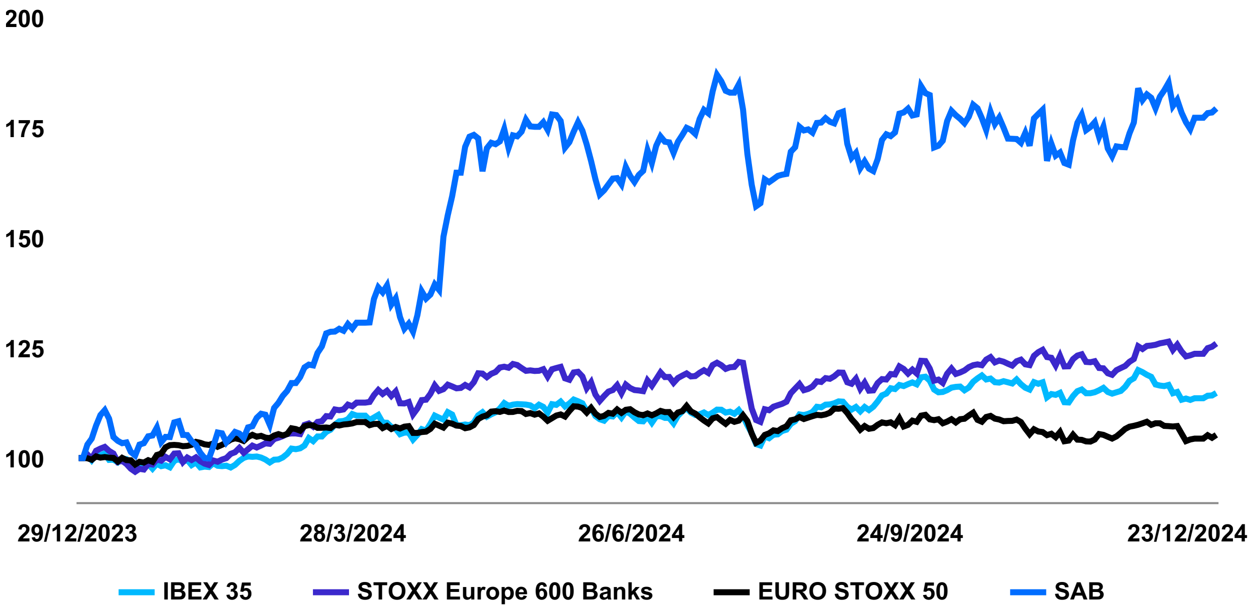
Similarly, the Bank of Spain, in line with the majority of the Eurozone economies, activated the countercyclical buffer (CCyB), placing it at 0.5%, which will be applicable as from October 2025. Thereafter, if the cyclical systemic risks remain, the plan is to raise the CCyB to 1% as from October 2026.

All in all, over the year the banking industry's profitability continued to converge towards levels close to the cost of capital that banks are required to attain, thanks to higher levels of profit, in turn explained by an interest rate environment that has offered increased capacity to intermediate in the economy.

As regards Banco Sabadell's share price performance, it kept the good tone of recent years, with a revaluation, adjusted to account for dividends, of +79% in the year, ranking second on the IBEX 35 in 2024. On a like-for-like basis, the market revaluation was above the European banking industry benchmark (STOXX Europe 600 Banks), which rose by +35.4%, and also above general indices such as EURO STOXX 50 and IBEX 35, which cumulatively increased by +5.3% and +14.8%, respectively, over the year. In this respect, the factors pertaining to the economic and financial environment mentioned above significantly influenced the share price performance. Similarly, in relation to the idiosyncratic factors of Banco Sabadell, certain influencing factors worth noting include, on one hand, the Institution's improved financial position and profit estimations and, on the other, since 9 May, everything related to the events in connection with the tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A.

As at the end of 2024, 100% of equity analysts covering Banco Sabadell had a Buy or Hold recommendation on the stock.

Banco Sabadell's market capitalisation stood at 10,063 million euros at year-end, with a Price/Tangible Book Value (P/TBV) ratio of 0.78.



	Million	Million euro	Euro	Million euro	Euro
	Average number of shares (*)	**Profit attributable to the Group**	**Profit attributable to the Group, per share**	**Own funds**	**Book value per share**
2021	5,586	530	0.080	13,357	2.39
2022 (**)	5,594	889	0.140	13,635	2.43
2023	5,401	1,332	0.225	14,344	2.65
2024	5,376	1,827	0.322	15,389	2.87

(*) The average number of shares is shown net of the treasury stock position.

(**) The data corresponding to 2022 has been restated to take into account the implementation of IFRS 17 (see Note 1.4 to the consolidated annual financial statements for 2023).

Share performance

Below are a number of indicators of the Bank's share performance:

	2024	2023	Year-on-year change (%)
Shareholders and trading			
Total number of shares outstanding (million) (*)	5,361	5,403	(0.8)
Average daily trading (million shares)	23	30	(22.0)
Share price (euro)			
Opening	1.113	0.881	—
High	2.050	1.364	—
Low	1.105	0.873	—
Closing	1.877	1.113	—
Market capitalisation (million euro)	10,063	6,014	—
Market ratios			
Earnings per share (EPS) (euro)	0.32	0.23	—
Book value per share (euro)	2.87	2.65	—
P/TBV (price/tangible book value per share)	0.78	0.51	—
Price/earnings ratio (share price/EPS)	5.84	4.94	—

(*) Total number of shares minus final treasury stock position (including shares in buyback programmes, where applicable).

Shareholder remuneration in cash increased by 241% in the year, distributing 60% of 2024 earnings.

The Bank's shareholder remuneration commitment, in accordance with its Articles of Association, is proposed by the Board of Directors and submitted to the Annual General Meeting for approval every year. In addition, Banco Sabadell has a Shareholder Remuneration Policy that lays down the principles that determine the shareholder remuneration framework.

In the meeting held on 22 July 2024, Banco Sabadell's Board of Directors agreed to set the percentage of profits to be distributed to shareholders, in other words the Group's payout ratio, at 60% of the Group's net attributable profit for 2024. This payout ratio is at the top of the range established by the Group's Shareholder Remuneration Policy.

In addition to setting a payout ratio of 60%, the Board of Directors agreed to distribute an interim dividend in cash, to be paid out of its earnings of 2024, of 0.08 euros (gross) per share, which was paid on 1 October 2024.

The Board of Directors also updated the potential shareholder remuneration amount to be distributed charged to earnings in the 2024 and 2025 financial years to 2,650 million euros (0.49 euros per share), part of it subject to the supervisor's approval.

In line with the request received from the CNMV on 13 May 2024, the Bank released an Other Relevant Information disclosure regarding the interim suspension of the share buyback programme in light of the publication of the prior announcement of the tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A. The operation of the buyback programme was paused when approximately 27.31% of the buyback programme's maximum pecuniary amount had been executed, meaning that approximately 72.69% of the aforesaid maximum amount remains pending execution (see Note 3 to the annual financial statements). If one considered the currently suspended share buyback programme, this would raise the potential total shareholder remuneration over the next two years to 2.9 billion euros (0.53 euros gross per share).

Later, on 6 February 2025, Banco Sabadell's Board of Directors agreed to submit a proposal for the distribution of a final dividend of 0.1244 euros (gross) per share, to be approved at the next Annual General Meeting. This, together with the interim dividend of 0.08 euros (gross) per share, entail a total cash dividend to be paid out of the earnings of 2024 of 0.2044 euros (gross) per share, equivalent to a 60% payout ratio, representing an increase in cash-based shareholder remuneration of 241% compared to 2023.

In the aforesaid meeting of 6 February 2025, the Board of Directors of Banco Sabadell, having obtained prior authorisation from the competent authority, agreed to submit a proposal at the next Annual General Meeting to distribute the excess capital above the 13% CET1 ratio (post-impact of Basel IV[4]) through a treasury share buyback programme for the subsequent redemption of those shares for an amount of 755 million euros, equivalent to 0.1408 euros (gross) per share and resuming execution of the treasury share buyback programme in the amount of 247 million euros, equivalent to 0.0461 euros (gross) per share, which was temporarily suspended due to publication of the announcement of the tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A.

Based on the foregoing, total shareholder remuneration in 2024 will amount to 2,098 million euros, or 0.3913 euros (gross) per share, of which 1,096 million euros (0.2044 euros gross per share) correspond to the cash dividend and 1,002 million euros (0.1869 euros gross per share) correspond to buyback programmes.

Thus, Banco Sabadell's Board of Directors seized the opportunity and updated its total shareholder remuneration for the next two years, improving it from the previously announced 2.9 billion euros (0.53 euros gross per share) to 3.3 billion euros (0.61 euros gross per share) of which, as mentioned, 2,098 million euros (0.3913 euros gross per share) would correspond to 2024 and around 1.2 billion euros (0.22 euros gross per share) would correspond to 2025).

[4] Basel IV marks the final phase of the Basel III standards.

Credit ratings

In 2024, the four agencies that assessed Banco Sabadell's credit quality were S&P Global Ratings, Morningstar DBRS, Fitch Ratings and Moody's Investors Service.

On 29 April 2024, S&P Global Ratings affirmed Banco Sabadell's long-term issuer rating at 'BBB+', improving the outlook to positive from stable, reflecting the possibility that it could raise the long-term rating over the next 18-24 months if industry risks for banks operating in Spain were to ease and, at the same time, Banco Sabadell strengthens its financial ratios further. The short-term rating was also maintained at 'A-2'.

On 10 May 2024, Morningstar DBRS confirmed Banco Sabadell's long-term issuer rating at 'A (low)' with a stable outlook, reflecting the significantly improved profitability and the restructuring plan that the Bank has implemented, enabling it to boost its operating efficiency. It also praised its good access to wholesale markets and liquidity, as well as its solid capitalisation. The short-term rating remained at 'R-1 (low)'. The full report on the revision was published on 7 June.

On 8 October 2024, Moody's Investors Service affirmed Banco Sabadell's long-term deposit rating at 'Baa1' and its long-term senior unsecured debt rating at 'Baa2', maintaining the positive outlook for both ratings. The affirmed ratings reflect the strength of the Bank's credit profile, with stronger asset-quality metrics and improved profitability during the first quarter of 2024. The short-term rating was kept at 'P-2'. The full report on the revision was published on 15 October.

On 10 January 2025, Fitch Ratings upgraded Banco Sabadell's long-term rating to 'BBB+' from 'BBB' and maintained the stable outlook. The upgrade was driven by the strengthening of Banco Sabadell's asset quality, profitability and capitalisation, as well as the improved assessment of the operating environment for Spanish banks. Prior to this upgrade, on 29 May 2024, Fitch Ratings had already improved Banco Sabadell's long-term rating to 'BBB' from 'BBB-' and its short-term rating to 'F2' from 'F3'.

During 2024, Banco Sabadell has been in continuous contact with the four agencies. In its meetings with analysts from those agencies, both face-to-face and virtual meetings, aspects such as progress with results, capital, liquidity, risks, credit quality, and management of NPAs were discussed.

The table below details the current ratings and the last date on which any publication reiterating this rating was made.

	Long-term	Short-term	Outlook	Last updated
S&P Global Ratings	BBB+	A-2	Positive	29/04/2024
Morningstar DBRS	A (low)	R-1 (low)	Stable	07/06/2024
Moody´s Investors Service	Baa2	P-2	Positive	15/10/2024
Fitch Ratings	BBB+	F2	Stable	10/01/2025

1.4 Corporate governance

Banco Sabadell has a solid corporate governance structure that ensures effective and prudent management of the Bank, in which it prioritises ethical, sound and transparent governance, taking into account the interests of shareholders, customers, employees and the general public in the geographies in which it operates.

The internal governance framework, which gives details, among other aspects, about its shareholding structure, the governing bodies, the Group's structure, the composition and operation of corporate governance, the internal control functions, key governance matters, the risk management framework, the internal procedure for the approval of credit transactions granted to directors and their related parties and the Group's policies, is published on the corporate website: www.grupbancsabadell.com (see section "Corporate Governance and Remuneration Policy – Internal Governance Framework").

As required by Article 540 of the Spanish Capital Companies Act, Banco Sabadell Group has prepared the Annual Corporate Governance Report for the year 2024, which, in accordance with Article 49 of the Spanish Commercial Code, forms part of the Directors' Report for 2024. It includes a section on the extent to which the Bank follows recommendations on corporate governance currently in existence in Spain.

As it has done on previous occasions, Banco Sabadell has opted to prepare the Annual Corporate Governance Report in free PDF format, in accordance with CNMV Circular 2/2018 of 12 June, in order to explain and publicise, with maximum transparency, the main aspects contained therein.

Annual General Meeting 2024

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

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

At the Annual General Meeting, shareholders may cast one vote for every thousand shares that they own or represent. The Policy for communication and contact with shareholders, institutional investors and proxy advisors, approved by the Board of Directors and compliant with the Good Governance Code of Listed Companies of June 2020, aims to promote the transparency of public information and build trust while safeguarding, at all times, the legitimate interests of institutional investors, shareholders and proxy advisors and of all other stakeholders of Banco Sabadell.

The Bank has maintained the highest standards of transparency and participation to improve and promote the participation of shareholders at the Annual General Meeting of 10 April 2024, so that they were able to attend in person as well as remotely through a live broadcast, continuing the approach adopted in 2022, vote on motions on the agenda and speak during question time. To that end, the Bank reiterated that it has set up electronic channels through Banco Sabadell's websites (corporate website and BSOnline) and its mobile app (BSMovil) so that shareholders can delegate and cast their vote in advance of the Annual General Meeting.

Those channels are embedded on the Bank's website and they provide a fast and straightforward experience to customers who are shareholders and to shareholders in general, in addition to making interactions easier.

The Annual General Meeting for 2024, convened on 22 February 2024, took place on 10 April 2024, on second call.

The Ordinary Annual General Meeting, held on 10 April 2024, approved all items on the agenda, among them the annual financial statements and corporate management corresponding to the financial year 2023 and, in relation to appointments, the re-election as member of the Board of Directors of Mireya Giné Torrens, in the capacity of Independent Director. On 13 February 2024, José Manuel Martínez Martínez resigned from his role as Independent Director of Banco Sabadell, effective from the date of the next Ordinary Annual General Meeting. To fill this vacancy, during the aforesaid Annual General Meeting, at the proposal of the Board Appointments and Corporate Governance Committee, shareholders agreed to appoint Ana Colonques García-Planas as Independent Director, who joined the Board for the first time at the meeting of 30 May 2024, having received the corresponding regulatory authorisations.

In the interest of complying with the aforementioned principle of transparency, and in response to the participation of investors and proxy advisors in the corporate governance roadshows, in 2023 the Bank approved a new Director Remuneration Policy and announced several new measures, including new remuneration for the Chief Executive Officer for his executive duties. This new remuneration was reported in the Director Remuneration Report of 2023, which was put to an advisory vote at the 2024 Annual General Meeting, receiving 96.91% of votes in favour.

The aforesaid Annual General Meeting approved, under item four of the agenda and with 99.23% of votes in favour, a resolution to reduce Banco Sabadell's share capital by the par value of the treasury shares that may be acquired by the Institution under the share buyback programme, against earnings for 2023, for a maximum pecuniary amount of 340 million euros.

On 25 April 2024, Banco Sabadell released an Inside information disclosure entered in the CNMV's register under number 2,203 to announce the terms and commencement of the share buyback programme approved by the Board of Directors on 24 April 2024. On 13 May 2024, pursuant to the request received from the CNMV on that same date, Banco Sabadell released an Other Relevant Information disclosure, entered in the CNMV's register under number 28,561, giving notice of the interim suspension of the aforementioned share buyback programme in light of the publication of the prior announcement of the voluntary tender offer put forward by BBVA for the acquisition of Banco Sabadell shares representing its total share capital.

The operation of the buyback programme was discontinued before the opening of the session of 9 May 2024, the amount paid for the shares purchased under the buyback programme up to (and including) 8 May 2024 being 92,864,152.55 euros, representing approximately 27.31% of the maximum pecuniary amount of the buyback programme, therefore approximately 72.69% of the said maximum amount remains to be executed.

At its meeting of 29 January 2025, the Bank's Board of Directors agreed to partially execute the capital reduction resolution approved by the Annual General Meeting on 10 April 2024, in the amount of 6,566,420.625 euros, through the redemption of the 52,531,365 shares acquired by virtue of the aforesaid buyback programme up to the time of its suspension. The aforesaid resolution already envisaged the possibility of it not being executed or only partially executed it due to unforeseen circumstances. As at the date of this report, the public deed for the capital reduction had not yet been entered in the Companies Register.

As regards sustainability, it is also important to note that for the fourth consecutive year, Banco Sabadell has obtained certification of its Annual General Meeting as a “Sustainable Event”, having satisfactorily met the sustainability criteria for certification and having passed the preliminary assessment process and the in-person audit conducted by Eventsost, a comprehensive sustainability certification platform for events. The certification is based on the event sustainability standards considered in the Eventsost certification scheme for sustainable events, and on alignment with the Sustainable Development Goals of the UN's 2030 Agenda applied to event production.

In addition, an external consultant verified the procedures established for preparing and holding the Annual General Meeting for 2024. The external consultant carried out an individual analysis of each of the phases into which the review was divided (phase I: pre-Meeting, phase II: Meeting, and phase III: post-Meeting), concluding that, from a technical, procedural and legal point of view, all requirements, internal procedures and applicable regulations had been complied with in the three phases analysed.

Information regarding the 2024 Annual General Meeting is published on the corporate website: www.grupbancsabadell.com (see section “Shareholders and Investors - Shareholders’ General Meeting”).

Composition of the Board of Directors

With the exception of matters reserved to the Annual General Meeting, Banco Sabadell’s Board of Directors is the most senior decision-making body of the Company and its consolidated Group, as it is responsible, under the law and the Articles of Association, for the management and representation of the Bank. The Board of Directors acts mainly as an instrument of supervision and control, delegating the management of ordinary business matters to the Chief Executive Officer.

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

As at 31 December 2024, the Board of Directors was formed of 15 members: its Chairman (in the capacity of Other External Director), ten Independent Directors, two Executive Directors, one Other External Director and one Proprietary Director. The composition of the Board keeps an adequate balance between the different director categories that comprise it.

The Board of Directors has a diverse and efficient composition. It is of the appropriate size to perform its duties effectively by drawing on a depth and diversity of opinions, enabling it to operate with a good level of quality and effectiveness and in a participatory way. Its members are suitably diverse in terms of skill sets, professional background, origin and gender, and they have extensive experience in banking, finance, anti-money laundering & counter-terrorist financing, digital transformation & IT, insurance, risk & auditing, in regulatory affairs and the law, in academia, human resources & consultancy, responsible business practices & sustainability, as well as in international business. The Board’s Matrix of Competences and Diversity can be consulted on the website in Banco Sabadell’s Internal Governance Framework (see corporate website section “Corporate governance and Remuneration Policy – Internal Governance Framework”).

Banco Sabadell has had this competences and diversity matrix in place since 2019, which is reviewed annually by the Board of Directors, following a favourable report from the Board Appointments and Corporate Governance Committee, and which was last reviewed on 24 April 2024, as a result of the most recent Board appointment of Ana Colonques García-Planas.

As at 2024 year-end, there were six female Directors, including five female Independent Directors out of a total of ten Independent Directors and one female Other External Director. Women account for 40% of the Board of Directors, with this percentage having been attained ahead of the timeframes provided in Organic Law 2/2024 of 1 August on equal representation and balanced presence of women and men, and fulfilling the Bank’s commitment stated in Sabadell’s Commitment to Sustainability for 2024. Similarly, the presence of a new female director adds to the age diversity of the Board of Directors.

Board of Directors

31 December 2024

Chair
Josep Oliu Creus

Deputy Chair
Pedro Fontana García

Sabadell Group CEO
César González-Bueno Mayer

Female directors
Aurora Catá Sala
Ana Colonques García-Planas
María José García Beato
Mireya Giné Torrens
Laura González Molero
Alicia Reyes Revuelta

Male directors
Lluís Deulofeu Fuguet
David Martínez Guzmán
Manuel Valls Morató
Pedro Viñolas Serra

Lead Independent Director
George Donald Johnston III

Director-General Manager
David Vegara Figueras

Non–Director Secretary
Miquel Roca i Junyent

Non-Director Deputy Secretary
Gonzalo Barettino Coloma

In relation to knowledge, skills and experience, the incorporation of Ana Colonques García-Planas has increased and reinforced the diversity of banking knowledge and experience and, in particular, the financial profile with executive and business experience, with knowledge about accounting and auditing, risk management and control, planning and strategy, corporate governance and sustainability and the ability to apply such knowledge and skills to the banking business. All of that, combined with the multi-disciplinary and executive capabilities of the new female Director, have helped to consolidate the collective suitability of the Board of Directors and to maintain its collective ability to challenge the Bank's executives and to perform its overarching supervisory and control functions.

The Banco Sabadell Director Selection Policy of 25 February 2016 (amended on 29 September 2022 and reviewed with no amendments on 19 September 2024) establishes the principles and criteria that should be taken into account in selection processes and also, therefore, in the initial fit and proper assessment and ongoing assessments of the members of the Board of Directors, as well as in the re-election of members of the management body in order to ensure their smooth succession, the continuity of the Board of Directors and the suitability of all its members.

The process for selecting candidates to sit on the Board of Directors and for re-electing existing Directors is governed, among other things, by the diversity principle, fostering the diversity of the Board of Directors in order to promote a diverse pool of members, and ensuring that a broad set of qualities and competences is engaged when recruiting members, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Board of Directors.

The Board of Directors should ensure that the procedures for selecting its members apply the diversity principle and favour diversity in relation to aspects such as age, gender, disability, geographical provenance and educational and professional background, as well as any other aspects deemed suitable to ensure the suitability and diversity of its pool of members. Furthermore, it should ensure that such procedures are free from implicit bias that may entail any degree of discrimination and, in particular, that they facilitate the selection of female directors in the number required to achieve a composition that is balanced between women and men.

The Board of Directors has a Lead Independent Director who, in accordance with the Articles of Association, may ask the Board of Directors to call a meeting, request the inclusion of new items on the agenda, coordinate and convene Non-Executive Directors, voice the opinions of External Directors and lead, where applicable, the regular appraisal of the Chairman of the Board of Directors. In addition, the Lead Independent Director coordinates the Succession Plan for the Chairman and Chief Executive Officer, approved in 2016 and reviewed in January 2024, and leads meetings with investors and proxy advisors.

To ensure better and more diligent performance of its general supervisory duties, the Board of Directors undertakes to directly perform the responsibilities provided by law. These include:

— those deriving from generally applicable rules on corporate governance;
— approving the Company's general strategies;
— appointing and, where necessary, removing directors of subsidiaries;
— identifying the Company's main risks and implementing and monitoring the appropriate internal control and reporting systems;
— drawing up policies on the disclosure of information and communication with shareholders, markets and the general public;
— setting policy on treasury stock in accordance with any guidelines laid down at the Annual General Meeting;
— approving the Annual Corporate Governance Report;
— authorising the Company's transactions with directors and significant shareholders that may lead to conflicts of interest; and

— generally deciding on business or financial transactions that are of particular importance for the Company.

Board Committees

Pursuant to the Articles of Association, the Board of Directors has the following Board Committees:

— The Board Strategy and Sustainability Committee.
— The Delegated Credit Committee.
— The Board Audit and Control Committee.
— The Board Appointments and Corporate Governance Committee.
— The Board Remuneration Committee.
— The Board Risk Committee.

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

Board Committees have sufficient resources to perform their duties and they may seek external professional advice and information on any aspect of the Institution, having unrestricted access both to Senior Management and Group executives and to all information and documentation, of any kind, held by the Institution on matters within their remit.

On 10 April 2024, José Manuel Martínez Martínez ceased to be a member of the Board Appointments and Corporate Governance Committee and of the Board Remuneration Committee following his resignation from the role of Director. At its meeting held on that same date, the Board of Directors agreed to appoint Independent Director and Deputy Chair of the Board of Directors, Pedro Fontana García, as Chair of the Board Appointments and Corporate Governance Committee, while in parallel he ceased to be a member of the Board Audit and Control Committee, a position he had held since December 2017.

At its meeting of 30 May 2024, the Board of Directors agreed, following a report from the Board Appointments and Corporate Governance Committee, to change the composition of the Board Committees. The changes were made after Ana Colonques García-Planas joined the Board of Directors as Independent Director and after the analysis carried out by the Board Appointments and Corporate Governance Committee of the composition of the Board Committees in order to continuously improve the Institution's corporate governance arrangements.

Ana Colonques García-Planas was appointed voting member of the Board Audit and Control Committee and voting member of the Board Remuneration Committee, given her skills in accounting and auditing, human resources, culture, talent and remuneration, as well as her valuable business experience in these Board Committees. As a result, the presence of women, as the under-represented sex, has increased, as has the age diversity of those occupying the roles.

The composition and number of meetings of these Board Committees as at 31 December 2024 are shown in the table below:

Composition of the Board Committees

Position	Strategy and Sustainability	Delegated Credit	Audit and Control	Appointments & Corporate Governance	Remuneration	Risk
Chair	Josep Oliu Creus	Pedro Fontana García	Manuel Valls Morató	Pedro Fontana García	Mireya Giné Torrens	George Donald Johnston III
Voting member	Lluís Deulofeu Fuguet	Lluís Deulofeu Fuguet	Ana Colonques García-Planas	Aurora Catá Sala	Ana Colonques García-Planas	Aurora Catá Sala
Voting member	Pedro Fontana García	César González-Bueno Mayer	Laura González Molero	María José García Beato	Laura González Molero	Alicia Reyes Revuelta
Voting member	María José García Beato	Alicia Reyes Revuelta	Pedro Viñolas Serra	Mireya Giné Torrens		Manuel Valls Morató
Voting member	César González-Bueno Mayer (*)	Pedro Viñolas Serra				
Voting member	George Donald Johnston III					
Secretary Non-voting member	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Miquel Roca i Junyent	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Gonzalo Barettino Coloma
Meetings in 2024	**15**	**35**	**11**	**13**	**12**	**11**

(*) Member for matters of strategy only.

Board Strategy and Sustainability Committee

The Board Strategy and Sustainability Committee was set up in 2021 and is formed of five Directors: three Independent, one Other External and its Chair (in the capacity of Other External Director), who is the Chairman of the Board of Directors. On matters of strategy, the Chief Executive Officer takes part in the meetings, with full voting and speaking privileges, meaning that on such matters this Board Committee has six members.

With regard to strategy, the Board Committee's main responsibilities are to evaluate and propose strategies to the Board of Directors for the Company's business growth, development, diversification and/or transformation, and to report to and advise the Board of Directors on matters related to the Company's long-term strategy, identifying new opportunities to create value and bringing corporate strategy proposals to the Board's attention in relation to new investment or divestment opportunities, financial transactions with a material accounting impact, and significant technological transformations. It is also responsible for studying and putting forward recommendations and improvements to the strategic plans and their updates which may be brought before the Board at any time, and for issuing and submitting a report to the Board on an annual basis containing the proposals, assessments, studies and work carried out during the year.

With regard to sustainability, the Board Committee has the following responsibilities: review the Institution's sustainability and environmental policies; report to the Board of Directors on potential modifications and regular updates of the sustainability strategy; review the definition and amendment of the policies on diversity and inclusion, human rights, equal opportunities and work-life balance and periodically evaluate the level of compliance therewith; review the Bank's strategy for social action and its sponsorship and patronage plans; review and give status reports on the Institution's Consolidated Non-Financial Disclosures and Sustainability Disclosures Report of Banco de Sabadell, S.A. and subsidiaries (Sustainability Report), prior to its review and related reporting by the Board Audit and Control Committee and before its subsequent submission to the Board of Directors; and receive information related to reports, documents or communications from external supervisory bodies with regard to the responsibilities of this Board Committee.

Delegated Credit Committee

The Delegated Credit Committee is formed of five Directors: one Executive and four Independent (one of whom is its Chair). Its main duties are to analyse and, where appropriate, resolve credit operations, in accordance with the assumptions and limits established by express delegation of the Board of Directors, and to prepare reports on matters within its area of activity that may be required of it by the Board of Directors. Furthermore, it shall have all the responsibilities ascribed to it by law, the Articles of Association and the Regulation of the Board of Directors.

Board Audit and Control Committee

The Board Audit and Control Committee is formed of four Independent Directors, its Chair being an audit expert. It aims to oversee the effectiveness of the Bank's internal control, internal audit and risk management systems, supervise the process for preparing and disclosing regulated financial information, report on the Bank's annual accounts and interim financial statements, manage relations with statutory auditors, and ensure that appropriate measures are taken in the event of any improper conduct or methods. It also ensures that the measures, policies and strategies defined by the Board of Directors are duly implemented.

Board Appointments and Corporate Governance Committee

The Board Appointments and Corporate Governance Committee is formed of three Independent Directors (one of whom is its Chair) and one Other External Director. Its main duties are to exercise vigilance to ensure a compliant qualitative composition of the Board of Directors, evaluating the suitability and necessary skills and experience of the members of the Board of Directors; escalate proposals for the appointment of Independent Directors; report on proposals for the appointment of the remaining Directors; report on proposals for the appointment and removal of senior executives and members of the Identified Staff; report on the basic terms of the contracts of Executive Directors and senior executives; and examine and organise the succession of the Bank's Chairman of the Board and Chief Executive Officer and, where appropriate, put forward proposals to the Board so that the aforesaid succession may take place in an orderly and planned manner. It should also set a target for representation of the under-represented sex on the Board and produce guidelines on how to achieve that target.

In matters related to corporate governance, it is responsible for informing the Board of Directors of the Company's corporate policies and internal regulations, unless they fall within the remit of other Board Committees; supervising compliance with the Company's corporate governance rules, except for those that fall within the remit of other Board Committees; submitting the Annual Corporate Governance Report to the Board of Directors for its approval and annual publication; supervising, within its sphere of competence, the Company's communications with shareholders and investors, proxy advisors and other stakeholders and reporting to the Board of Directors on these communications; and any other actions that may be necessary to ensure good corporate governance in all of the Company's activities.

Board Remuneration Committee

The Board Remuneration Committee is formed of three Independent Directors. Its main responsibilities are to put forward proposals to the Board of Directors on the remuneration policy for Directors and General Managers, as well as on individual remuneration and other contractual terms of Executive Directors, and to ensure compliance therewith. Additionally, it provides information for the Annual Report on Director Remuneration and reviews the general principles concerning remuneration and the remuneration schemes applicable to all employees, ensuring transparency in remuneration matters.

Board Risk Committee

The Board Risk Committee is formed of four Independent Directors. Its main responsibilities are to supervise and ensure that all risks of the Institution and its consolidated Group are appropriately taken, controlled and managed, and to report to the full Board on the performance of its duties, in accordance with the law, the Articles of Association, the Regulation of the Board of Directors and that of the Board Committee itself.

Chairmanship of the Bank

Article 55 of the Articles of Association stipulates that the Chairman shall perform his duties as a Non-Executive Director. The Chairman is the most senior representative of the Bank and has the rights and obligations inherent in that representation. The Chairman, through the performance of his duties, is ultimately responsible for the effective operation of the Board of Directors and, as such, he represents the Bank in all matters and signs on its behalf, convenes and chairs meetings of the Board of Directors, sets the meeting agenda, leads discussions and deliberations during Board meetings and ensures the fulfilment of the resolutions adopted by the Board of Directors.

Chief Executive Officer

Pursuant to Article 56 of the Articles of Association, the Chief Executive Officer is ultimately responsible for managing and directing the business and will be the Bank's representative in the absence of the Chairman. The Board of Directors shall also delegate to the Chief Executive Officer, on a permanent basis, all the powers that it sees fit from among those that may be legally delegated.

Control units

The Internal Audit division and the Risk Control & Regulation division have access and report directly to the Board of Directors and its Committees, specifically, to the Board Audit and Control Committee and the Board Risk Committee, respectively.

The Bank publishes the Annual Corporate Governance Report (which includes detailed information on the Bank's corporate governance arrangements), the Annual Report on Director Remuneration and the Sustainability Report, which form part of this Directors' Report, on the website of the Spanish National Securities Market Commission (CNMV) and on Banco Sabadell's corporate website www.grupbancsabadell.com.

1.5 Customers

Banco Sabadell has made customer experience a part of each of the Company's strategic forums and each of its decisions related to the design of both the products and services that it offers to its customers.

In a context of lower inflation and the ensuing commencement of interest rate cuts introduced by both the United States Federal Reserve (Fed) and the ECB, and despite the uncertainty of the current geopolitical landscape (war in Ukraine, Israel conflict in the Middle East, presidential elections in the US), Spain's economic performance has been positive, with GDP rising above the EU average, driven by positive developments in the external sector and the good performance of internal demand.

Spanish banks, including Banco Sabadell, have helped to boost the Spanish economy by providing companies and households with cheaper borrowing costs thanks to the lower price of money. This translated into an increase in lending through mortgages and consumer loans granted to individuals and credit granted to companies.

All of these efforts were made whilst upholding Banco Sabadell's values of placing customers at the core every time they interact with the Bank using any of its channels and adapting products to their needs.

Banco Sabadell was the bank that recorded the biggest growth in its main customer experience indicator through the Net Promoter Score (NPS) over the past three years in Retail Banking. It is particularly worth noting that it was the bank most recommended by companies[5].

Banco Sabadell has made customer experience a part of each of the Company's strategic forums and each of its decisions related to the design of both the products and services offered to customers. The objective is clear: to offer products and services that can be adapted to customers' needs, through what is called a customer-centric approach, offering a wide range of products for each type of customer and combining this with an omnichannel experience between physical and digital channels.

Knowing customers at every stage of their relationship with Banco Sabadell is crucial, which is why new methodologies have been developed using Artificial Intelligence (AI), allowing the Bank to listen to what customers are saying, to measure and determine the main reasons for customer satisfaction and dissatisfaction and to ascertain how near or far it is from meeting customers' expectations. The ultimate goal is to implement courses of action that make it possible not only to improve customers' experience but to also try to surpass their expectations.

These methodologies make it possible to transform and adapt processes by making them more customer-centric in order to improve the experience of customers.

[5] According to the survey's last edition of the year (Accenture survey, September-December 2024) for companies with turnover in excess of 2 million euros.

Measuring customer experience

Understanding the behaviours and needs of customers through customer insights is key for Banco Sabadell.

Measuring customer experience involves understanding the market, consumers and customers, using a number of different qualitative and quantitative analytical methodologies to that end.

Qualitative analysis

In order to better understand the environment and the customers within it, different qualitative studies and research projects are undertaken using different methodologies. The aims pursued include:

— Listening carefully, actively and constantly to what customers have to say, so as to ascertain how they experience their relationship with the Bank at different touchpoints.
— Understanding the concerns, worries and attitudes of consumers and their current and future needs.
— Identifying the more emotional and least explicit part of consumer decision-making.
— Defining *ad hoc* value propositions for each type of customer.

A variety of techniques are used, ranging from conventional in-depth interviews and segment-specific focus groups to more innovative methodologies based on behavioural economics and the detection of the deepest emotions and motivations of consumers. All of them help the Bank to identify the needs of its customers and to innovate by offering them products and services that meet their current expectations.

In 2024, Banco Sabadell secured a position as one of the banks with the best mortgage offers, both fixed-rate and variable-rate, offering one of the most competitive interest rates in the market both for first-time buyers and for those wishing to purchase a second home. All of this was achieved by adapting to the needs of customers, through the offer of in-person support at branches and also through the various remote channels, which this year were the key to enriching the customer experience throughout the process.

2024 was also vital for Banco Sabadell, as it continues to be one of the leading banks when it comes to innovation, having become the first bank in Spain to include the option to finance purchases made using bank cards issued by any institution directly from the dataphone. Thanks to the new InstantCredit application created by Sabadell Consumer Finance, the Group's consumer finance specialist, merchants that have a Banco Sabadell Smart PoS device and which have opted into that service can offer their customers the option to finance their purchases in a quick, secure and 100% digital manner, regardless of whether they are customers of the Bank or not.

Quantitative analysis

Banco Sabadell also analyses the experience of its customers through quantitative studies. Some of these are more closely related to the traditional concept of customer satisfaction, while others incorporate more emotional aspects of customers, to make the organisation more aware of the importance of considering customers in its decision-making, so as to make meaningful improvements.

1. Net Promoter Score (NPS)

The Net Promoter Score (NPS), considered to be the benchmark indicator in the market used to measure customer experience, allows Banco Sabadell to be compared against its peers and even against companies in other sectors, both nationally and internationally.

Banco Sabadell Spain's position in the ranking

Individuals	Businesses	SMEs	Corporates
5th	3rd	3rd	3rd

Source: Accenture benchmarking of major Spanish financial institutions (2024 data).

In light of the digital transformation, the measurement of customer satisfaction in digital channels has become more important. The mobile app NPS for the Retail segment reached 50% (increase of 6 percentage points compared to 2023), while the telephony channel NPS was 19% (increase of 10 percentage points compared to 2023).

TSB data

Bank NPS	Mobile NPS	Branch NPS	Telephony NPS	Internet banking NPS	Conversational banking NPS
+11.8	+60.3	+62.6	+44.3	+29.2	+46

Source: Internal NPS tracking studies, December 2024, 13-week rolling score

The results obtained during 2024 confirm that Banco Sabadell is on the right track. With regard to Banco Sabadell Spain, those results were very positive in relation to customer satisfaction.

Stemming from the focus on always offering the best possible experience to each customer group, one of the Bank's objectives is to continuously improve its NPS, both in terms of Key Performance Indicators (KPIs) and in terms of its position compared to other banks.

2. Satisfaction surveys

The overall customer experience measurement and management model of Banco Sabadell Spain is based on different indicators obtained from around 900,000 surveys and at more than 20 touchpoints. The results of the various surveys allow it to ascertain the level of satisfaction of its customers and to identify areas where specific processes and contact channels could be improved. For each of these surveys and studies, the Bank sets itself improvement targets and continuously monitors progress.

In a multichannel environment, the surveys related to specialised customer service, both in branches and in the digital sphere, are becoming increasingly relevant. For Banco Sabadell, the use of digital channels is a moment of truth, which is why it has focused its efforts on measuring customer satisfaction and improving their experience with online banking for individuals (*BSOnline Particulares*) and for businesses

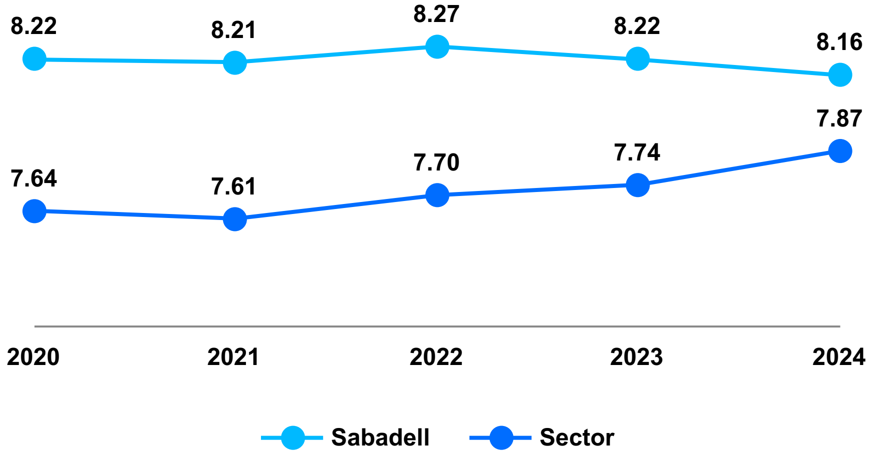
(*BSOnline Empresas*), with the mobile app, etc. In particular, it is worth noting the outstanding results of the internal NPS survey, in which both the retail banking segment and the business banking segment improved by 13 percentage points.

3. Branch quality surveys

In addition to analysing customer perceptions, Banco Sabadell also carries out objective studies using approaches such as the mystery shopping technique, where an independent consultant poses as a buyer to assess the quality of service and the commercial approach to potential customers followed by the sales team.

EQUOS RCB (Stiga) is the market benchmark survey that evaluates the quality of service offered by Spanish financial institutions through the mystery shopping technique. Banco Sabadell ranks among the leading players and continues to stand out in terms of quality with respect to the sector.

Level of service quality



Customer Care Service (*Servicio de Atención al Cliente*, or SAC)

The Customer Care Service of Banco de Sabadell, S.A. conforms to the provisions of Ministry of the Economy Order 734/2004 of 11 March, the guidelines issued by the European Banking Authority (EBA) and the European Securities Market Authority (ESMA), and the Banco Sabadell regulation for the protection of customers and users of financial services. The most recent amendment to that regulation was approved by the Bank of Spain in December 2023.

In accordance with its Terms of Reference, Banco Sabadell's SAC handles and resolves complaints and claims received from customers and users of Banco Sabadell's financial services and those of its associated institutions: Sabadell Asset Management, S.A., S.G.I.I.C. Sociedad Unipersonal, Urquijo Gestión, S.G.I.I.C, S.A. and Sabadell Consumer Finance, S.A.U.

In addition, the SAC can issue recommendations or suggestions derived from the analysis of complaints and claims received by the SAC.

In order to ensure its decision-making autonomy, the SAC is independent of the Bank's operational and business lines and it has the necessary resources to deal appropriately with complaints and claims, under the principles of transparency, independence, effectiveness, coordination, speed and security. The SAC also has sufficient authority to access all the necessary information and documentation in order to analyse each case, and the operational and business units are obliged to cooperate diligently in this regard. Banco Sabadell's regulation on the protection of customers and users of financial services ensures compliance with the above-mentioned requirements.

In 2024, 104,621 complaints and claims were received: 99,558 processed in the first instance by the SAC, 4,289 through the Customer Ombudsman, 750 through the Bank of Spain and 24 through the CNMV. This year, 105,355 complaints were managed, of which 55,429 were accepted for processing and resolved, 49,740 were not accepted for processing as they did not meet the requirements set in the Regulation, and 186 complaints were pending submission of allegations.

See Note 38 to the annual financial statements for further details.

Multichannel strategy

During 2024, Banco Sabadell consolidated its multi-channel strategy, mainly by supporting the development of new capabilities in its digital and in-person channels, while various improvements were made in the current digital customer onboarding process. This, together with the launch of the digital onboarding offer for self-employed professionals, cemented Banco Sabadell's position as one of the leading players in terms of onboarding at the domestic level, in a highly competitive environment. All of this made it possible to meet the ambitious targets for newly onboarded customers set by the Group at the start of the year.

In parallel, more intensive action was taken to activate and engage digital customers, focusing heavily on providing customers with what they initially need from the Bank. In addition, powerful campaigns were launched to attract salary and Bizum payments, aimed at digital customers and customers of the branch network, which substantially increased the ratio of salaries paid into customer accounts, as well as the number of customers with Bizum registered with the Institution.

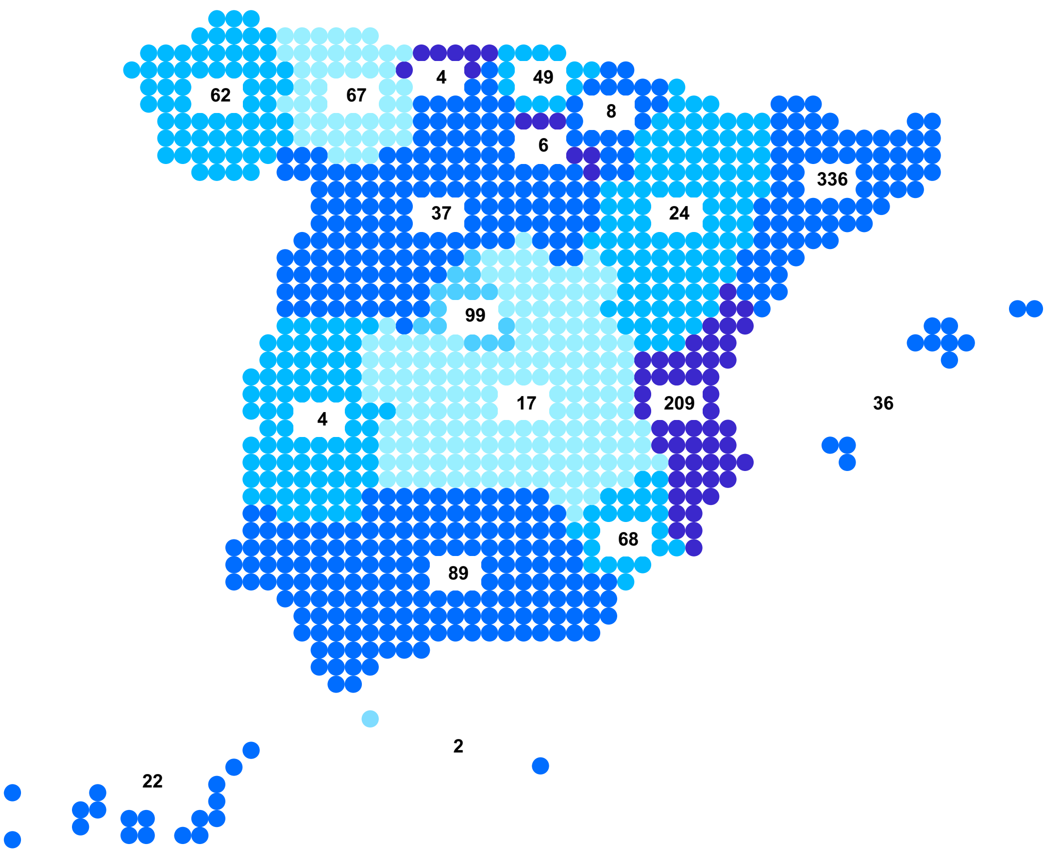
All this was further supported by the consolidation of several teams of specialists in savings & investment and mortgages & insurance, with the aim of helping and advising customers in matters that may require greater specialisation and expertise, thus enabling customers to make the best decisions.

Branch network

The Group ended 2024 with a network of 1,350 branches, representing a reduction of 70 branches with respect to 31 December 2023.

Of the total number of branches and offices in Spain of Banco Sabadell and its Group, 842 operate under the Sabadell brand (including 25 business banking branches and 2 corporate banking branches), 62 operate as SabadellGallego (3 business banking branches), 85 as SabadellHerrero in Asturias and Leon (3 business banking branches), 62 as SabadellGuipuzcoano (5 business banking branches) and 7 as SabadellUrquijo, with a further 81 branches operating under the Solbank brand. The other 211 branches and offices make up the international network, of which 186 correspond to TSB and 12 to Mexico.

Number of branches, by autonomous community



Banco Sabadell in the world

● **Subsidiaries and investees**
Mexico City (Mexico)
London (UK)

● **Branches**
Miami (USA)
Paris (France)
Casablanca (Morocco)
Lisbon (Portugal)
London (UK)

● **Branches and offices offices**
Algiers (Algeria)
Beijing (China)
Shanghai (China)
Dubai (UAE)
New York (USA)
New Delhi (India)
Santo Domingo (Dom. Rep.)
Istanbul (Turkey)

ATM network

Banco Sabadell ended the year with a fleet of 2,351 ATMs in Spain, including 1,745 in-branch and 606 out-of-branch ATMs. Compared to 2023, the number of ATMs decreased by 5%, mainly due to the sale of out-of-branch ATMs and branch closures.

In terms of ATM transactions carried out in 2024, the downward trend observed during the previous year continued, with approximately 72 million transactions carried out, which is a decrease of approximately 6.7% in the total number of transactions.

Deposits and withdrawals were the most commonly used types of transactions and, in both cases, there was a slight decrease compared to the previous year.

The main goals for 2024 were to improve the overall availability of the fleet, modernise the technology by upgrading around 100 ATMs, thereby complying with the updated European Accessibility Act (Law 11/2023 on the transposition of EU Directives, which transposed Directive 2019/882), enhance customer experience and, above all, review the appearance and cleanliness of ATMs.

Companies Hub (*Hub Empresa*)

The Companies Hub is Banco Sabadell's centre for business connections, an initiative that reinforces the Bank's position as the banking institution that best understands the challenges of transformation faced by companies and the one that can best help them with that process, showcasing Banco Sabadell's specialisation in the world of business and its close relationship with customers.

The Companies Hub comprises:

— A digital environment with activities organised by the Bank's experts and external professionals. In 2024, 102 activities took place (46 webinars, 48 in-person events live-streamed from the Companies Hub in Valencia, and 8 in-person events streamed from other regions), in which over 15,000 professionals took part. The recordings also had more than 20,000 post-event viewings.
— An important physical space for companies in the heart of Valencia, with workspaces for business meetings. In 2024, 104 activities were held (in-house, co-hosted and third-party events), which more than 4,500 people attended in person. In addition, 3,400 people booked meeting rooms at the Companies Hub in Valencia (897 room bookings) and more than 1,815 external professionals took part in activities organised by business banking customers.

In 2024, it is worth highlighting some events that made it possible to explore other formats, such as the live broadcast of radio programmes and the recording of business podcasts. Similarly, the in-person format that is permanently used in the Companies Hub in Valencia was carried over to other regions, organising five events in Madrid, Barcelona and Seville.

In total, the number of participants this year came to 25,108, and the number of organised in-house activities was 121. Companies continue to rate the activities very highly, with an average overall rating of 9.12 out of 10 (4,135 surveys answered).

The impact of the activities is amplified with the creation of articles or videos that are distributed through the press and social media: 70 summary videos of the activities were created for the Bank's social media and it also collaborated in more than 26 articles and news publications in print and digital media. All of this resulted in 197 news articles being published in media (both print and digital) and 794 mentions in social networks.

All of the activities are designed based on the key thematic areas agreed on by the Editorial Committee which meets at the start of the year. It is worth noting the "Inspiring stories" (*Historias inspiradoras*) cycle of conferences held with customers such as Olivé Slowfoods, DornaSports (Moto GP), Carmencita and Kampaoh.

We continue to hold cycles of conferences on Next Generation EU funds, Artificial Intelligence, Internationalisation and Sustainability as well as others on current topics such as electronic invoices, pension plans for the self-employed, solutions for the hotel and catering industries and the special DANA cycle related to the assistance measures put in place to help those affected by the flash floods, which attracted a lot of interest.

Direct Branch

During 2024, Direct Branch (DB) contacts decreased by 4.24% compared to those recorded in 2023 and numbered 4.4 million contacts, including phone calls, social media interactions and contacts by email and through the web chat service.

This reduced number of contacts compared to the previous year is due to the drop in the number of phone calls in relation to certain topics in the Servicing Programme (11%), the smaller number of social media interactions (20%) and the reduced use of the email channel (58%).

Of the total number of remote interactions with customers, 89% took place through the telephony channel. Considering the importance of that channel, one of the priorities for 2024 was to boost customer experience through various initiatives aimed at reducing wait times and improving the resolution capacity on first contact, to avoid customers having to visit the branch network.

As regards service levels, the Service Level Agreement (SLA) percentage for telephone enquiries was above 95%, followed by the chat service at 87% and the email channel at 79%.

Also in 2024, Direct Branch carried out a segmentation project between business banking and retail banking customers, to ensure customers receive specialised assistance and enjoy an improved experience on the telephony channel. This new customer service model was completed in November.

In relation to preferential services (SAP and SAPE), in 2024 the volume increased by 65% (65,137 calls) compared to the same period in 2023, reaching an SLA percentage of over 96%. This growth was due to:

— The routing of calls from customers in the Private Banking, Wealth Management and Large Corporates segments who contacted the branch, in order to relieve the branch of these customer service tasks.
— The segmentation of generic telephone helplines and customer identification (by phone or with their tax identification number), so that target customers who had previously contacted the Bank using other services could be correctly rerouted to preferential services.
— The promotion and dissemination of the service by branches and units, thanks to the team’s high level of expertise and resolution capacity, particularly in time-critical and high-value cases.

In addition, the following aspects should be noted:

— Digital support for companies: this service, under the responsibility of the SAPE team, includes supporting customers the first time they use online banking features and offering them assistance and troubleshooting when sending files (among others, for reverse factoring, factoring, transfers, and direct debits).
— Corporate Banking and Business Operations Centres (BOCs): the specialist team at SAPE uses specific mailboxes to resolve highly critical cases involving customers in the Large Corporates segment with turnover in excess of 100 million euros.
— Customer Care Space: the first secure text-based customer service channel exclusively for use by business banking customers was set up in October 2023. This channel has been gradually rolled out to more customers and, although the process is still ongoing, in 2024 interactions were up by 137% (5,624 interactions) compared to 2023.

Social media

Banco Sabadell is active on five social media channels: X, Facebook, LinkedIn, YouTube and Instagram, with 20 different profiles at the national level, positioning itself as one of the financial institutions with the best digital reputations in the sector.

One of the most prominent KPIs in global social media ranking reports is the Service Level Agreement (SLA) ratio, at 98%.

Another text-based customer care service that Banco Sabadell offers is its web chat service, which this year recorded a 14% increase in usage by customers compared to 2023. This is further proof of the growing importance of this service as the preferred channel of interaction among our digital customers, a group whose number continues to steadily grow with each passing year.

Among the improvements introduced to this web chat service is the expansion of the chatbot autonomy, to avoid having to divert customers to other channels such as the telephony channel or their local branch. The resolution capacity is expected to continue improving throughout 2025.

Digital transformation and customer experience

In banking, as in many other businesses, the digitalisation of consumer habits is profoundly transforming the sector. Interactions that previously took place in person at branches are now increasingly taking place online. Banco Sabadell Group believes that it is necessary to offer its customers an optimal level of digital services to enable them to do their banking using their mobile device if they wish, while continuing to offer in-person services through its network of branches and specialists when it really matters to its customers. For that reason, in recent years Banco Sabadell Group has made considerable efforts to equip itself with the best possible technological infrastructure, developing a scalable and efficient platform with recognised levels of cybersecurity.

After several years of preparation, developing its technology platform, Banco Sabadell is now better positioned to offer its customers the best digital services. This is reflected in the increased number of digital retail banking customers, which grew by 66.6% in 2024 (an increase of 2.5 percentage points compared to 2023), which translates into 2.6 million customers who contacted the Bank through a digital channel in the last three months of 2024.

It is also worth mentioning other examples of the increased level of digitalisation of customers in other areas:

— Customer acquisition: 54% of new customers acquired through digital channels.
— Issuance of debit cards: 51% through digital self-service channel.
— Loans to retail banking customers: 83% through remote channels.

Digitalisation also opens new avenues for improving processes, making it possible to offer superb customer experience in processes that are currently seen as cumbersome. The Group already has good examples of this, such as the process for requesting certificates, which can be completed from start to finish on the app; the 100% online customer registration process, which is already available for self-employed customers; and the possibility of applying for a personal loan or a credit card entirely through digital channels.

Sabadell Digital

Sabadell Digital is Banco Sabadell Group's IT subsidiary. Its mission is to develop the best technological solutions to allow the Bank to drive forward its digital transformation. Sabadell Digital's contribution to the Group is based on three principles:

— Focus on customers' needs through proximity and empathy. This makes it possible to deliver the best technological and digital solutions to meet customers' needs.
— Smart innovation, to innovate, adapt to change and challenge the status quo through experience-based decisions.
— Digital talent community as a source of knowledge shared between digital and technology experts, focusing especially on collaboration and mutual trust among the people that make up Sabadell Digital.

Since the creation of Sabadell Digital in 2023, the management of technological and digital talent has been one of the priorities. Thanks to the initiatives introduced in 2023 and 2024, this year Sabadell Digital has been able to attract new digital talent through an ambitious plan, under which 90 new employees joined the workforce in 2024.

Main deliveries in 2024

Digital onboarding

New customers acquired through the digital onboarding process numbered more than 184,000 in 2024 (growth of 7% compared to 2023) and currently represent 54% of the total new customers acquired by the Institution.

The process was improved in 2024, expanding the online application feature to the self-employed segment and allowing those with joint contracts to be digitally onboarded and perform digital banking. Digitally onboarded customers with joint contracts already account for 3% of all newly onboarded customers. Digital onboarding has therefore become a key element for processes to apply for the Institution's other core products, such as mortgages.

In addition, the incorporation of self-employed professionals seeking products, services or accounts for business purposes, which represent approximately 25% of the new customers in this segment in 2024, and the possibility of registering as a customer with new identity documents, such as a passport in the case of foreign residents, has made it possible to access a wider range of potential market segments, with these representing approximately 7% and 10% of newly onboarded customers, respectively.

In the same way, in 2024 the Institution focused on promoting the engagement and activation of these new digital customers. As a result, 36% of customers brought their salary or regular income payments to the Bank, 43% used their debit cards, and 33% linked Bizum, thus boosting transaction numbers and its image as their main bank.

Transformation of the mortgage model

In 2024, the Group continued with the digital transformation of its mortgage model, with two very clear focus areas:

— The customer: focus on optimising and improving the digital process, making it easier and more convenient for customers, making improvements to the stream to increase customer conversion rates.
— The support model: the Group improved efficiency to allow relationship managers to devote their time and effort to value-added tasks for customers.

This year, digital transformation made it possible to increase new mortgage loans granted on digital channels by 100%, but the biggest impact is expected to come through in 2025, with a focus on digitalisation and support from specialists as part of an omnichannel mortgage application process.

Digital loans

Digital loans are one of the main pillars of the sales model transformation in the retail banking customer segment.

Over the past two years, the Bank has made huge efforts to turn digital channels into the main source of consumer loan sales.

From 2022 to the end of 2024, the volume of loans originated digitally increased by almost 223% and the digital conversion rate per single customer was up by over 50%. Total retail loans taken out in remote channels represented more than 83% of the total loans taken out.

This year, the Bank improved the process, broadening its scope and optimising the experience:

- Developing a new process to apply for pre-approved loans with a new bespoke system, substantially improving customer experience and delivering the main improvements proposed by customers in relation to the previous stream.
- Improving the stream for reactive loans, making it a more frictionless process by reducing the number of questions and necessary fields, expanding the perimeter of customers and improving the design.

Servicing Programme

The Servicing Programme aims to offer the best customer experience by giving customers the option to do their banking whenever and wherever they want. The transformation being carried out is having a very material impact on the programme's key indicators:

- Service activities in branches have been reduced by 15%, allowing the branch network to focus on value-added commercial operations.
- Calls to Direct Branch have fallen by 11% thanks to enhanced self-service digital capabilities. The operational model is more efficient and significant improvements have been made in the daily banking of customers, introducing features that give them greater control over their money, such as the new system to search for specific transactions and the improved identification of purchases through the geolocation of retail outlets.
- Customers' experience with the Banco Sabadell mobile app has significantly improved. The benchmark satisfaction indicator, NPS, went up by 6 basis points from 44% in 2023 to 50% in 2024.

Marketing tools in digital processes

The personalisation of content according to customer profiles in the digital channel is key to conveying a proposed offering that is suitable for each customer, which can improve conversion rates and increase the volume of digital sales. This project promotes the integration of marketing tools on Banco Sabadell's mobile app, enabling the app to show personalised content, segmented by stakeholder groups and geared towards customers' needs, thus improving marketing efficiency and user satisfaction.

The Group is also using marketing tools to optimise its commercial and customer service processes by implementing A/B testing, with continuous improvement forming the foundation of all digital platform developments. Ongoing testing through personalisation tools helps to identify and/or rule out improvements in usability and navigation prior to going live, thus saving time and resources in the process of continuous development.

Evolution of the design system: Galatea

The Bank’s design system was further developed and expanded in 2024, with expected savings at the end of the year of 3.9 million euros and 87,000 hours of work. The projects used pre-existing components in 97% of cases, resulting not only in improved efficiency but also in more consistency across digital channels.

Similarly, the functional development of the current design system through tokenisation will make it possible to reuse more components and increase the profitability of the system, as it will allow it to be used in other channels, such as, PoS terminals or ATMs, and in other geographies, such as Mexico.

File management

File management is a key aspect of companies’ day-to-day business. Initiatives aimed at improving experience and usability were launched in 2024. Improvements centred on viewing files in both BSOnline and BSMovil and on the generation of files in BSOnline, enhancing transaction banking in digital channels by companies.

Customer Care Space

The Customer Care Space was launched in 2024. It is a text-based customer service channel where self-employed professionals, businesses and corporates can interact with the Bank in a secure and swift manner. Customers can chat to customer care teams through the BSOnline and BSMovil services for business banking customers, or through WhatsApp. They can also exchange documentation, see the contact details of their relationship manager or local branch and book appointments to see them.

Digital applications and services for business banking customers

In 2024, Banco Sabadell expanded its capabilities for digital applications and services to include key products such as business loans, business credit cards, factoring, reverse factoring, pension plans for self-employed professionals and savings/investment products. These new capabilities allow self-employed professionals, businesses and corporates to access the offering of financial products and services on an autonomous basis, which improves user experience and increases the use of digital channels.

1.6. Other information (tender offer)

Voluntary tender offer for the acquisition of shares of Banco Sabadell put forward by Banco Bilbao Vizcaya Argentaria, S.A.

As explained in Note 1.5 to the annual financial statements for 2024, in an Inside Information disclosure dated 30 April 2024, entered in the register of the Spanish National Securities Market Commission (CNMV) under number 2,227, Banco Sabadell confirmed that it had received, on that same day, an indicative written proposal from Banco Bilbao Vizcaya Argentaria, S.A. for a merger (the Proposal). On 6 May 2024, through a separate Inside Information disclosure entered in the CNMV's register under number 2,234, Banco Sabadell submitted a press release on the decisions taken by its Board of Directors on that date, informing that Banco Sabadell, in fulfilment of its duties and with the assistance of financial advisors and a legal advisor, had carefully considered the Proposal and believed that it significantly undervalued the potential of Banco Sabadell and its standalone growth prospects. The press release also stated that the Board of Directors was highly confident in Banco Sabadell's growth strategy and its financial targets and was of the view that Banco Sabadell's standalone strategy would create superior value for its shareholders. Therefore, based on the detailed assessment of the Proposal, the Board of Directors had concluded that it was not in the best interest of Banco Sabadell and its shareholders and had therefore rejected BBVA's Proposal; this decision was, moreover, thought to be aligned with the interest of Banco Sabadell's customers and employees.

Furthermore, as part of its strong commitment to shareholder value creation and supported by the Company's business plan and solid capital generation, the Board of Directors reiterated its commitment to distribute, on an ongoing basis, any excess capital above the 13% CET1 ratio pro forma Basel IV[6] to its shareholders. The overall excess capital amount to be generated over 2024 and 2025, together with recurrent dividends during this period according to a successful completion of the current business plan, was projected to be 2.4 billion euros, with part of the distribution to shareholders potentially subject to supervisory approval.

In addition, on 8 May 2024, through an Inside Information disclosure entered in the CNMV's register under number 2,240, with regard to the news published in the press on that same day, and to ensure that the market had complete and transparent information in respect thereto, the Bank published the verbatim text of the communication which, without any prior contact or exchange between the parties, was received by the Chairman of the Board of Directors of Banco Sabadell from the Chairman of the Board of Directors of BBVA on 5 May 2024. In that communication, the Chairman of BBVA's Board of Directors stated that, in connection with the terms of the proposed merger, BBVA had no room to improve its economic terms.

On 9 May 2024, BBVA sent the CNMV the prior announcement of a tender offer (the Offer) for the acquisition of all shares issued by Banco Sabadell, conditional upon its acceptance by 50.01% of the share capital of Banco Sabadell (subsequently amended to acceptance of the tender offer for a number of shares that allows BBVA to acquire at least more than half of the effective voting rights of Banco Sabadell, excluding any treasury shares held by Banco Sabadell at that time, which BBVA undertakes to redeem at the bank's first General Meeting of Shareholders

[6] Basel IV marks the final phase of the Basel III standards.

following the tender offer) further conditional upon approval by the General Shareholders' Meeting of BBVA of the increase of its share capital through the issuance of new ordinary shares with non-cash contributions in an amount sufficient to fully cover the consideration offered, and further conditional upon obtaining authorisation by the National Markets and Competition Commission (CNMC) in Spain and by the Prudential Regulation Authority (PRA) in the United Kingdom. The transaction also requires approval by the CNMV and a statement of non-opposition from the European Central Bank.

On 24 May 2024, BBVA filed an application for authorisation of the tender offer with the CNMV, which was admitted for processing by the latter on 11 June 2024. The aforesaid offer initially consisted of one newly issued BBVA share for every 4.83 shares of Banco Sabadell.

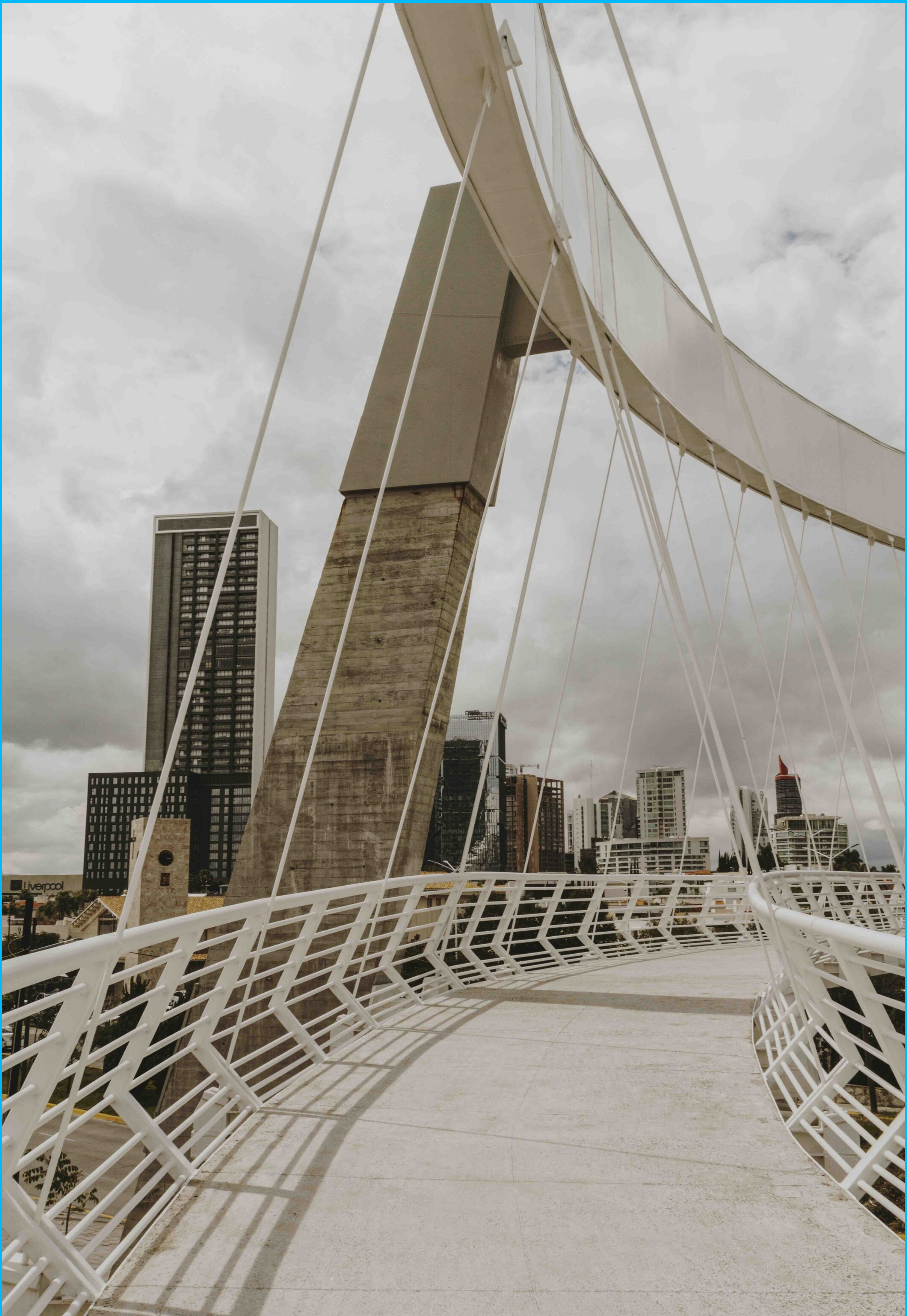
On 1 October 2024, BBVA released an Other Relevant Information disclosure entered in the CNMV's register under number 30,745 announcing the adjustment of the consideration under the tender offer in the terms set forth in section 8 of the prior announcement of the offer, establishing, as from 10 October 2024 and following payment by Banco Sabadell and BBVA of their respective interim cash dividends charged to 2024, an exchange ratio of one newly issued ordinary share of BBVA and 0.29 euros in cash for every 5.0196 ordinary shares of Banco Sabadell that accept the offer.

On 5 July 2024, during the BBVA Extraordinary General Shareholders' Meeting, shareholders approved an increase of its share capital through the issuance of ordinary shares, up to a maximum nominal amount of 551,906,524.05 euros, with non-cash contributions in order to cover the consideration in kind of the voluntary tender offer put forward by BBVA for the acquisition of up to 100% of Banco Sabadell's shares.

In September 2024, BBVA obtained authorisation from the PRA in relation to the acquisition of indirect control over TSB and the ECB's decision not to oppose the takeover of Banco Sabadell.

As at the sign-off date of this Directors' Report, the tender offer remains pending receipt of regulatory authorisation from the CNMC (which on 12 November 2024 announced that its concentration analysis was moving to phase 2) and from the CNMV. It also remains pending acceptance of the offer by a number of shares a number of shares that allows BBVA to acquire at least more than half of the effective voting rights of Banco Sabadell at the end of the offer acceptance period (therefore excluding any treasury shares held by Banco Sabadell at that time), in accordance with the amended offer released by BBVA on 9 January 2025 through an Inside Information disclosure entered in the CNMV's register under number 2,544.

For as long as the tender offer remains pending, it will generate uncertainty for the Group, which is inherent in the very nature of the offer put forward. At the present time, there can be no certainty as to the duration of the regulatory review process or of how long it will take for the tender offer to be authorised, nor of the ultimate outcome of the tender offer, if approved.


Liverpool

Economic, sectoral and regulatory environment

Economic, sectoral and regulatory environment

2.1 Economic and financial environment

2024 was once again marked by a difference in growth between the United States and the Eurozone.

2024 was a year characterised, in economic terms, by an acute contrast between the economic performance of the United States, which was better than initially expected, and that of the Eurozone, which was weighed down by high political uncertainty in France and weak activity in Germany, which recorded a slight contraction for the second year in a row. Spain, for its part, continued to perform well and ended the year with growth above 3%.

Inflation continued moving towards central banks' targets during the year, although the services component showed some stickiness and remained relatively high. Central banks gained confidence about inflation moderation and at the mid-year mark started to cut official interest rates. In spite of this, they were cautious about the future evolution of interest rates.

2024 was also a year marked by political and geopolitical events. In the Middle East, the conflict between Israel and Iran escalated on several occasions and, in general, the situation in the region got gradually worse as the year progressed, with the involvement of several regional players such as Iran and the armed militia Hezbollah in Lebanon. In terms of domestic politics, more than 70 countries (the equivalent of around half of the world's population) held elections during 2024. Most notably, the United States held its presidential elections, with Donald Trump returning to the White House, which opens a new source of uncertainty akin to what happened during his first term. The elections held in France and Mexico also added to the political noise.

Lastly, in relation to the financial markets, 2024 was once again a positive year, particularly for risk assets. The various episodes of a geopolitical or financial nature (such as the summer disruption due to the reversal of carry trade positions in yen) only caused isolated instability, which subsequently faded away.

Political and geopolitical environment

Geopolitical events were still a source of uncertainty for the markets and the global economy in 2024. First, the conflict in the Middle East, which broke out with Hamas' attack on Israel in October 2023, escalated regionally throughout 2024. Against this backdrop, Israel and Iran exchanged direct attacks on their respective territories, something that had not happened until now. As a result, risks mounted, despite the fact that there were no disruptions to the flow of oil and gas coming from the Middle East nor significant consequences for these markets.

Geopolitical events and the domestic policy of several countries remained a focus of attention during the year.

Second, the conflict in Ukraine continued. Although Russia's advances in eastern Ukraine were limited, Russian attacks knocked out much of Ukraine's energy infrastructure, while Ukraine responded with attacks on oil refineries on Russian territory. The G7 continued to provide financial support to Ukraine, but pressures in the West to move towards ending the conflict mounted.

Third, strategies to reduce trade reliance on China continued on both sides of the Atlantic. The United States kept setting limits on trade with China and technology transfers to this country, while Europe joined in by approving additional tariffs on imports of electric vehicles from the Asian giant. China responded by adopting retaliatory measures against Europe, affecting specific sectors.

Meanwhile, domestic politics was also a significant focus point during 2024 in several countries. In the United States, Donald Trump won the presidential elections, creating a new source of uncertainty as a result of his aggressive stance on foreign trade and immigration.

In France, the political noise was very high. Following the snap elections, Parliament was divided into practically three blocs, with no political force achieving an absolute majority. After tough negotiations, an executive branch led by Barnier was formed. His term abruptly ended a few months later, after the opposition tabled a motion of censure. Macron then appointed the liberal Bayrou as the new prime minister, who formed a new government whose main task will be to draw up a budget for 2025.

In Mexico, the internal political noise led to a deteriorated economic outlook for the country. The elections that took place in June resulted in a reinvigorated government with a qualified majority in the parliamentary chambers and with the desire to implement reforms that are viewed negatively by investors and that could lead to negative actions by credit rating agencies, especially if fiscal discipline were to come into question.

Economic activity and inflation

During 2024, the global economy saw a pronounced difference between the momentum of the United States' economy, which performed better than expected, and the economy of the Eurozone, which was particularly weighed down by Germany's weakness. Spain continued to outperform other Eurozone countries, while China continued to be affected by the impact of its real estate sector adjustment.

Inflation continued moving towards central banks' targets in 2024.

In the Eurozone, activity continued to show signs of weakness in an environment of restrictive interest rates, and in which Germany continued to experience significant weaknesses stemming from the energy shock and greater competition from China. This is dragging its exports and its industrial sector, particularly the automotive industry and the most electro-intensive sectors.

The European periphery, on the other hand, showed increased momentum, driven by the strong recovery of the tourism industry and the injection of the Next Generation European Union (NGEU) funds.

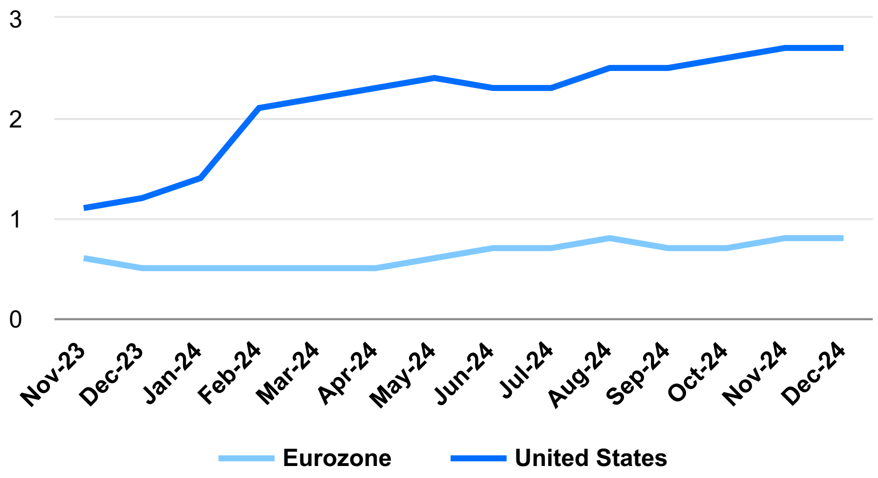
As for taxation, the European Union (EU) opened an excessive deficit procedure against France and Italy for breaching fiscal rules. Both countries have high public deficits, and the expectation is that their public debt will increase in the coming years.

In the United Kingdom, activity was somewhat more dynamic than in 2023. Household confidence regained ground thanks to more contained inflation. Lower interest rates led to a strong performance of the real estate sector, which built up gradually during the year, recording house price increases and a rebound in the number of transactions.

In the United States, activity was robust. GDP continued to climb at high rates despite a still restrictive monetary policy. The labour market remained resilient, although it showed some signs of a slowdown. The unemployment rate, despite having increased slightly compared to 2023, remained near the record low.

Evolution of the economic growth forecast for 2024 between the Eurozone and the United States

Source: Consensus Economics.

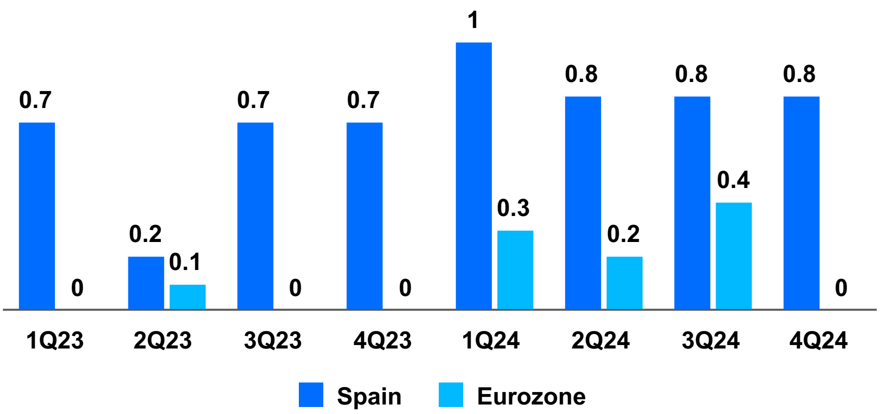


Spain's economy continued to stand out in a positive light in the Eurozone.

Spain continued to outperform other Eurozone countries, with high levels of growth that surprised to the upside and with continuous upward revisions of growth forecasts by the consensus and various institutions. The composition of growth was favourable, with private consumption and tourism exports standing out, which benefited from greater geographical and seasonal diversification. Lending, on the other hand, was less dynamic.

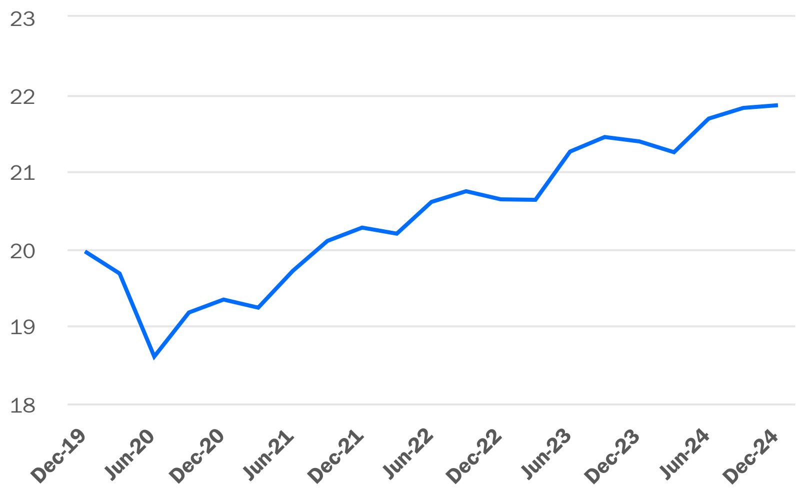
In the labour market, job creation continued to increase at a robust rate with employment levels reaching a new all-time high, while business confidence in both the services and manufacturing sectors continued to rise throughout practically the whole year, despite the aftermath of DANA, which affected the province of Valencia, among other regions.

GDP growth of Spain vs Eurozone (quarterly variation, %)
Source: Eurostat.



Growth in Spain was underpinned by several factors such as significant flows of immigration, the recovery of real incomes, the good financial situation of households and businesses, interest rate cuts and the ongoing injection of NGEU funds.

Total number of people employed in Spain (in millions).
Source: Spanish Office for National Statistics (Instituto Nacional de Estadística, or INE)



In the area of economic policy, a number of actions were taken, including (i) the mobilisation by the government of 40 billion euros under the recovery plan addendum to be channelled into five funds through a variety of financial instruments, such as second-floor facilities with financial institutions, direct loans and equity investments in certain companies, (ii) the approval of a deal between the Official Credit Institute (ICO) and the government under which the ICO will give guarantees of 2 billion euros for the development of homes to be rented out under affordable housing schemes, (iii) the extension of the VAT cut on certain food products until September and its partial recovery in October, (iv) the unemployment benefit reform to increase its amount and make it compatible with work, (v) the submission to the European Commission of the Fiscal Structural Plan for the 2025-2028 period, in which deficit targets in line with the new European fiscal rules were set out, and (vi) several aid packages aimed at mitigating the economic impact of the DANA emergency.

In Mexico, activity was subdued, clearly losing traction against the pace of growth seen in 2022 and 2023. Economic growth was weighed down by the drawn-out restrictive monetary policy and domestic and foreign political uncertainty.

Beyond Mexico, the emerging economies, in general, continued to show resilience, despite the high interest rate environment at a global level. Greater trade fragmentation and global investment helped these countries. The less restrictive monetary policy was also a support factor, as some emerging countries began cutting official interest rates before developed countries. This resilience was felt despite the economic downturn in China, due to the tighter adjustment to the real estate sector. As a result, at the end of September, the Chinese authorities announced a package of wide-ranging stimulus policies aimed at containing the decline of the real estate sector and boosting household confidence, all with the aim of stabilising the economy.

Inflation in the main developed economies moved closer towards the targets set by central banks during 2024, although the services component continued to be sticky.

In the Eurozone, inflation continued to ease, with the year-on-year rate falling below the 2.0% target for the first time since mid-2021, thanks mainly to the energy component. In any event, inflation in the services sector remained at historically high levels.

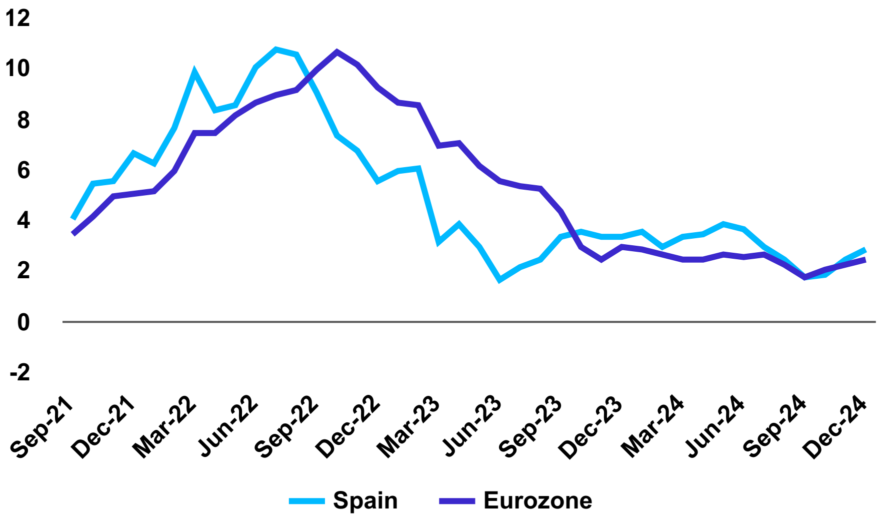
In the United Kingdom, headline inflation receded to almost target levels, due to a correction in energy prices, fuels in particular. Core inflation improved somewhat, although it still shows signs of stickiness, especially in the services sector.

In the United States, inflation continued to gradually cool off, with headline inflation close to the target and core inflation somewhat above. Broken down by components, pressure on services eased off in the last few months of the year, but housing continued to drive prices up, while goods and energy contributed favourably to falling inflation. Similarly, the disinflationary process continued in Mexico, although the services component was somewhat sticky.

In Spain, prices were underpinned by persistent services inflation, especially those related to the tourism industry. This was compounded in the first half of the year by the rapid acceleration of energy prices, due to base effects stemming from tax changes in the price of electricity and some rebound of fuel prices. From June onwards, inflation started to moderate, driven by lower prices of energy and certain food items, standing at 1.7% year-on-year in September. Thereafter, inflation rebounded to 2.8% in December due to, among other factors, the base effect of energy prices. The inflation figure for the entire year stood at 2.9%, down from 3.4% in 2023.

House price growth continued to show strong momentum, accelerating its pace to levels above 8% year-on-year on the back of rising demand and relatively tight supply.

HICP for Spain vs Eurozone (year-on-year change in %)
Source: Eurostat.



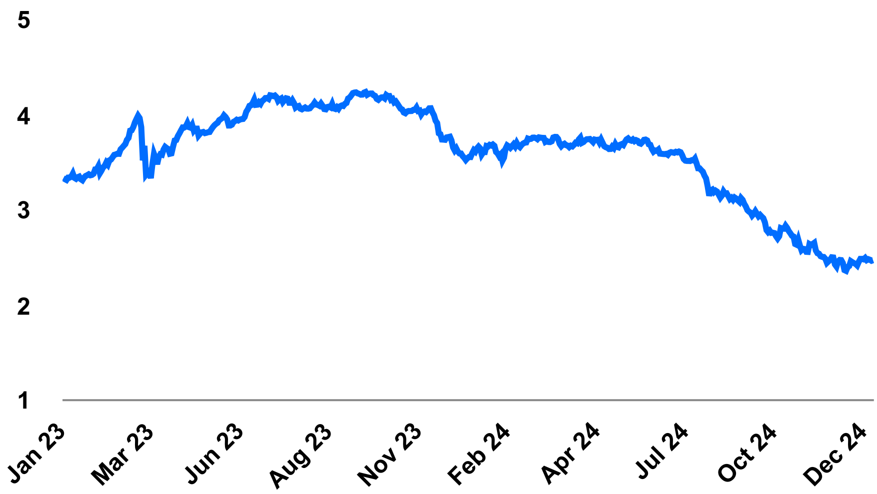
Monetary policy

During 2024, the central banks of developed countries embarked upon a series of interest cuts in a context of more moderate inflation.

Central banks began cutting official interest rates in the middle of the year.

In the Eurozone, the European Central Bank (ECB) launched its series of cuts in June and set the deposit rate at 3.00% (down from 4.00%) amidst economic weakness and with inflation close to its target. Meanwhile, the ECB sped up the reduction of asset holdings by ceasing to reinvest maturities under its Pandemic Emergency Purchase Programme (PEPP). Moreover, banks repaid all the liquidity injected through TLTRO III refinancing operations.

12M Euribor (%)
Source: Refinitiv.



In the United States, the Federal Reserve (Fed) reduced the target range of the Fed funds rate by 100 basis points to 4.25-4.50%, in a context in which the central bank observed cooling in the labour market and was more confident that inflation is nearing the 2% target. It also signalled that inflationary risks had become broadly balanced. Going forward, the central bank indicated that it will maintain a data-dependent stance and that the series of cuts will be staggered.

In the United Kingdom, the Bank of England (BoE) began bringing down interest rates, slashing the base rate by 25 basis points in August and November to 4.75%. The central bank appeared in favour of gradually reducing interest rates, with a meeting-by-meeting approach, and it reiterated its message that monetary policy will need to remain restrictive for long enough to allow inflation risks to dissipate. On the topic of balance sheet policies, a decision was made to reduce the BoE's bond holdings by 100 billion pounds over the coming year, in line with the previous two years.

In Mexico, the central bank commenced a series of cuts to the policy rate in the first quarter of the year carrying out five cuts during the year of 25 basis points to the policy rate, which stood at 10.00%. Furthermore, Banxico left the door open to potentially greater cuts in the future. Banxico acknowledged the progress made with disinflation, though it still considered that inflation risks were tilted to the upside, and it expressed concern over weak activity, considering that the balance of risk was weighted to the downside.

Meanwhile, other Latin American countries, such as Colombia, Chile, Peru and Brazil, remained on the path of interest rate cuts embarked on in 2023, but were more cautious in the second half of the year. In Brazil in particular, fiscal noise and worsening inflation expectations led the central bank to reassess its cuts trajectory and, in September, it started to hike interest rates, becoming the only central bank in the region to raise official interest rates. The Brazilian central bank carried out three consecutive hikes of 175 basis points in total, to 12.25%, and anticipated further hikes during its next two meetings. In Turkey, the central bank continued the aggressive path of monetary policy tightening that it began in June 2023, taking the official rate to 50% in March 2024, holding it at this level almost all year long on the back of double-digit inflation. In December, the Turkish central bank cut the policy rate by 250 basis points to 47.50% in view of the improved inflationary outlook. Meanwhile, the Chinese authorities adopted monetary easing measures to support the economic recovery.

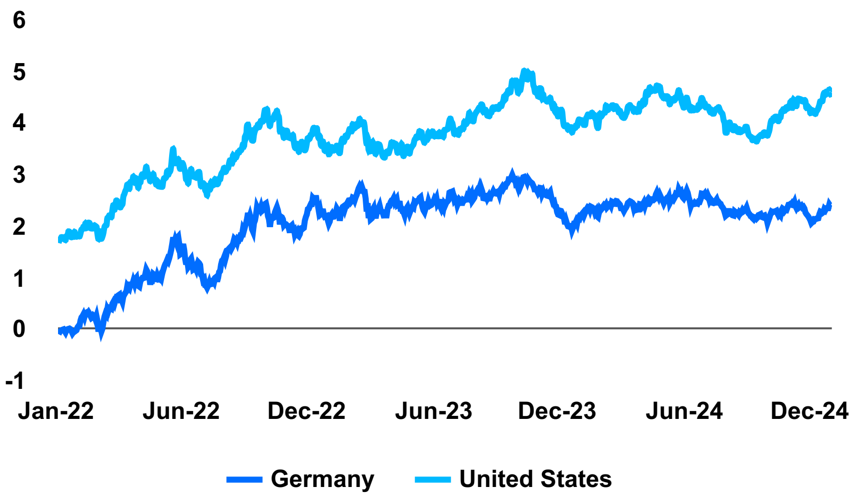
Financial markets

2024 was another positive year for the financial markets, especially for risk assets.

Financial markets once again performed well in 2024, building up from last year's positive performance. Risk assets rose in an environment in which the United States' economy was resilient, the disinflationary trend in the main developed economies was confirmed, and the central banks began their respective interest rate cuts. Various stock market indices reached new record highs driven by the good performance of tech stocks on the back of the development of generative AI. Meanwhile, spreads on corporate bonds and periphery public debt premiums remained very contained. Government bond yields of developed countries, for their part, saw several swings during the year, in an environment in which the markets gradually adjusted their official rate cuts expectations. Finally, the euro ended the year with a strong depreciation against the dollar, impacted by differences in monetary policy between the Eurozone and the United States and, above all, the victory of Donald Trump in the US presidential elections.

Yields on long-term government bonds ended the year at levels above those of 2023 year-end on both sides of the Atlantic, although with clear signs of volatility during the year as the market progressively adjusted its policy rate expectations.

US and German 10-year government bond yields (%) *Source:* Refinitiv.

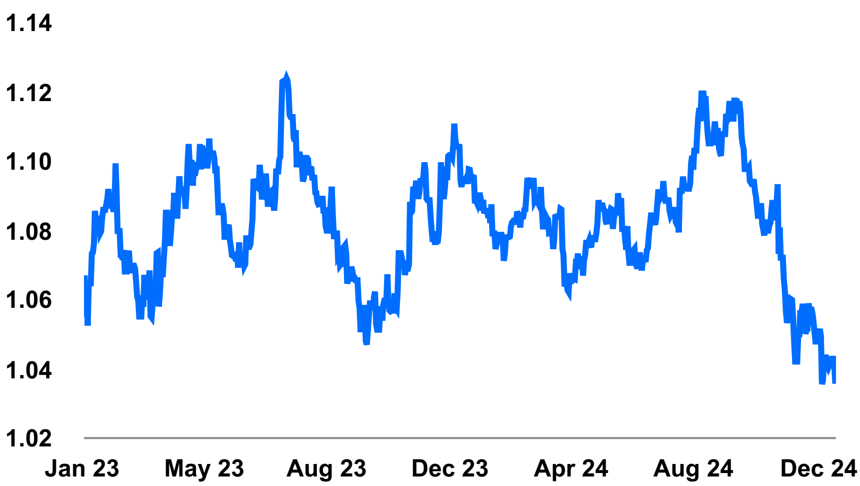


The risk premiums on peripheral sovereign debt stood at levels lower than those seen at the end of 2023, underpinned by credit rating agencies' positive actions, healthy activity data, the ECB's emergency programmes and the disbursement of the NGEU funds.

Meanwhile, France's risk premium rebounded significantly in the face of considerable political uncertainty, the poor shape of its public finances and the negative actions of credit rating agencies.

As regards the currencies of developed countries, the price of the dollar during most of the year ranged between 1.06-1.12 USD/EUR, mainly driven by changes in short-term interest rate spreads. Following Trump's victory during the US presidential elections, the parity broke out of this range and ended the year at 1.04 USD/EUR, a level not seen since 2022. The pound sterling, in its currency pair against the euro, appreciated thanks to the BoE's more tension-ridden stance compared to the ECB's.

USD/EUR *Source:* Refinitiv.



Equity markets performed very well. Most stock market indices rose remarkably. For example, the Stoxx 600 increased 6% year-on-year, while the IBEX 35 managed to post a gain of almost 15%. Stock market increases were especially significant in the United States, above all in the case of tech companies (the S&P 500 and the Nasdaq managed to gain over 20%).

In the emerging countries, sovereign risk premiums rose slightly, in an environment in which tax risks continued to attract attention in countries such as Brazil and Colombia and in which political uncertainty increased in Mexico. This, compounded by falling oil prices and the result of the elections in the United States, also weighed on these countries' currencies. Moreover, uncertainty regarding Trump's agenda weighed negatively on the yuan, despite the shift to a more expansionary economic policy announced by the Chinese authorities towards the end of the year. To the contrary, Turkey did see its risk premium decrease on the back of the implementation of more orthodox policies. Long-term domestic government bond yields, in general, shifted upwards over the year, the main exception being China, where bond yields were dragged down by signs of economic unrest and expected interest rate cuts.

Crypto-asset markets, for their part, gained strong momentum at the beginning of the year with the approval and issuance in the United States of ETFs that invest in spot bitcoin. These products attracted a lot of interest from institutional investors, and from the end of July, ETFs that invest in spot Ethereum were also approved and issued. All of this combined with the bitcoin halving at the end of April (a process that occurs every four years, whereby the reward miners receive for mining bitcoin in the blockchain is cut in half) and Donald Trump's victory after a favourable electoral campaign for the crypto ecosystem contributed to the price of bitcoin rising against the dollar to new record highs, in excess of 100 thousand dollars. The valuation of the crypto market as a whole exceeded 3.7 trillion dollars in December, which is an all-time high.

2.2 Financial sector environment

Banking sector

The banking industry recorded higher profitability thanks to improved net interest income and fee and commission income.

Risks to the banking industry associated with the Commercial Real Estate (CRE) sector materialised in the first half of the year. CRE is undergoing an adjustment process compounded by rising interest rates. Several banks recognised losses associated with the exposure of the offices segment, increased the provisions of CRE loans and adopted various measures. The situation of New York Community Bancorp (NYCB), an American regional bank, revived fears of the March 2023 episode of bank stress. The negative events related to NYCB were due to loss recognition and increased provisions associated with the offices segment, as well as higher regulatory requirements as a result of its larger size after buying Signature Bank (one of the banks that collapsed in 2023). Some other regional banks were affected, but the situation remained contained. In Europe, several small-sized German banks specialised in the real estate sector, such as Deutsche Pfandbriefbank and Aareal Bank, reported exposure to both domestic and United States CRE. The banks of other countries such as Japan, Sweden and Switzerland also took actions to combat the deteriorated CRE sector in the United States and Europe. Authorities were not forced to take measures as during the episode that affected the banking industry in 2023, but they did intensify their communication policy and stated that risk concentration was high in some banks and in the non-bank financial sector.

Despite these events, the banks' overall situation continued to improve in 2024, buoyed by a favourable economic environment and still high interest rates. The capital ratio increased in the banks of the main developed economies, which, according to the authorities, would be capable of facing an adverse scenario. Banks' profitability continued to be resilient, while the cost of funding for banks became more expensive. The repayment of the liquidity associated with TLTRO III did not have a significant impact on European banks' regulatory liquidity ratios. Asset quality remained strong, but showed some signs of deterioration in the European Union, especially in Germany. In general, the conditions applicable to bank loans in the main developed economies eased gradually during the year, as the central banks implemented interest rate cuts.

As for the Spanish banking sector, the landscape continued to be favourable, with high profitability above the cost of capital (between 8% and 11%, according to the Bank of Spain), driven by the positive evolution of net interest income and net fees and commissions. The solvency position of Spanish banks, measured by the CET1 ratio, continued to be below the European average. The average cost of interest on deposits continued to rise in the first half of 2024. Subsequently, the cost of interest on business deposits began to decrease while the cost of interest on retail deposits remained stable. The liquidity position of Spanish banks continued to be comfortable, despite the TLTRO III repayments to the ECB, which in turn increased the amount of collateral available for banks.

The banking supervisor of the Eurozone, the Single Supervisory Mechanism (SSM), included geopolitical risks more explicitly in its supervisory priorities for the 2025-2027 period, focusing particularly on how banks must manage these risks. On the other hand, the entry into force of Basel III had several setbacks. In the European Union, the regulation will apply in general as from 2025, although some rules have been delayed to 2026. In the United Kingdom, its implementation has been delayed again to 1 January 2027 to allow for more time to gain clarity on the United States' plan, where Trump's presidency may entail a new wave of financial deregulation and, consequently, there are increasing doubts as regards the implementation of Basel III.

During most of 2024, there was lingering uncertainty regarding the introduction of fiscal measures on the banking sector in several countries, in order to increase government revenue collection. As for matters of taxation, the case of Spain is noteworthy. The country created a new bank tax that replaced the temporary levy of credit institutions and financial credit establishments, albeit changing its configuration in certain aspects, such as the elimination of the 800 million threshold corresponding to 2019 and the establishment of a progressive tax scale of between 1% and 7%. Revenues from this tax will be distributed among the autonomous communities according to the size of their GDP. According to the Bank of Spain's financial stability report published in autumn 2024, the extraordinary bank levy decreased the Return on Equity (RoE) by 0.6 percentage points to 13.9% as at June 2024. On the other hand, the ECB, in its report dated 17 December 2024, reiterated the need to constantly monitor the implications of the new tax from a financial stability standpoint, recommending a deep dive into its impact on profitability and the capital base over the longer term, access to loans, the potential impact on liquidity, the granting of new loans and competition in the market.

Financial stability and macroprudential policy

Throughout 2024, the financial authorities deemed that the risks associated with global financial stability had moderated. The main concerns revolved around financial and geopolitical factors, while strictly macroeconomic concerns started to fade away. The main vulnerabilities mentioned by the authorities were the propagation of shocks from the non-bank financial sector, how the CRE sector is going to evolve, the accumulation of public and private debt, the increase in the sovereign-bank link, the surge of private credit and cyber-risks.

In Europe, several countries implemented a restrictive macroprudential policy. In Spain, the Bank of Spain activated the countercyclical buffer (CCyB), placing it at 0.5% as from 1 October 2025. The second increase to the CCyB, to 1% in October 2026, is pending confirmation in a new decision at the end of 2025. The Bank of Spain put out the methodological framework for setting the CCyB for public consultation, which establishes a level of 1% when cyclical systemic risks are at a standard level. The authority estimated that a CCyB of 1% decreases the CET1 capital ratio of Spanish banks by 0.4-0.5 percentage points. The Bank of Portugal took a similar measure to Spain, by increasing the CCyB to 0.75% and reviewing the methodological framework for setting the CCyB. In addition, it activated a sectoral systemic risk buffer on residential mortgage exposures of 4% from October 2024. Italy also opted to establish a systemic risk buffer of 0.5% as from January 2025 and of 1% as from July 2025. The Bank of Spain decided to reciprocate the activation of these macroprudential buffers in

Portugal and Italy, which affected Spanish banks with exposures in these countries.

Banking Union and Capital Markets Union

In terms of European integration, some notable progress was made, and the number of proposals relevant to the European agenda increased following the formation of the new European Parliament.

Regarding the Banking Union, the European Parliament's Committee on Economic and Monetary Affairs approved the proposal of a draft regulation establishing the first phase of the European Deposit Insurance Scheme (EDIS I). In this phase, the national Deposit Guarantee Schemes (DGSs) will still be needed to deal with possible bank resolutions. At the same time, they agreed to prioritise gradually building up the European Deposit Insurance Fund (DIF), through contributions from the various national DGSs. In addition, progress was made on the negotiations on the crisis management framework for medium-sized banks (Crisis Management and Deposit Insurance, or CMDI), the final approval of which will depend on the final agreements of the trilogues. Another initiative adopted by the European Parliament was the package of measures against money laundering, which includes the creation of the European Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA).

Furthermore, the Enrico Letta and Mario Draghi reports were published. These reports advocated for a deployment of the Capital Markets Union (CMU), rebranded as the Savings and Investments Union (SIU). They also made a series of proposals, notably including the need to reform the securitisation markets, boost European savings with tax incentives, improve European pension schemes and transform the European Securities and Markets Authority (ESMA), giving it more power and centralising the supervision of the most systemic agents of the financial market.

Challenges for the banking industry

Sustainability was still one of the focal points of financial authorities, despite the fact that the US and European election results were not favourable to advancing the green transition. Financial authorities' increased focus on matters related to protecting the environment and biodiversity was also noteworthy.

In the United States, the Fed published the first climate-related scenario analysis, which studied the impacts on the probability of default of loans to enterprises and households based on the exposures of the six main banks. Just like similar exercises in other jurisdictions, it had no implications for capital or banks' supervision.

Europe approved practically all pending regulations, so that in 2025 new reporting and transparency requirements will come into effect. The European Banking Authority (EBA) showed concern over the impact of greenwashing on reputational and operational risks and recommended that banks introduce a series of improvements in the area of governance, data and reporting. Furthermore, in 2024, European banks started to publish their green asset ratio that ranged between 2% and 10% depending on the bank, which are levels below those estimated by the EBA. The ratio was criticised for its design.

For its part, the ECB published its climate and nature plan 2024-2025 and climate risks continued to be one of the supervisory priorities of the SSM in 2024. As a result of a lack of climate stress tests by supervisors during 2024, the ECB concluded that companies that are more engaged in the green transition benefit from lower interest rates when searching for bank loans. The ECB's lending survey also showed that climate change, especially physical risks, contributed to toughening lending conditions for the most polluting companies.

As regards the measures to be adopted to tackle the financial risks stemming from climate change, the European Systemic Risk Board (ESRB) advocated for complementarity between micro- and macroprudential policies, so that these do not entail more requirements for banks.

At the financial industry level, the Glasgow Financial Alliance for Net Zero, the leading financial services sector coalition, announced changes to its organisation as several large US banks started to leave the alliance. Pressure from the US Republican Party on this coalition in recent months has been compounded by the Trump presidency, who is opposed to the fight against climate change.

Digitalisation processes in the financial sector continued at an increasingly fast pace, giving rise to several focus areas. On the one hand, the trend seen in previous years regarding the advance of Big Tech in the financial services sector continued. The banking sector kept making calls for regulations that adhere to the principle of "same activity, same risk, same regulation". On the other hand, the proliferation of cyberattacks, which are becoming more frequent and more severe, also continues to cause concern. With regard to cyber-risk, it was noteworthy that the ECB carried out its first cyber resilience stress test and concluded that, in general, banks have response and recovery frameworks in place, although it recommended some areas for improvement.

As regards regulations for digitalisation, the Markets in Crypto-Assets (MiCA) regulation was phased in but will not be fully implemented until 2025. Several financial institutions have announced the launch of new services related to crypto-assets once this regulation has been fully implemented.

The authorities in the United Kingdom also made progress in these matters, albeit rather more slowly. In the United States, legislative proposals to regulate these markets did not make any progress, but the federal agencies continued to put regulatory pressure on the main crypto-asset exchanges and, in numerous cases, began legal proceedings against these entities. The Basel Committee, for its part, published the final draft of the disclosure framework for banks' exposures to crypto-assets and amendments to its standard on their prudential treatment in July. Banks will have to apply these two standards to their crypto-asset exposures starting on 1 January 2026.

With regard to central banks' digital currencies, these plans continue to be implemented. In particular, the digital euro project made progress in 2024. The ECB carried on with the preparation phase, which started in autumn 2023 and is scheduled to last two years. This phase includes finalisation of the rules of operation and the selection of service providers that could develop the platform and infrastructure. Meanwhile, the European Commission brought back the proposed regulatory framework for the digital euro that began with the previous administration.

China continued to move forward with the digital yuan, expanding its use, albeit with some challenges. The United Kingdom continued to work on a potential digital pound, but its project is progressing more slowly than that of the digital euro. Meanwhile, the United States kept its digital dollar project on the back burner and with Trump's victory it became even more unlikely. Furthermore, the United States Congress approved a law that requires the Federal Reserve to obtain parliamentary approval before issuing the digital dollar.

Meaningful progress also continued to be made in experimenting with the possibilities of interoperability between digital currencies of different central banks and tokenised deposits of commercial banks, including

Project Agorá led by the Bank for International Settlements (BIS) that began this year. In parallel, the BIS and the International Monetary Fund (IMF) kept pushing for the development of public financial infrastructures in Distributed Ledger Technology (DLT), under rules to be established by the central banks, and the tokenisation of traditional financial assets.

2.3 Vision for 2025

Global economic growth in 2025 is expected to be impacted by uncertainty and Trump's protectionist policies. Trump's arrival at the White House compounds other dragging structural factors that a, including the following: (i) the turbulent geopolitical environment and its consequences on international trade and value chains, (ii) structural weaknesses of economies such as China, Germany and Italy, and (iii) the fiscal situation of some large developed economies, especially the United States, France and Italy. In Mexico, growth may be below that of the last three years, negatively affected by restrictive monetary policy, uncertainty over constitutional reforms, the T-MEC review and the fiscal adjustment that the government must implement.

The geopolitical environment is expected to become more complicated with Trump's arrival. Trump is expected to impose tariffs on the United States' trade partners, especially China. He would seek to negotiate measures with the Chinese authorities that benefit the US economy. Thus, uncertainty and a trend towards greater protectionism in several regions would mount. Preference for reducing external dependence and improving autonomy in strategic sectors (e.g. technology) could also be a factor in favour of adopting protectionist policies. Moreover, Trump's isolationist policy undermines major multilateral consensus, accentuating a lack of international cooperation in different areas (in addition to international trade, also in climate, technology regulation, cybersecurity, etc.).

The volatile and erratic nature of inflation is expected to be accentuated by new supply shocks (new tariffs, more volatile energy prices, reconfiguration of production chains, convulsive geopolitics, climate shocks, etc.) and an expansionary fiscal policy. In the Eurozone, inflation could be somewhat below the target due to economic weakness in the region. In the United States on the other hand, inflation is expected to remain somewhat above central banks' targets and to swing within wider ranges.

In terms of economic policy, the monetary policy gap between the United States and the Eurozone is expected to widen. The Federal Reserve might be more cautious with its monetary policy, and the target interest rate is forecast to remain at relatively high levels amidst more erratic fiscal policy, sustained growth and higher inflation. The ECB is expected to cut the policy rate below monetary neutrality, in response to a scenario of greater deterioration in activity. In the medium term, it is expected to maintain the policy rate around the estimates of monetary neutrality due to the rising risk of inflation.

In relation to the financial markets, yields on long-term government bonds are expected to remain at relatively high levels, due to a higher term premium on the back of volatility in growth and inflation figures and high sovereign financing needs, among other factors. Sovereign debt risk premiums in the European periphery might remain at contained levels and in line with their respective ratings.

On the currency market, the dollar is expected to show further strength, due to the widening of the pro-US rate differential, the improved performance of the US economy and the uncertainty caused by political and geopolitical risks.

In Spain, the economy is expected to continue to grow above its potential in the first years of the forecast horizon and to show more momentum than in the Eurozone. After a period in which the external sector has played a prominent role, domestic demand may take on a bigger role. Activity will be underpinned by the increase in population (a consequence of migration), the favourable evolution of the labour market, the absence of imbalances in private agents' balance sheets and in the external sector, lower interest rates and a greater rollout of NGEU funds. The rating of Spanish government bonds is estimated to remain in the A-/A range, in an environment in which public debt will still remain at high levels. This will contribute to the risk premium remaining at contained levels.

Within the financial environment, the profitability of the banking industry is forecast to remain resilient amidst the reactivation of credit and containment of delinquency rates. The capital and liquidity position is expected to remain robust. The entry into force of Basel III, the management of geopolitical risks, the implementation of new digital regulations (Digital Operational Resilience Act, or DORA, and MiCA), ESG matters, cyber threats, the impact of potential adjustments to the non-bank financial sector and the adjustment of commercial real estate will be areas to focus on.

Financial information

Financial information

3.1 Key figures in 2024

The Group's main figures, which include financial and non-financial indicators that are key to determine the direction in which the Group is moving, are set out here below:

		2024	2023	Year-on-year change (%)
Income statement (million euro)	**(A)**			
Net interest income		5,021	4,723	6.3
Gross income		6,337	5,862	8.1
Pre-provisions income		3,254	2,847	14.3
Profit attributable to the Group		1,827	1,332	37.1
Balance sheet (million euro)	**(B)**			
Total assets		239,598	235,173	1.9
Gross performing loans		156,913	149,798	4.7
Gross loans to customers		161,717	155,459	4.0
On-balance sheet customer funds		169,557	160,888	5.4
Off-balance sheet funds		46,171	40,561	13.8
Total customer funds		215,729	201,449	7.1
Funds under management and third-party funds		243,431	226,682	7.4
Equity		15,033	13,879	8.3
Shareholders' equity		15,389	14,344	7.3
Profitability and efficiency (%)	**(C)**			
ROA		0.76	0.54	
RORWA		2.29	1.70	
ROE		12.40	9.49	
ROTE		14.93	11.50	
Cost-to income with amortisation/depreciation		48.66	51.44	
Risk management	**(D)**			
Stage 3 exposures (million euro)		4,844	5,777	(16.2)
Non-performing assets (million euro)		5,680	6,748	(15.8)
NPL ratio (%)		2.84	3.52	
Stage 3 coverage ratio, with total provisions (%)		61.7	58.3	
NPA coverage ratio (%)		58.6	55.6	
Capital management (*)	**(E)**			
Risk-weighted assets (RWAs) (million euro)		80,559	78,428	
Common Equity Tier 1 phase-in (%)	(1)	13.02	13.19	
Tier 1, phase-in (%)	(2)	15.19	15.42	
Total Capital ratio, phase-in (%)	(3)	17.60	17.76	
Leverage ratio, phase-in (%)		5.20	5.19	
Liquidity management	**(F)**			
Loan-to-deposit ratio (%)		93.2	94.0	
Shareholders and shares (as at reporting date)	**(G)**			
Total number of shares outstanding (million) (*)		5,361	5,403	
Share price (euro)		1.877	1.113	
Market capitalisation (million euro)		10,063	6,014	
Earnings per share (EPS) (euro) (**)		0.32	0.23	
Book value per share (euro)		2.87	2.65	
P/TBV (price/tangible book value per share)		0.78	0.51	
Price/earnings ratio (P/E)		5.84	4.94	
Other data				
Branches and offices		1,350	1,420	
Employees		18,769	19,316	

(*) Information corresponding to the consolidated annual financial statements for the year ended 31 December 2024.

(**) Total number of shares minus final treasury stock position (including shares in the buyback programme, where applicable).

(***) This gives the ratio of net profit attributable to the Group, adjusted by the amount of the Additional Tier 1 coupon over the past twelve months, relative to the average number of shares outstanding over the past twelve months (average number of total shares minus average treasury stock, including buyback programmes, where applicable).

(A) This section sets out the margins of the income statement that are thought to be the most significant over the last two years.
(B) These key figures are presented in order to provide a concise overview of the year-on-year changes in the main items of the Group's consolidated balance sheet, focusing particularly on items related to lending and customer funds.
(C) These ratios have been provided to give a meaningful picture of profitability and efficiency over the past two years.
(D) This section shows the key balances related to risk management in the Group, as well as the most significant ratios related to risk.
(E) These ratios have been provided to give a meaningful picture of solvency over the past two years.
(F) The aim of this section is to give a meaningful insight into liquidity over the past two years.
(G) The purpose is to provide information regarding the share price and other indicators and ratios related to the stock market.

(1) Common equity capital / Risk-Weighted Assets (RWAs).
(2) Tier one capital / Risk-Weighted Assets (RWAs).
(3) Capital base / Risk-Weighted Assets (RWAs).

3.2 Profit/(loss) for the year

Record-breaking Group net profit, amounting to 1,827 million euros as at the end of 2024, placing the Group's ROTE at 14.9%.

Million euro

	2024	2023	Year-on-year change (%)
Net interest income	**5,021**	**4,723**	**6.3**
Fees and commissions, net	1,357	1,386	(2.1)
Core revenue	**6,378**	**6,109**	**4.4**
Profit or loss on financial operations and exchange differences	87	68	27.4
Equity-accounted income and dividends	166	131	26.5
Other operating income and expenses	(294)	(447)	(34.3)
Gross income	**6,337**	**5,862**	**8.1**
Operating expenses	(2,583)	(2,496)	3.5
Staff expenses	(1,531)	(1,495)	2.5
Other general administrative expenses	(1,051)	(1,002)	5.0
Depreciation and amortisation	(501)	(519)	(3.5)
Total costs	(3,084)	(3,015)	2.3
Memorandum item:			
Recurrent costs	(3,062)	(2,982)	2.7
Non-recurrent costs	(21)	(33)	(35.2)
Pre-provisions income	**3,254**	**2,847**	**14.3**
Provisions for loan losses	(567)	(813)	(30.3)
Provisions for other financial assets	(69)	(18)	287.7
Other provisions and impairments	(78)	(80)	(1.9)
Capital gains on asset sales and other revenue	(26)	(46)	(43.0)
Profit/(loss) before tax	**2,514**	**1,891**	**33.0**
Corporation tax	(685)	(557)	23.0
Profit or loss attributed to minority interests	2	1	28.1
Profit attributable to the Group	**1,827**	**1,332**	**37.1**
Memorandum item:			
Average total assets	242,145	245,173	(1.2)
Earnings per share (euros)	0.32	0.23	

The average exchange rate used for the cumulative balance of TSB's income statement is GBP 0.8463 (GBP 0.8706 in 2023).

Net interest income

Net interest income followed a positive trend, reaching 5,021 million euros as at the end of 2024, representing year-on-year growth of 6.3%, mainly due to a higher loan yield and increased revenue from the fixed-income portfolio, underpinned by higher interest rates, all of which served to offset higher cost and volume of deposits and wholesale funding.

Consequently, the net interest margin as a percentage of average total assets stood at 2.07% in 2024 (1.93% in 2023).

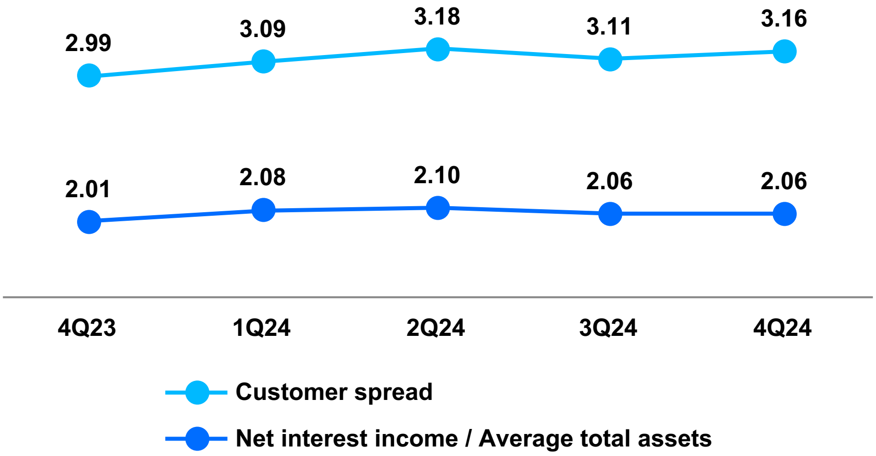
The breakdown of net interest income for the years 2024 and 2023, as well as the different components of total investment and funds, was as follows:

Thousand euro

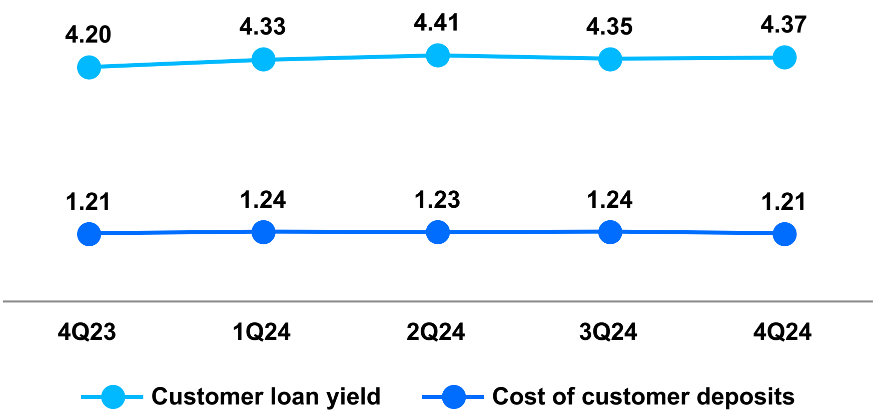
	2024			2023			Change			Effect	
	Average balance	Profit/(loss)	Rate %	Average balance	Profit/(loss)	Rate %	Average balance	Profit/(loss)	Rate %	Volume	Days
Cash, central banks and credit institutions	37,770,825	1,496,204	3.96	42,117,993	1,476,738	3.51	(4,347,168)	19,466	151,291	(135,900)	4,075
Loans and advances to customers	154,131,178	6,726,169	4.36	153,978,221	5,839,767	3.79	152,957	886,402	836,163	40,347	9,892
Fixed-income portfolio	30,756,499	1,053,155	3.42	28,531,645	832,967	2.92	2,224,854	220,188	193,126	25,450	1,612
Subtotal	**222,658,502**	**9,275,528**	**4.17**	**224,627,859**	**8,149,472**	**3.63**	**(1,969,357)**	**1,126,056**	**1,180,580**	**(70,103)**	**15,579**
Equity portfolio	1,000,799	—	—	859,258	—	—	141,541	—	—	—	—
Tangible and intangible assets	4,497,961	—	—	4,576,149	—	—	(78,188)	—	—	—	—
Other assets	13,987,412	436,450	3.12	15,110,214	508,059	3.36	(1,122,802)	(71,609)	—	(71,609)	—
Total investment	**242,144,674**	**9,711,978**	**4.01**	**245,173,480**	**8,657,531**	**3.53**	**(3,028,806)**	**1,054,447**	**1,180,580**	**(141,712)**	**15,579**
Central banks and credit institutions	26,372,582	(1,045,965)	(3.97)	31,484,501	(1,064,832)	(3.38)	(5,111,919)	18,867	(229,133)	251,329	(3,329)
Customer deposits	162,250,211	(1,997,041)	(1.23)	160,564,046	(1,432,303)	(0.89)	1,686,165	(564,738)	(430,055)	(130,997)	(3,686)
Capital markets	26,668,161	(1,105,456)	(4.15)	26,379,723	(876,225)	(3.32)	288,438	(229,231)	(204,199)	(22,663)	(2,369)
Subtotal	**215,290,954**	**(4,148,462)**	**(1.93)**	**218,428,270**	**(3,373,360)**	**(1.54)**	**(3,137,316)**	**(775,102)**	**(863,387)**	**97,669**	**(9,384)**
Other liabilities	12,485,224	(542,181)	(4.34)	13,183,674	(560,954)	(4.25)	(698,450)	18,773	—	18,773	—
Own funds	14,368,496	—	—	13,561,536	—	—	806,960	—	—	—	—
Total funds	**242,144,674**	**(4,690,643)**	**(1.94)**	**245,173,480**	**(3,934,314)**	**(1.60)**	**(3,028,806)**	**(756,329)**	**(863,387)**	**116,442**	**(9,384)**
Average total assets	**242,144,674**	**5,021,335**	**2.07**	**245,173,480**	**4,723,217**	**1.93**	**(3,028,806)**	**298,118**	**317,193**	**(25,270)**	**6,195**

Financial income or expenses arising from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes negative interest on the balances of credit institutions on the liabilities side, the most significant item being TLTRO III borrowing in 2023.

Quarterly evolution of net interest income (%)



Quarterly evolution of customer margin (%)



Core results performed well in the year,[7] growing by 6.0% due to higher net interest income and improved provisions.

Gross margin

Net fees and commissions reached 1,357 million euros as at the end of 2024, representing a decline of 2.1% year-on-year, which was mainly due to lower service fees, especially payment card and current account fees.

Profit or loss on financial operations and exchange differences reached a total of 87 million euros, representing an increase compared to the end of 2023, mainly due to higher gains on derivatives.

Dividends received and earnings of companies consolidated under the equity method amounted to 166 million euros, compared with 131 million euros in the previous year due to a higher contribution from the insurance business and greater earnings from BSCapital investees.

Other operating income and expenses amounted to -294 million euros, compared to -447 million euros in 2023. The positive year-on-year

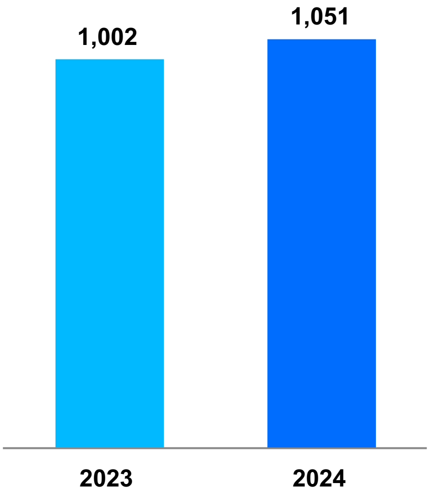
[7] Net interest income + fees and commissions – recurrent costs

variation is mainly explained by the fact that in the previous year -132 million euros were recognised for the contribution to Banco Sabadell's Deposit Guarantee Fund (DGF) and -76 million euros for the contribution to the Single Resolution Fund (SRF), which offset the negative variation caused by the recognition of a more severe impact of the bank levy in 2024, which was -192 million euros compared to -156 million euros recognised in the previous year.

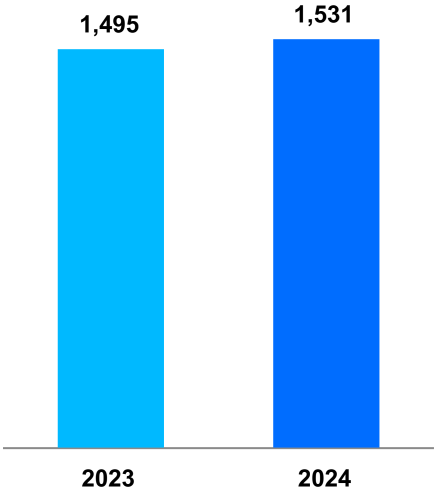
Pre-provisions income

Total costs stood at -3,084 million euros as at year-end 2024, representing an increase of 2.3% year-on-year. Recurring costs rose by 2.7% year-on-year, due to an increase in both staff expenses and general expenses, which partially counterbalanced the reduction in amortisation/depreciation.

Other general administrative expenses (in million euro)



Staff expenses (in million euro)



The cost-to-income ratio including amortisation/depreciation for 2024 improved, standing at 48.7% compared to 51.4% in 2023.

Core results (net interest income + fees and commissions – recurrent costs) improved in the year, standing at 3,315 million euros as at 2024 year-end, having grown by 6.0% year-on-year as a result of the good evolution of net interest income.

Total provisions and impairments amounted to -714 million euros as at the end of 2024, compared to -910 million euros at the end of the previous year, representing a reduction of 21.6%, mainly due to fewer provisions for loan losses.

Capital gains on asset sales and other revenue amounted to -26 million euros as at the end of 2024. The positive year-on-year change is due to the recognition of lower IT asset write-offs.

Profit attributable to the Group

After deducting corporation tax and minority interests, net profit attributable to the Group amounted to 1,827 million euros as at the end of 2024, growing 37.1% year-on-year.

3.3 Balance sheet

Million euro

	2024	2023	Year-on-year change (%)
Cash, cash balances at central banks and other demand deposits	18,382	29,986	(38.7)
Financial assets held for trading	3,439	2,706	27.1
Non-trading financial assets mandatorily at fair value through profit or loss	168	153	9.9
Financial assets at fair value through other comprehensive income	6,370	6,269	1.6
Financial assets at amortised cost	196,520	180,914	8.6
Debt securities	24,876	21,501	15.7
Loans and advances	171,644	159,413	7.7
Investments in joint ventures and associates	525	463	13.4
Tangible assets	2,078	2,297	(9.5)
Intangible assets	2,549	2,483	2.7
Other assets	9,567	9,902	(3.4)
Total assets	**239,598**	**235,173**	**1.9**
Financial liabilities held for trading	2,381	2,867	(16.9)
Financial liabilities at amortised cost	220,228	216,072	1.9
Deposits	186,341	183,947	1.3
Central banks	1,697	9,776	(82.6)
Credit institutions	14,822	13,840	7.1
Customers	169,823	160,331	5.9
Debt securities issued	27,437	25,791	6.4
Other financial liabilities	6,450	6,333	1.8
Provisions	478	536	(10.8)
Other liabilities	1,477	1,818	(18.8)
Total liabilities	**224,565**	**221,294**	**1.5**
Shareholders' equity	15,389	14,344	7.3
Accumulated other comprehensive income	(391)	(499)	(21.6)
Minority interests (non-controlling interests)	34	34	0.6
Equity	**15,033**	**13,879**	**8.3**
Total equity and total liabilities	**239,598**	**235,173**	**1.9**
Loan commitments given	28,775	27,036	6.4
Financial guarantees given	1,980	2,064	(4.1)
Other commitments given	9,366	7,943	17.9
Total memorandum accounts	**40,121**	**37,043**	**8.3**

The EUR/GBP exchange rate used for the balance sheet was 0.8292 as at 31 December 2024.

Gross performing loans to customers ended the year 2024 with a balance of 156,913 million euros, growing by 4.7% year-on-year, driven both by good performance in Spain, where it is particularly worth noting the growth of lending to corporates and individuals, and by the businesses abroad, particularly Miami and TSB, in the latter case positively impacted by the appreciation of the pound sterling.

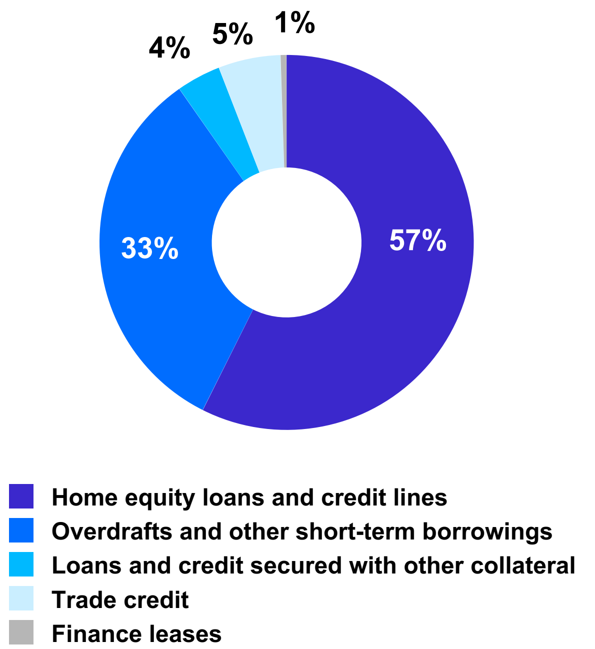
Home equity loans formed the largest single component of gross loans and receivables, amounting to 89,185 million euros as at 31 December 2024 and representing 57% of total gross performing loans to customers.

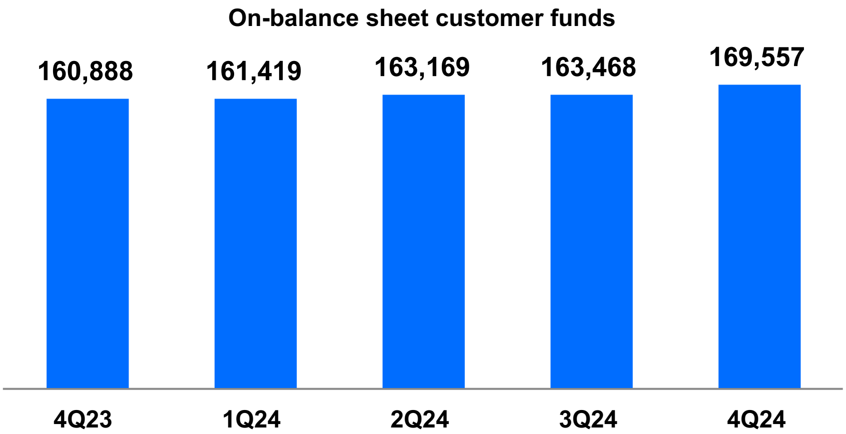
Million euro

	2024	2023	Year-on-year change (%)
Loans and credit secured with mortgages	89,185	86,162	3.5
Loans and credit secured with other collateral	5,924	5,064	17.0
Trade credit	8,356	7,465	11.9
Finance leases	2,376	2,236	6.3
Bank overdrafts and other short-term borrowings	51,071	48,870	4.5
Gross performing loans to customers	**156,913**	**149,798**	**4.7**
Stage 3 assets (customers)	4,595	5,472	(16.0)
Accrual adjustments	208	172	21.3
Gross loans to customers, excluding reverse repos	**161,717**	**155,442**	**4.0**
Reverse repos	—	17	(100.0)
Gross loans to customers	**161,717**	**155,459**	**4.0**
Reserve for loan losses and country risk	(2,844)	(3,199)	(11.1)
Loans and advances to customers	**158,872**	**152,260**	**4.3**

The EUR/GBP exchange rate used for the balance sheet was 0.8292 as at 31 December 2024.

The composition of loans and advances to customers by type of product is shown in the following figure (not including stage 3 assets or accrual adjustments):



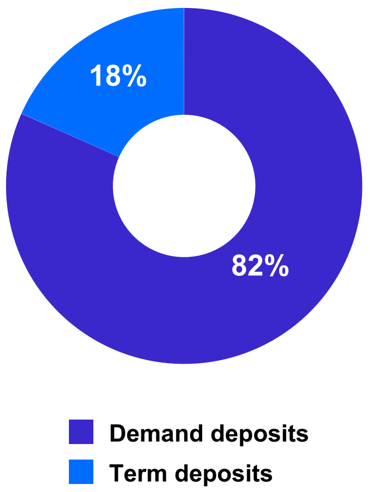


As at the end of 2024, on-balance sheet customer funds amounted to 169,557 million euros, compared to 160,888 million euros as at the end of 2023, increasing by 5.4% due to a higher volume of both demand deposits and term deposits.

Demand deposit balances amounted to 138,347 million euros, representing an increase of 3.1% compared to 2023.

Term deposits came to a total of 31,047 million euros, representing growth of 21.3% year-on-year.

The breakdown of customer deposits as at 2024 year-end is shown below:



Total off-balance sheet customer funds came to 46,171 million euros as at the end of 2024, reflecting an increase of 13.8% in year-on-year terms, driven by the good performance of mutual funds, mainly as a result of a positive level of net inflows.

Total funds under management as at 31 December 2024 amounted to 243,431 million euros, compared to 226,682 million euros as at 31 December 2023, representing a year-on-year increase of 7.4%, due to the growth of both on-balance sheet and off-balance sheet customer funds mentioned above.

Million euro

	2024	2023	Year-on-year change (%)
On-balance sheet customer funds (*)	**169,557**	**160,888**	**5.4**
Customer deposits	169,823	160,331	5.9
Current and savings accounts	138,347	134,243	3.1
Term deposits	31,047	25,588	21.3
Repos	—	200	--
Accrual adjustments and hedging derivatives	429	299	43.3
Borrowings and other marketable securities	23,345	22,198	5.2
Subordinated liabilities (**)	4,092	3,593	13.9
On-balance sheet funds	**197,260**	**186,122**	**6.0**
Undertakings for collective investment in transferable securities	28,308	24,093	17.5
UCITS managed	674	589	14.5
UCITS sold but not managed	27,634	23,504	17.6
Assets under management	4,729	3,598	31.4
Pension funds	3,352	3,249	3.2
Personal schemes	2,166	2,103	3.0
Workplace schemes	1,183	1,141	3.7
Collective schemes	4	5	(21.8)
Insurance products sold	9,782	9,621	1.7
Off-balance sheet customer funds	**46,171**	**40,561**	**13.8**
Funds under management and third-party funds	**243,431**	**226,682**	**7.4**

(*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: straight bonds issued by Banco Sabadell, commercial paper and others.

(**) Refers to subordinated debt securities issued.

The EUR/GBP exchange rate used for the balance sheet was 0.8292 as at 31 December 2024.

The balance of non-performing assets was reduced by 1,068 million euros over the year, while the coverage ratio considering total provisions rose to 58.6%.

Non-performing assets were reduced over the year 2024. The quarterly performance of these assets in 2024 and 2023 is shown below:

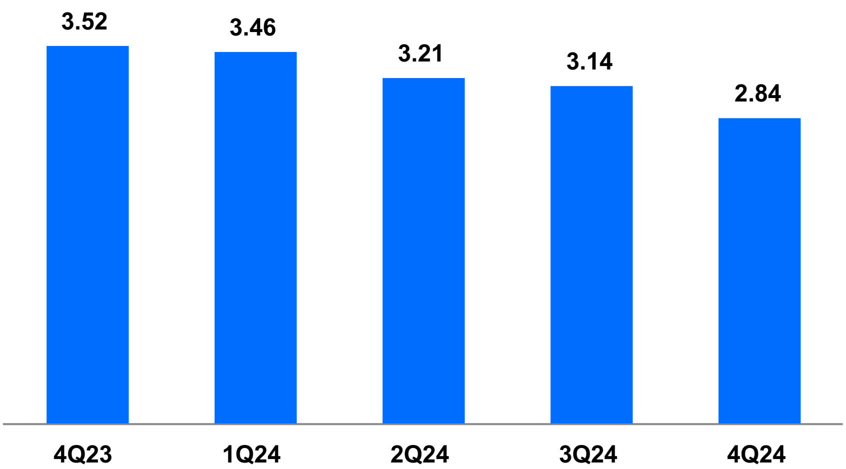
Million euro

	2024				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Ordinary net increase in stage 3 loans	40	(182)	(27)	(307)	183	111	85	(35)
Real estate asset balance variation	(32)	(36)	(31)	(36)	(40)	(34)	(44)	(68)
Ordinary net increase in stage 3 loans + real estate	**8**	**(219)**	**(58)**	**(344)**	**143**	**77**	**41**	**(103)**
Write-offs	100	97	128	132	106	114	82	79
Ordinary QoQ change in balance of stage 3 loans and real estate	**(92)**	**(316)**	**(186)**	**(476)**	**37**	**(37)**	**(41)**	**(182)**

As a result of the reduction in exposures classified as stage 3, associated with an increase in the risk base, the NPL ratio reached 2.84% as at 2024 year-end, compared to 3.52% as at 2023 year-end (decrease of 68 basis points). The stage 3 coverage ratio with total provisions as at 31 December 2024 was 61.7% compared to 58.3% one year earlier, while the coverage ratio of non-performing real estate assets stood at 40.5% as at 31 December 2024, compared to 39.6% at the end of the previous year.

As at 31 December 2024, the balance of exposures classified as stage 3 in the Group amounted to 4,844 million euros (including contingent exposures), a decline of 933 million euros in 2024.

NPL ratio (*) (%)



(*) Calculated including contingent exposures.

The trend followed by the Group's coverage ratios is shown in the table below:

Million euro

	2024				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Exposures classified as stage 3	5,718	5,439	5,283	4,844	5,891	5,888	5,891	5,777
Total provisions	3,346	3,247	3,213	2,990	3,219	3,280	3,329	3,368
Stage 3 coverage ratio, with total provisions (%)	**58.5**	**59.7**	**60.8**	**61.7**	**54.6**	**55.7**	**56.5**	**58.3**
Stage 3 provisions	2,433	2,399	2,365	2,245	2,328	2,361	2,402	2,445
Stage 3 coverage ratio (%)	**42.5**	**44.1**	**44.8**	**46.3**	**39.5**	**40.1**	**40.8**	**42.3**
Non-performing real estate assets	939	902	872	836	1,117	1,083	1,039	971
Provisions for non-performing real estate assets	370	356	352	338	429	419	404	385
Non-performing real estate coverage ratio (%)	**39.4**	**39.5**	**40.3**	**40.5**	**38.4**	**38.7**	**38.9**	**39.6**
Total non-performing assets	6,657	6,341	6,155	5,680	7,008	6,971	6,930	6,748
Provisions for non-performing assets	3,715	3,604	3,564	3,329	3,648	3,699	3,733	3,752
NPA coverage ratio (%)	**55.8**	**56.8**	**57.9**	**58.6**	**52.1**	**53.1**	**53.9**	**55.6**

Includes contingent exposures.

3.4 Liquidity management

The Group's liquidity position is sound, with a balanced funding structure.

During 2024, the funding gap turned positive, with a sharper increase in customer funds than in lending. Funding in capital markets increased at the level of both securitisations and debt issuances compared to 2023, senior non-preferred debt and subordinated debt being the items with the greatest net increase, in order to keep an adequate level of own funds and eligible liabilities above the applicable regulatory requirement (Minimum Requirement for own funds and Eligible Liabilities, or MREL). The Group's Loan-to-Deposit (LTD) ratio as at 31 December 2024 was 93.2% (94.0% as at 31 December 2023).

The Institution has made use of the different issuance windows to access the capital markets at different times in the year, successfully completing the issuance plan, in an environment in which inflation continued to cool off and central banks have eased their monetary policies by cutting interest rates. Maturities and early repayments in capital markets over the year amounted to 4,088 million euros (net). On the other hand, Banco Sabadell carried out two issues under the current Base Prospectus of Non-Equity Securities amounting to a total of 1.75 billion euros, specifically the following: one issue of mortgage covered bonds on 5 June 2024 for 1 billion euros with a 10-year maturity, and another issue of mortgage covered bonds on 15 October 2024 for 750 million euros with a 5.5-year maturity. Furthermore, under the EMTN Programme, Banco Sabadell carried out five issues for a total amount of 2,793 million euros, specifically the following: one issue of senior preferred debt on 15 January 2024 for 750 million euros with a 6-year maturity and an early call option in favour of Banco Sabadell in the fifth year; one issue of senior non-preferred debt on 13 March 2024 for 500 million euros with a 6.5-year maturity and an early call option in favour of Banco Sabadell in the second half of the fifth year; one issue of Tier 2 subordinated bonds on 27 March 2024 for 500 million euros with a 10.25-year maturity and an early call option in favour of Banco Sabadell in the fifth year; its first-ever issue in pounds sterling of senior preferred debt on 13 September 2024 for 450 million pounds with a 5-year maturity; and one issue of senior non-preferred debt on 27 November 2024 for 500 million euros with a 6.5-year maturity and an early call option in favour of Banco Sabadell in the second half of the fifth year. In addition, TSB Bank carried out two issues of mortgage covered bonds: its first-ever issue in euros for 500 million with a 5-year maturity on 5 March 2024, and another issue for 500 million pounds sterling with a 5-year maturity on 11 September 2024.

During 2024, having obtained the corresponding authorisation, Banco Sabadell exercised the early redemption option on the Senior Debt 2/2019 series amounting to 500 million euros on 7 November 2024. Furthermore, having obtained the corresponding authorisation, Banco Sabadell released an announcement to the market in November regarding the early redemption of the Subordinated Debt 1/2020 series in the amount of 300 million euros, which was subsequently exercised on 17 January 2025.

In relation to securitisation transactions, on 23 May 2024, TSB Bank set up the securitisation fund of residential mortgage loans, Duncan Funding 2024-1 PLC, through which it securitised one portfolio of mortgage loans in the amount of 557.7 million pounds sterling. The entire senior tranche of 500 million pounds was placed on the market.

On 26 September 2024, Banco Sabadell disbursed the traditional securitisation Sabadell Consumo 3, F.T. under its consumer loan securitisation programme. This is the third operation of the programme enabling the credit risk of a 750 million euro consumer loan portfolio to be financed and transferred. The issue consists of seven classes of bonds that were placed on the market, with the exception of the first loss tranche of 9.2 million euros to fund the reserve fund and initial expenses, and 76.3 million euros from the senior series which was subscribed by Banco de Sabadell, S.A.

The Institution has maintained a liquidity buffer in the form of liquid assets to meet potential liquidity needs.

In terms of the LCR, since 1 January 2018, the regulatory required minimum LCR has been 100%, a level amply surpassed by all of the Institution's LMUs. The TSB and Banco Sabadell Spain LMUs have a level of 200% and 248%, respectively, as at 31 December 2024. At the Group level, the Institution's LCR remained well above 100% on a stable basis at all times throughout the year, ending 2024 at 210%. As for the Net Stable Funding Ratio (NSFR), which came into force on 28 June 2021, the Institution has remained steadily above the minimum requirement of 100% in all LMUs. As at 31 December 2024, the NSFR stood at 153% for the TSB LMU, 137% for Banco Sabadell Spain and 142% for the Group.

The key figures and basic liquidity ratios reached at the end of 2024 and 2023 are shown here below:

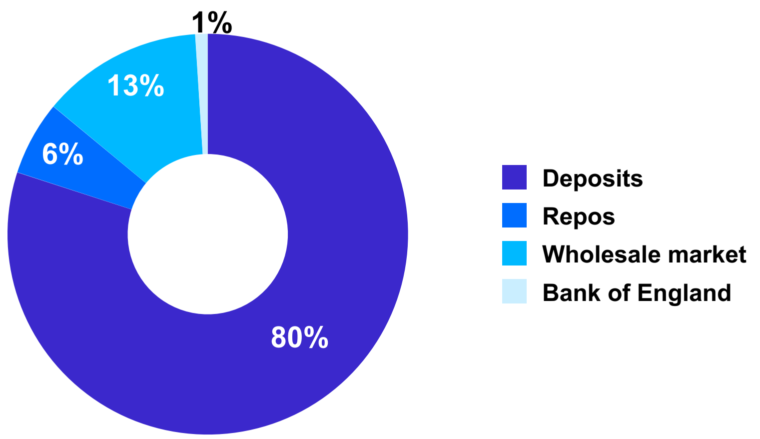
Million euro

	2024	2023
Gross loans to customers, excluding reverse repos	161,717	155,442
Impairment allowances	(2,844)	(3,199)
Brokered loans	(884)	(953)
Net loans and advances excluding ATAs, adjusted for brokered loans	**157,988**	**151,290**
On-balance sheet customer funds	169,557	160,888
Loan-to-deposit ratio (%)	**93**	**94**

The EUR/GBP exchange rate used for the balance sheet is 0.8292 as at 31 December 2024 and 0.8691 as at 31 December 2023.

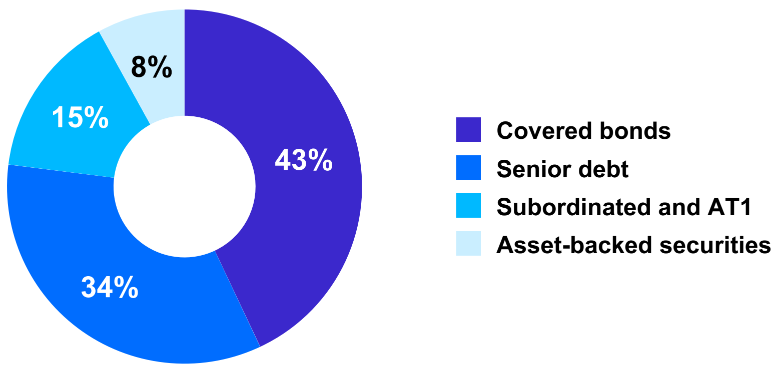
The main sources of funding as at 2024 year-end are shown below according to the type of instrument and counterparty (in %):

Funding structure (*)



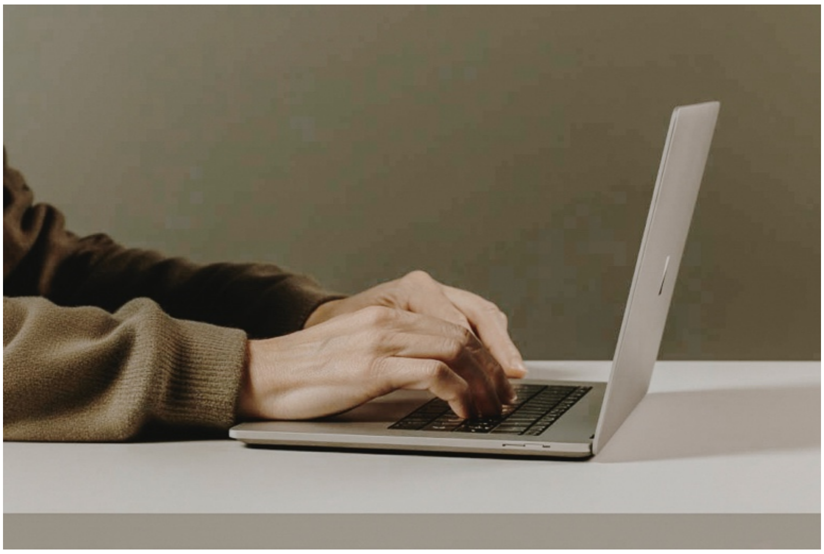
(*) Without accrual adjustments or hedging derivatives.

Loans and advances



(*) Without accrual adjustments or hedging derivatives.

For further details about the Group's liquidity management, liquidity strategy and liquidity performance during the year, see Note 3 to the 2024 annual financial statements.



3.5 Capital management

Key capital figures and solvency ratios

Thousand euro

	31/12/2024		31/12/2023	
	Fully-loaded	Phase-in	Fully-loaded	Phase-in
Common Equity Tier 1 (CET1) capital	10,484,954	10,484,954	10,346,761	10,346,761
Tier 1 (T1) capital	12,234,954	12,234,954	12,096,761	12,096,761
Tier 2 (T2) capital	1,945,862	1,945,862	1,829,460	1,829,460
Total capital (Tier 1 + Tier 2)	14,180,816	14,180,816	13,926,221	13,926,221
Risk weighted assets	80,559,227	80,559,227	78,427,616	78,427,616
CET1 (%)	13.02%	13.02%	13.19%	13.19%
Tier 1 (%)	15.19%	15.19%	15.42%	15.42%
Tier 2 (%)	2.42%	2.42%	2.33%	2.33%
Total capital ratio (%)	17.60%	17.60%	17.76%	17.76%
Leverage ratio	5.20%	5.20%	5.19%	5.19%

In 2018, following the entry into force of IFRS 9, the Group opted to apply the transitional arrangements established in Regulation (EU) 2017/2395. In 2023 and 2024, the transitional arrangements arising as a result of IFRS 9 and still in effect had no impact on the Institution's solvency ratios.

During 2024, the Group increased its capital base by 255 million euros in fully-loaded terms.

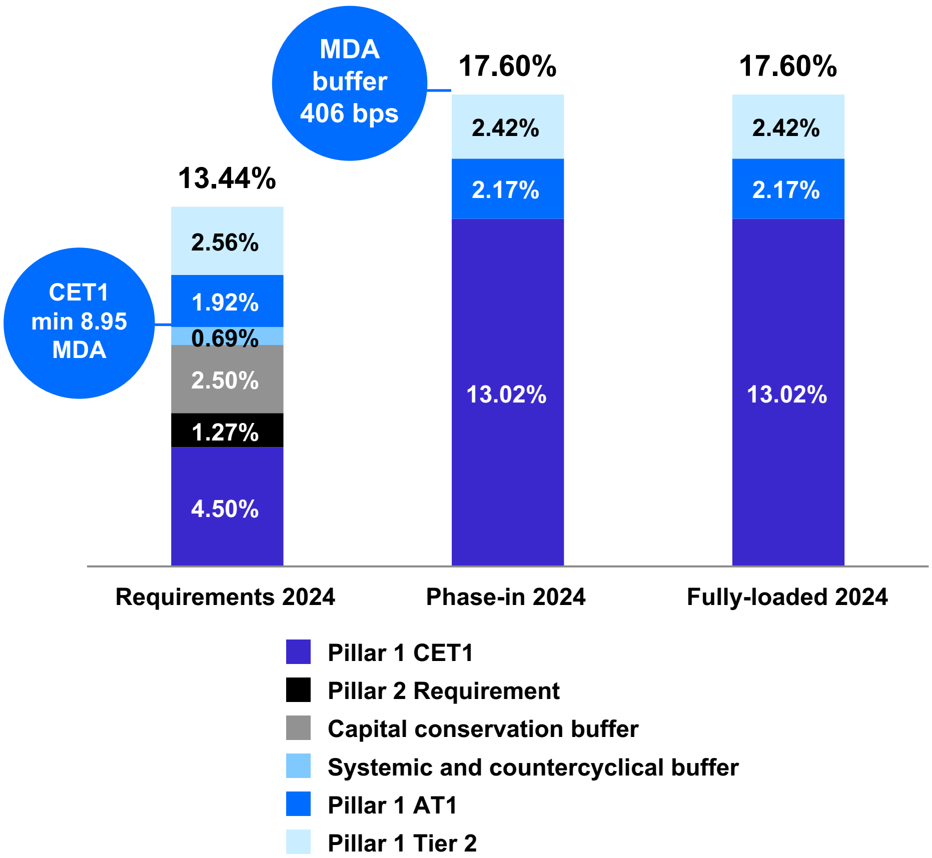
In 2024, the Bank carried out the issue of Subordinated Debt 1/2024 for 500 million euros on 27 March 2024. The loss of eligibility of the Subordinated Debt issue 1/2020 in the amount of 300 million euros also occurred, after it was announced, on 18 November 2024, that the early redemption option was to be exercised on 17 January 2025, in accordance with the issue's terms and conditions.

In terms of Risk-Weighted Assets (RWAs), three securitisation operations were carried out during the year: one synthetic securitisation carried out in June 2024 on a 1.1 billion euro project finance portfolio; one traditional securitisation carried out in September 2024 on a 750 million euro consumer loan portfolio; and one synthetic securitisation carried out in December 2024 on a 1.23 billion US dollar portfolio of corporate loans and project finance.

Furthermore, at Banco Sabadell ex-TSB, the increase in credit RWAs is noteworthy due to the growth in lending and the implementation of new models for corporates and groups and for retail card and loan exposures. In addition, market risk grew over the period mainly as a result of the increased open forex position. Finally, the update to operational RWAs led to a rise in RWAs, given the increase in the material risk indicator in 2024.

As a result, the fully-loaded CET1 ratio stood at 13.02% as at year-end 2024.

As at 31 December 2024, the Group had a phase-in CET1 capital ratio of 13.02%, well above the requirement established in the Supervisory Review and Evaluation Process (SREP), which for 2024 was 8.95%, meaning that the aforesaid ratio is 406 basis points above the minimum requirement.



Minimum capital requirements have been calculated taking into account capital requirements in effect as at 2024 year-end for Pillar 1 (8%) and Pillar 2R (2.25%), as well as the capital conservation buffer (2.5%), countercyclical buffer (0.44%) and the buffer for other systemically important institutions (0.25%).

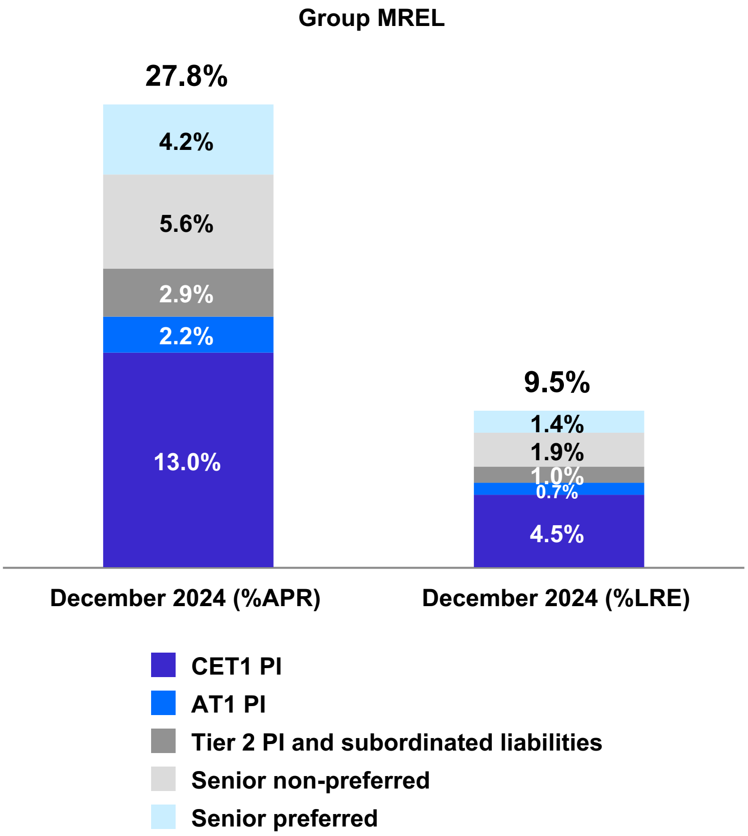
In May 2024, the SRB published the MREL Policy under the Banking Package, which integrates the regulatory changes of the aforesaid resolution framework reform. The new requirements from the SRB are based on balance sheet data as at December 2023 and set the final MREL target, which is binding from 17 December 2024, the same day that Banco Sabadell received a communication from the Bank of Spain regarding the decision made by the Single Resolution Board (SRB) 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 that must be met from 17 December 2024 are as follows:

— The MREL is 22.14% of the Total Risk Exposure Amount (TREA) and 6.39% of the Leverage Ratio Exposure (LRE).
— The subordination requirement is 15.84% of the TREA and 6.39% of the LRE.

The own funds used by the Institution to meet the Combined Buffer Requirement (CBR), comprising the capital conservation buffer, the systemic risk buffer and the countercyclical buffer, will not be eligible to meet the MREL and subordination requirements expressed in terms of the TREA.

As at the end of 2024 and 2023, Banco Sabadell meets the applicable requirements. Furthermore, the Institution's Funding Plan anticipates that it will continue to comply, comfortably, with the current requirements.



The RWAs percentage includes the capital earmarked to meet the Combined Buffer Requirement (CBR). This serves as a mechanism to accumulate capital to protect against cyclical and structural systemic risks, in order to build up own funds during periods of prosperity and thus be able to protect the regulatory minimum during periods of adverse economic conditions.

Businesses

Businesses

The key financial figures associated with the Group's largest business units are shown hereafter, in line with the segment reporting in Note 38 to the consolidated annual financial statements for the financial year 2024.

4.1 Banking Business Spain

Key figures

Net profit as at the end of 2024 amounted to 1,517 million euros, representing a year-on-year increase of 38.7%, mainly driven by the positive trend in net interest income and fewer provisions.

Net interest income amounted to 3,652 million euros as at 2024 year-end, a year-on-year increase of 8.9% driven by the collection of 36 million euros in extraordinary late payment interest stemming from the debt recovered following a favourable ruling in a legal dispute. Excluding that effect, growth stood at 7.8% driven by higher loan yields and higher earnings on the fixed-income portfolio, underpinned by interest rates, all of which offset the higher cost and volume of both deposits and wholesale funding.

Net fees and commissions stood at 1,231 million euros, 1.3% less than at the end of 2023, mainly due to the drop in service fees, heavily impacting payment card and demand deposit fees.

Profit or loss on financial operations and exchange differences amounted to 36 million euros, which represents a year-on-year reduction mainly due to higher gains on derivatives.

Dividends and earnings of companies consolidated under the equity method increased by 26.5% in year-on-year terms, mainly due to the higher contribution from the insurance business and higher earnings from BSCapital investees.

The positive variation in the Other income and expenses heading is mainly explained by the fact that in the previous year -132 million euros were recognised for the contribution to Banco Sabadell's Deposit Guarantee Fund (DGF) and -76 million euros for the contribution to the Single Resolution Fund (SRF), which offset the negative variation caused by the recognition of a more severe impact of the bank levy in 2024, which was -192 million euros compared to -156 million euros in the previous year.

Total costs recorded a year-on-year increase of 5.4%, due to higher staff expenses and an increase in general expenses.

Provisions and impairments amounted to 652 million euros, down by 20.1% year-on-year, mainly due to improved provisions for loan losses. 2024 saw the release of 54 million euros related to the debt recovered following a legal dispute and to provisions allocated for the impact of DANA.

Corporation tax in 2024 includes a positive impact of c.50 million euros, mainly due to tax deductions for R&D+i (research, development and innovation) activities.

Million euro

	2024	2023	Year-on-year change (%)
Net interest income	**3,652**	**3,353**	**8.9**
Fees and commissions, net	1,231	1,247	(1.3)
Core revenue	**4,883**	**4,601**	**6.1**
Profit or loss on financial operations and exchange differences	36	45	(19.9)
Equity-accounted income and dividends	166	131	26.5
Other operating income and expenses	(249)	(404)	(38.3)
Gross income	**4,836**	**4,372**	**10.6**
Operating expenses, depreciation and amortisation	(2,071)	(1,965)	5.4
Pre-provisions income	**2,765**	**2,407**	**14.9**
Provisions and impairments	(652)	(816)	(20.1)
Capital gains on asset sales and other revenue	(14)	(27)	(47.2)
Profit/(loss) before tax	**2,098**	**1,564**	**34.2**
Corporation tax	(579)	(469)	23.5
Profit or loss attributed to minority interests	2	1	28.1
Profit attributable to the Group	**1,517**	**1,093**	**38.7**
Cumulative ratios			
ROTE (net return on tangible equity)	15.9 %	12.0 %	
Cost-to-income (general administrative expenses / gross income)	35.1 %	37.2 %	
NPL ratio	3.3 %	4.3 %	
Stage 3 coverage ratio, with total provisions	66.3 %	59.9 %	

Gross performing loans increased by 5.3%, driven by the growth in lending to corporates and individuals, notably the positive evolution of the mortgage book, as well as the healthy performance of foreign branches, included in this perimeter, particularly Miami.

On-balance sheet customer funds increased by 5.4% year-on-year, while off-balance sheet funds grew by 13.8%, mainly due to mutual funds, as a result of a positive level of net inflows.

Million euro

	2024	2023	Year-on-year change (%)
Assets	**177,348**	**173,648**	**2.1**
Gross performing loans to customers	109,291	103,830	5.3
Non-performing real estate assets, net	497	586	(15.2)
Liabilities and Equity	**177,348**	**173,648**	**2.1**
On-balance sheet customer funds	124,235	117,820	5.4
Wholesale funding in capital markets	21,135	19,949	5.9
Allocated own funds	12,161	11,345	7.2
Off-balance sheet customer funds	**46,171**	**40,561**	**13.8**
Other indicators			
Employees	13,525	13,455	0.5
Branches and offices	1,152	1,194	(3.5)

Details of the main business lines within Banking Business Spain are given here below.

Retail Banking

Business overview

Retail Banking is Banco Sabadell's business unit that offers financial products and services to individuals for personal use. The business is based on a banking model that combines processes typical of a digital bank for interactions that require the autonomy, immediacy and simplicity that only digital channels can offer with specialised and personalised commercial management for those interactions where expert support is needed, provided through the branch network, both in brick-and-mortar branches and remotely. Among the main products offered, it is worth noting investment and financing products in the short, medium and long term such as consumer loans, mortgages and leasing/rental services. As for funds, the main products on offer are customer term and demand deposits, savings insurance, mutual funds and pension plans. Additionally, the main services also include payment methods such as cards and various kinds of insurance products.

Management milestones in 2024 and priorities for 2025

During 2024, Retail Banking based its activity on the following pillars that contribute to the objective of increasing the base of transactional customers, growing market share in key products and providing first class service to customers:

- Organisation according to products, which makes it possible to focus on customers' needs and to offer specialised and personalised products and services, enabling greater autonomy, immediacy, agility and simplicity.
- The specialised sales force, supported by the branch network, allows a superior customer support model to be offered for products where customers require more advice or support from experts, such as mortgages, protection insurance and savings/investment.
- The development of digital capabilities in relation to servicing, the attraction of digital demand and the generation of digital sales in self-service and remote channels.

In that regard, in 2024 the Retail Banking business has continued with its transformation, moving forward in the following areas:

- Customer-focused growth, increasing engagement with the Bank and with more than half of new customers currently registered through the digital channel according to 2024 closing data.
- Continue with the change in the sales distribution mix, increasing, in turn, the sales volumes of key products. The specialists model was also evolved, increasing their contribution to the business.
- Serve the Bank's customers through their preferred channel. The mobile app has gained prominence, consolidating itself as the main interaction channel for serving customers.
- A remarkable improvement in customer experience rankings on the back of enhancing the quality of interactions with them, which forges long-lasting and quality relationships, whilst promoting the brand, increasing its visibility and awareness to grow market share.

The priorities for 2025 focus on boosting customer acquisition by leveraging digital channels and increasing penetration during the first months of the business relationship. The Bank also seeks to promote key products, improve the brand's appeal and the customer experience across all channels, as well as enhance talent and data management.

Main products

The main Retail Banking products are described here below:

Mortgages

The evolution of the mortgage market during 2024 was characterised by growth in the first quarter of the year, with a yearly increase of 18%. Starting in the second quarter, growth was around 20%, with a record month of increases in July. This increase was driven by cuts to interest rates, the 12-month Euribor and declining mortgage rates, slightly lowering monthly payments and encouraging the moderate recovery of the real estate market, seen in the increase in new build permits, although the lack of supply limits growth.

Fixed-rate mortgages were the leading product of 2024, a clear consequence of the current market interest rates, with the Euribor still at high levels.

Against this backdrop, the Bank continued to make progress on:

— The cumulative market share, which has grown significantly given the Institution's good product positioning in the market.
— The mortgage specialists' distribution model, with all branches included in the model, focusing on remote management (209 remote specialists covering 100% of branches).
— The transformation of the mortgage process, with outsourcing of administrative tasks to focus on the commercial function of specialists and increase capacity to generate and manage demand, reduce processing lead times and improve the customer experience.
— Improving the digital experience in the mortgage application process, optimising mortgage switching and making efficiency gains. In particular, the focus has been upstream in the digital journey, where technological, intelligence and commercial systems capabilities have been deployed to allow better prioritisation of commercial opportunities.

Consumer loans

In consumer loans, 2024 was characterised by a 36% increase in volume, driven by the expansion and improvement of digital product arrangement capabilities and the adaptation of the product offer to the needs of the end consumer, whilst always ensuring adequate risk management and segmentation.

Currently, 83% of all products are applied for through the digital channels, and pre-approved loans account for 87% of all new loans.

Payment services

2024 was a good year for growth in card transactions, with an 8% increase in purchases, which reached 21,225 million euros. Card finance volume reached 389 million euros, representing a year-on-year increase of 9%.

On the other hand, the instant card issuance process was consolidated, allowing customers to use their new card immediately in e-commerce and mobile payment transactions following application. The percentage of card activations executed via digital channels accounted for 52% of total activations, while mobile payments represented 30% of purchases.

With regard to the Bizum payment system, Banco Sabadell has more than 1.6 million registered users.

Demand deposit accounts

Banco Sabadell has a digital onboarding process that has allowed it to boost its acquisition of digital customers since 2023, improving productivity and the customer experience.

In 2024, the Sabadell Online Account was overhauled once again, extending its use to the self-employed segment, in order to become their preferred bank for both personal and professional transactions. This overhaul is another boost to continue growing Retail Banking profitably.

The main demand deposit accounts offered are the following:

- Sabadell Online Account: for new retail customers, opened digitally.
- Sabadell Account: for retail customers.
- Sabadell Premium Account: exclusively for Private Banking customers.
- Key Account: exclusively for non-resident foreign customers.

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

Savings and investment

Market volatility and interest rates affected asset performance and, consequently, mutual fund returns.

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

- The mutual funds offering was adapted to the market situation and to customer demand by incorporating the following types of products:
  - Guaranteed products: during 2024, guaranteed fund programmes were marketed. These products combine fixed and variable return funds, namely: Sabadell Capital Extra No. 3, Sabadell 12M Garantizado and Sabadell 12M Garantizado Diciembre.
  - Stable return products: a new product in the Bank's fixed income category launched in September, Sabadell Gobiernos Corto Plazo, FI, which is a new fund that is marketed all year round.
  - Target return products: Sabadell Horizonte 11 2026 and Sabadell Horizonte 06 2025 were launched in January and May, respectively. These products offer a target, not guaranteed, return to recover 100% of the initial investment plus a return on maturity.
  - Discretionary portfolio management: portfolio management service focused on those customers who want specialists to be in charge of their investments, according to their risk profile and objectives. Therefore, three different types of portfolios are available to start investing with the option of choosing between five strategies with different levels of risk.
    - Sabadell Portfolio (*Cartera Sabadell*): with a percentage of equities of 25%, 50% and 75%.
    - Sabadell Plus Portfolio (*Cartera Sabadell Plus*): with a percentage of equities of 10%, 25%, 50% and 75%.
    - Sabadell Private Portfolio (*Cartera Sabadell Privada*): with a percentage of equities of 10%, 25%, 50%, 75% and 90%.

An exclusive investment option for Sabadell Private portfolios (profiles: 50, 70 and 90) and Sabadell Plus portfolios is also now available.

— Charitable products: in order to boost the Sabadell Inversión Ética y Solidaria charitable fund, given the increased interest in this type of fund, its contribution to charitable initiatives has been increased, while the management fee percentage has been reduced, thereby offering customers more opportunities to increase their returns.
— Workflows have been initiated to enhance the customer experience of the digital channel.

With regard to guaranteed return insurance plans, the high-interest rate environment boosted customer interest in these products. Specifically, life-contingent annuities saw a significant increase in premiums compared with previous years. In July 2024, a new savings insurance product with regular contributions (Sabadell Savings Insurance) was launched to drive sales of this line of business of regular savings with guaranteed returns.

This activity was also seen in the unit-linked savings insurance product which involves assets linked to structured deposits with a capital guarantee and fixed coupon. Specifically, two multi-asset investment issues with an 18-month maturity were carried out, in which the linked assets are deposits issued by Banco Sabadell.

With regard to the pensions business, as in the case of guaranteed return insurance plans, the rise in interest rates increased demand for Insured Retirement Plans (IRPs), particularly those with a payback period of less than five years. This led to the launch of issues of IRPs with these payback periods, mainly channelled towards transfers from pension schemes or short-term IRPs, due to the higher return offered. However, growth in the pensions business is influenced by the application of a cap on the maximum annual contribution. The marketing of the simplified occupational pension plans for the self-employed began at the end of last year. These plans allow contributions higher than those of individual plans and are promoted by the Professional Union of Self-Employed Workers (Unión Profesional de Trabajadores Autónomos, or UPTA) and the General Council of Economists (Consejo General de Economistas).

It is worth highlighting that specialists continued to be deployed in 2024. As at the end of December 2024, the cumulative contribution to new business of in-branch specialists was 30% and that of branches whose employees included a specialist was 73%.

As for deposits, the focus in 2024 was on maintaining products adapted to customers' needs. To that end, the range of products available at the branches was expanded with new products, and the digital product arrangement channel was opened, aimed mainly at digitally savvy customers.

The main milestones during the year were the following:

— Launch of products available at the branches:
    — Depósito Crecimiento 12 meses, which complemented the current offer at that time (Depósito Crecimiento 18 meses).
    — Depósito Sabadell Bonificado, a 12-month deposit based on an initial interest rate, which may be increased depending on the customer's current holding and/or new arrangement of a series of products/services.
— With regard to online deposits, during 2024 and in accordance with the digital transformation strategy, the offer has been expanded with new terms, consolidating the digital application process as a lever for growth in retail customer deposits thanks to how easy they are to arrange as well as the interest paid. The online process allows the Bank to improve productivity and the customer experience.

Lastly, the offering of structured deposits was maintained over the year.

Protection insurance

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

The strategy for the insurance business in Retail Banking consists of offering the Bank’s customers the best option for protection insurance. To that end, a product offering is proposed, adapted to the needs of each type of customer, to ensure customer satisfaction every time they interact with the Bank. Commercial actions are mainly carried out through the insurance specialist, providing services to the Institution’s different customer segments.

In 2024, the business has continued to grow in spite of the complicated and uncertain environment that exists at present. The main products that contribute to the insurance business are life insurance, home insurance and health insurance. Specifically, the strong growth experienced in premiums in the area of health insurance products (19%) was the result of the agreement with the company Sanitas reached at the end of 2020. It is also worth noting Banco Sabadell’s promotion of Blink insurance products, specifically, home insurance and vehicle insurance, which are arranged remotely.

In addition, with the aim of offering customers quality solutions, significant improvements have been made to life insurance and home insurance products, with new levels of cover adapted to customers’ current needs, such as serious illness, assistance in the event of unlawful occupation or free home repair service.

BanSabadell Seguros Generales sells a funeral insurance product, through an agreement with the company Meridiano, a leading institution in this field.

Sabadell Consumer Finance

Sabadell Consumer Finance is the Group’s company specialising in consumer finance at the point of sale. It carries out its activity through various channels and lines of business via cooperation agreements.

The activity of the automotive business in 2024 has been adapted to the market trend, maintaining a positive monthly performance in terms of new business, as well as strengthening agreements with large groups.

It is also continued to engage in digital transformation – a journey that started in 2023 – to grow with new proposals and more digital services. Instant Credit, a finance facility available directly through the Bank's PoS devices, was launched.

In 2024, Sabadell Consumer Finance executed 220,000 new transactions through more than 12,000 points of sale located throughout Spain, which translated into an inflow of new investments amounting to 1,543 million euros, placing the total outstanding exposures of Sabadell Consumer Finance at 2,743 million euros.

Business Banking

Business overview

The Business Banking unit offers financial products and services to legal and natural persons for business purposes, serving all types of companies with a turnover of up to 200 million euros, as well as the institutional sector. The products and services offered to companies are based on short- and long-term funding solutions, solutions to manage cash surpluses, products and services to guarantee the processing of day-to-day payments and collections through any channel and in any geographical area, as well as risk hedging and bancassurance products.

Banco Sabadell has a clearly defined relationship model for each business segment, which is innovative and sets it apart from its peers and which allows it to be very close to its customers, acquiring in-depth knowledge of its customer base whilst at the same time offering a strong level of engagement.

Companies with turnover in excess of 2 million euros are mainly managed by specialised branches. All other companies, which include SMEs, small businesses and self-employed professionals, are managed by standard branches. All of these companies have relationship managers who specialise in their respective segments, as well as access to expert advice from product and/or sector specialists.

This all enables Banco Sabadell to be a yardstick for all companies, as well as a leader in customer experience.

Management milestones in 2024 and priorities for 2025

In 2024, the Business Banking unit focused its management efforts on strengthening the strategic courses of action established for each segment, in accordance with the Strategic Plan. This approach is reflected in a significant improvement in the profitability and specialisation of the Corporates and SMEs segments, through specialised solutions tailored to customers, and in the framework's enhancement and the risk function's rapid optimisation of the portfolio's credit profile. The branch network's specialisation has helped to evince improvements in the business's cost of risk and Return on Equity (ROE).

Furthermore, the development and enhancement of the sector's commercial offering aimed at small businesses and self-employed professionals constituted another key management milestone during 2024, successfully consolidating the Bank's position as a leading specialist in the market for this segment. In its mission of maximising the value proposition and offering its customers a wide range of products and services, Banco Sabadell declared that it planned to close a strategic deal with Nexi, a European leader in digital payments. While awaiting receipt of the necessary regulatory authorisations to close this transaction, it is also currently pending news of the outcome of BBVA's tender offer to acquire all of the Bank's share capital.

Following the structural change implemented in the past year, the reorganisation of the Business Banking network has been successfully implemented. This model has made it possible to address customers and their needs more closely, through increased specialisation of managers and an approach focused on the needs of those customers.

In 2025, Business Banking will face a series of key challenges that will set the course for its strategy in the coming years. Efforts will be made to boost the growth of the customer base and the profitability of the various segments, endeavouring to optimise operational efficiency and the range of specialised products and services so as to meet the specific needs of each customer. Particular emphasis will be placed on improving cost of risk, implementing proactive measures to mitigate risks and make the portfolio more robust.

In addition, the Institution's commitment to excellence in customer experience will be a core pillar. Significant initiatives will be undertaken, designed to improve customer interactions and satisfaction across all segments, from corporates to self-employed persons.

Lastly, the Institution aims to consolidate and cement its position as the leading bank for its business customers. This goal will be achieved with high-quality financial solutions, the cornerstones of the approach being innovation, specialisation, and customer centricity and proximity.

The different segments, specialists and commercial products that fall within Business Banking are described here below.

Segments

Corporates

At the beginning of 2024 the Business Banking network was reorganised with the aim of strengthening management of these customers through increased specialisation and an approach more directly focused on their needs.

Until recently, the Business Banking network had been formed by 32 branches that provided services to large corporations, managing companies with turnover in excess of 10 million euros. These branches were supplemented by 31 new Team Managers managing around 300 new Business Banking Managers who focus on managing companies with turnover between 2 and 10 million euros. These new teams are not located in a specific branch, but manage companies that already hold an account in one of the branch network's 1000 branches. These teams also include Startup Managers, who are specialists in this customer segment.

Over the year, the skillsets of Business Banking network managers have been enhanced through a training plan providing targeted training, such as, the university-certified Advanced Business Programme, certification in Sustainable Finance, sector specialisation training, or in-house training in the middle market segment and investment banking. This specific training will continue in 2025, adapting to the needs of the branch network and the market.

This increased specialisation in management was accompanied by improved operational customer care and enhanced customer service for companies. This was achieved in 2024 through the Business Operations Centres. This new service model offers businesses a stable and trusted personal relationship with a contact person who is an expert in their field, fast and professional contact through different channels (Preferential

Care Services for Business Banking customers by phone and through the Customer Care Space, which offers a specific BSOnline chat service that is also available via WhatsApp), and an immediate response in urgent and time-critical situations.

In an economic environment marked by the geopolitical situation, inflation and interest rate volatility, this comprehensive customer management service has made it possible to support companies by adapting to their circumstances. Banco Sabadell has offered customers with liquidity needs access to both basic financing solutions and complex solutions with 360° value propositions. In addition, it has proactively managed companies with surplus cash.

This increase in business financing has been reinforced by a review of risk acceptance models. The purpose of this review is to be more proactive when offering financing solutions and to respond to requests more quickly. In addition, the new financial model based on binding limits enables the Bank to respond immediately to companies with turnover of between 2 and 10 million euros when they apply to renew or increase their financing, thanks to the support provided by the model and information already available.

For customers that are growing, Banco Sabadell has remained by their side with specialised lending solutions typical of the middle market, acting either alone or in a pool with other credit institutions. In this respect, structured finance transactions have been boosted in the areas of corporate finance, property and commercial real estate finance, LBOs, and project financing for energy and infrastructure. Services in the Investment Banking area have also been expanded, offering advice in transactions involving direct lending, M&A, bonds and commercial paper, among others.

Where sustainability is concerned, Banco Sabadell has participated in the market as a key player in the drive towards a more sustainable economy, providing finance for projects developed for purposes directly or indirectly linked to environmental, social or governance improvements. Thus, in 2024, the Bank increased financing for projects that pursue a purpose aligned with the EU taxonomy and financing linked to sustainability objectives.

2024 was also a key year for reinforcing the commitment to companies. February saw the launch of the Commitment to Companies, which translates the Bank’s value proposition for Business Banking customers into a written summary of seven commitments delivered day after day. These commitments address what customers have asked for. Among others, they include professionalism, with a dedicated service team to manage operations and respond to queries expeditiously; support for customers, with a specialised business manager available for customers and always at their side; speed, by responding in less than seven days to financing requests and informing customers if a longer period is required for a decision; and, providing advice, with a team of experts, such as the International team, which is on hand to offer innovative solutions.

All this has been reinforced with a Communication and Media Plan to strengthen positioning and leadership in the Business Banking segment. In addition, the Bank has kept a continuous presence in economic, national and local media and has carried out a regional external events plan, as well as delivering the annual Banco Sabadell Business and Entrepreneur Awards in partnership with different editorial groups. Finally, Banco Sabadell is to participate, as a promoting brand, in the 7th edition of the National Industry Congress organised by the Ministry of Industry and Tourism. At the congress, Banco Sabadell will participate in two round-tables related to business sustainability and internationalisation, and will have its own stand. It will also participate in a round-table for CEOs, together with other brands promoting the event.

Banco Sabadell has been by the side of corporates, managing the full gamut of needs of its customers through sector-specialist managers in order to help them make the best financial decisions. These managers and companies have also received support from more than 200 specialists. In 2025, the sector-specific approach will be further enhanced, providing knowledge of the sector and of the market to customers, with a greater level of professionalism, adding more value and supporting companies in order to become their main financial partner.

Business

Banco Sabadell continued to support the daily activities and new projects of self-employed workers, small retailers and businesses, focusing on the development of the customer value proposition and making a concerted effort, as it does every year, to strengthen the Bank's position as a specialist in the minds of customers of this segment, based on the promotion and consolidation of a business methodology whose key component is a differential offering specifically designed for each activity sector.

The aim is to be able to offer each customer the solution that is best suited to them based on understanding the unique factors that shape their day-to-day activities, building a product offer by actively listening to customers and branch managers, professional groups and sector representatives, and ensuring that they really meet the identified needs. At present, the catalogue of specific solutions considers 34 different activity sectors, prioritising those that offer the greatest opportunity in the current economic environment.

In accordance with this sector specialisation framework and in order to apply it to the market in a tangible way, the approach to both existing and potential customers was enhanced during 2024, with the frequent launch of sector campaigns that, on one hand, serve to galvanise the commercial activity of specialist managers and, on the other hand, help to give a much clearer and more powerful message about the Bank's value proposition for this segment, by specifically targeting an audience with common needs and interests. Examples of this in 2024 include the "Management, Consultancy and Business Services" campaign, the "Small Retailers" campaign , or the "Hospitality, Bars and Restaurants" campaign, which have made it possible to make significant year-on-year increases in customer acquisition in these sectors under the concept of customer proximity as a common denominator, supported by expansion of the product range with innovations such as the Smart PoS, a smart payment terminal that can adjust to each user combining multiple applications, reinforced this year by the launch of new devices, including the Smart Dual-Screen PoS or the Smart Mini PoS, which can be mixed and matched, thereby maximising the ability to adapt payment solutions to each business, as well as the innovative "SoftPoS" app, giving the Bank's customers a PoS at their fingertips by installing the app on their mobile phone.

In addition, during 2024, relationship managers specialised in assisting self-employed workers, small retailers and businesses were once again the most numerous and representative management figure of the entire branch network, thus demonstrating the Bank's clear vocation for and commitment to a customer segment that attaches great value to proximity and personalised assistance by an expert manager. New features were added to the management support system available to these relationship managers, designed to help them better understand the key aspects of each sector, thus providing the best response to the specific needs of each one, including a university-accredited expert training programme on how to advise businesses and self-employed professionals.

In parallel and in line with the development and consolidation of new financial service consumption habits, Banco Sabadell continued to drive the digitalisation of customers during the year, both to respond to their needs for self-service transactions and to enable new products and services to be arranged and managed remotely. On this topic, it is worth mentioning the significance of the launch in the first quarter of a digital channel to attract and engage self-employed customers, allowing the Bank not only to significantly increase its sources of customer acquisition but also to fill a gap in the market with a 100% online process, becoming a pioneer in the sector, and with the support of a new specific online account for this segment, offering the best conditions in the market.

In 2025, the main challenges in relation to this segment are strengthening the specialisation of both the offering and managers, consolidating a digital model for the management and engagement of self-employed customers that can guarantee the best customer experience by combining it with the capillarity of the Bank's branch network, and to continue to drive forward the sophistication of the value proposition in collections and payments as a key product for this segment.

SabadellUrquijo Banca Privada

Following the launch of a new Private Banking model in 2023, a key development in 2024 was the consolidation of that model. Banco Sabadell has set itself the objective of continuing to grow steadily in Private Banking and, to that end, it has undertaken an in-depth review of the value proposition, encompassing all products and services, making significant investments in technology, products, training and events, among other things.

The main growth vector has been the acquisition of new clients. With regard to the review of the value proposition, special attention has been paid to differentiated Private Banking products, such as alternative investments and discretionary portfolio management. In discretionary portfolio management, the launch of the *Carteras Sabadell* portfolios in April is particularly noteworthy, aimed at tailoring the service to customers' needs and upgrading its delivery relative to the Banco Sabadell Gran Selección funds, with one offer for the mass market, another for the Affluent segment and yet another specifically for Private Banking. Each one has different risk profiles and can be easily tailored to different customers, with the option of introducing a thematic bias in the portfolio and a selection of payment formulas to choose from. Improvements have also been made to the customer experience during the portfolio arrangement process and the option of setting up regular contributions has been introduced. Additionally, a new reporting regime has been launched and the process to contract the service and monitor portfolios using the internet or mobile app has been reviewed.

On the other hand, the Bank has continued to develop the advisory tool for bankers. This tool will allow us to improve the advisory services provided to customers and will also simplify the work of bankers so that they can devote more of their time to their clients.

With regard to the investment funds on offer, there are Sabadell Asset Management funds, with exclusive products for Banco Sabadell customers, and also Amundi Group funds, in addition to an extensive range of third-party funds. In 2024, the interest rate environment presented opportunities across the entire fixed income spectrum, from money market funds to target return funds. Because of this, the range of target return funds was expanded, offering different levels of risk. Additionally, a new range of 12-month guaranteed funds with daily availability of liquidity has been rolled out, which represents a novelty in the Spanish mutual fund market.

In terms of the transactional offer, products such as accounts and cards exclusively for Private Banking clients have been maintained, combined with the best services on offer in the Bank's product range. And with regard to financing products, Private Banking clients have continued to have access to special prices, thus ensuring that these transactions remain competitive for those clients, where financing transactions are a differentiating element and help to capture new funds from those clients. In addition, the specific risk management workflows created in 2023 for staff specialised in Private Banking have been operating efficiently and with excellent transaction approval times.

Since the beginning of 2024, Urquijo Gestión, the Collective Investment Undertaking management company that offers a differentiated service to Private Banking clients, has implemented a new structure that has successfully achieved two objectives: it ensures consistency in the investment process, as investors have focused on market analysis and selection of the best investment opportunities; and, it has created a direct line of communication with each Private Banking territory. Portfolio managers in charge of client relationships have been placed on site in each territory to support the acquisition of new portfolios and to take part in periodic meetings.

These changes have enabled the attainment of some ambitious targets for asset growth and number of mandates for 2024 in the tailored discretionary portfolio management service, with the aim of increasing the prevalence of this service.

In terms of portfolio returns, the results across all risk profiles have been excellent, in both absolute and relative terms, that is, in comparison with the benchmark indices, thanks to the structural overweighting in equities and, specifically, the US stock market which has been supported by higher growth and productivity, and a careful selection of investments in both funds and securities.

Being close to clients is key for SabadellUrquijo Banca Privada. To achieve this, in 2024, more than 150 events and meetings were arranged, both in-person and online. These events addressed financial topics, through face-to-face chats and breakfast meetings where the outlook for financial markets was discussed, as well as other more leisurely events related to art, culture or sports. Many of these events took place in collaboration with Amundi and the Banco Sabadell Foundation. The Prado Museum of Madrid, the Guggenheim Museum of Bilbao and the Maestranza Theatre of Seville were some of the spaces booked for these events, which were highly rated by those taking part.

The improved value proposition has been reflected in customer satisfaction metrics that show that the level of clients’ satisfaction with their asset manager has risen to 8.95 and the NPS has improved by 9 points.

This transformation was recognised by the Global Private Banker which awarded SabadellUrquijo Banca Privada the accolade of best Private Banking firm in Spain.

The Private Banking unit proved to be a driver for Banco Sabadell’s growth, helping to position it as a leading institution in Spain when it comes to Private Banking.

Institutional Business

The goal of the Institutional Business division is to develop and enhance business with public and private institutions, positioning Banco Sabadell as a leading institution in this line of business.

Managing this line of business requires the specialisation of products and services in order to offer a comprehensive value proposition to public authorities, financial institutions, insurance firms and mutual insurance companies, as well as religious and third-sector organisations.

2024 was a very busy year for all institutional businesses. The high level of lending activity to government agencies and the management of customer funds in an environment of falling interest rates were particularly noteworthy. The financial sector has been very active and competitive in terms of funds acquisition, across all institutional businesses. To respond to this new panorama in which the spotlight was on business profitability, Banco Sabadell strengthened its position in these segments, with increased commercial activity, greater proximity and a wider range of solutions, all of which resulted in an increase in customer acquisition, business volume and in the margin generated with its offering of products with more added value for customers and for the Institution.

Public institutions

Public institutions' economic activity in 2024 was marked by the growth of borrowing activity (due in large part to the needs of the autonomous communities), local authority and public entity investment plans, and by the cash surpluses held by the various government agencies.

The result was an increase in assets, as a result of greater lending activity, and a reduction in liabilities, due to high levels of competition for customer funds in the market.

Financial institutions and insurers

With regard to investments, 2024 saw an increased appetite for investments of longer duration, in view of the expectations of interest rate cuts in an environment of contained inflation. Investors continued to prioritise investments in bonds over alternative investments. Interest in deposits increased, with a clear preference for longer terms, in excess of 12 months. In fixed income, investors shifted away from government bonds to corporate bonds, in both the European core and peripheral markets and in emerging markets.

The Financial Institutions and Insurers division has carried out strategic account management in this segment, adapting the new lower rate of account remuneration on a discretionary basis and according to customer interconnectedness, above all in terms of transactionality. This interconnectedness has facilitated the marketing of value added products for these institutions. Various portfolio management mandates have been obtained as a result. In 2024, both the Crisae senior debt fund and the Aurica IV private equity fund (marketed by Banco Sabadell) took positions in some interesting operations. Lastly, infrastructure operations brought to market in relation to renewables and real estate with customers in this segment are worthy of note.

Religious institutions and the third sector

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

Uptake of the DONE system for collecting charity donations, which works with contactless technology, continued to grow throughout the territory, helping non-profit organisations to raise funds for their projects.

The Religious Institutions and Third Sector division coordinated the delivery of financial aid for the charitable causes supported by the Sabadell Inversión Ética y Solidaria, FI fund, managed by Sabadell Asset Management, and it also managed the payments made together with beneficiary offices and entities. This year, support was provided to 23 charity projects selected by the Ethics Committee in 2023. A total of 234,703 euros was delivered to those projects. Furthermore, in 2024, the Ethics Committee selected a total of 24 humanitarian projects primarily focused on addressing risks of social and labour exclusion, improving the living conditions of people with disabilities and meeting their basic needs in terms of food, healthcare and education. Sabadell Asset Management will distribute this aid to these projects in 2025.

Segment specialists

Franchising

Banco Sabadell was the first financial institution in Spain to adopt the franchise system. For 28 years, its Franchising division has supported both franchising brands and their franchisers, consolidating itself as a leader and standard-bearer in the sector. This sector, which is becoming increasingly professionalised, has seen constant growth in revenue, job creation and number of brands.

Banco Sabadell currently has more than 11,000 franchising customers, working with more than 1,300 franchised brands, most of which have signed collaboration agreements. The Bank offers a wide range of products and services specifically designed for this sector. These collaboration agreements include preferential terms and conditions in terms of financing, transactionality and security, managed through the branch network with the support of sector-specialised franchise managers.

The Franchising division has been transformed into a partnership model that is key to business generation and customer satisfaction, in order to achieve synergies, energise the commercial offer and increase business generation. This has entailed a radical change to boost collaborative work with other cross-cutting divisions of the Bank, identifying new business opportunities and creating global value propositions for the customer.

Banco Sabadell works closely with the Spanish Franchisors' Association (Asociación Española de la Franquicia, or AEF) and was the first bank to secure a partnership with this association and together they drive this business model.

In 2024, the Sabadell Franchising division took part in several important initiatives organised for the franchising sector:

- Presence at different editions of the 'Franquishop' event, held at various locations.
- Participation in the 1st edition of the Franchise Innovation Summit (FIS).
- Sponsorship of the National Franchise Awards in Spain.
- Promotion of research, such as that carried out by the Franchise Case Law Observatory (Observatorio de la Jurisprudencia de la Franquicia).

In addition, Sabadell Franchising has published articles in the press and in specialist magazines, collaborating with different franchising experts, and has carried out numerous activities disseminated through social networks. These initiatives reinforce Banco Sabadell's renown and leadership in the franchising arena.

Agriculture segment

In 2024, Banco Sabadell's Agriculture Segment, which includes the agriculture, livestock, fishing and forestry production subsectors and has more than 300 specialised branches, increased its customer base, as well as the portfolio of specific financial products and services with features tailored to the demands of customers in the sector.

Banco Sabadell's firm commitment to this sector, in particular through its personalised customer support, led to a significant increase in business compared to 2023, with customers continuing to put their trust in the Bank, and this has been reflected in an increase in the customer base compared to the previous year.

During 2024, Banco Sabadell's Agriculture Segment participated in three agrifood fairs and sponsored 51 events throughout the nation.

Banco Sabadell's Agriculture Segment has the clear objective of accompanying customers in this sector in their digitalisation and sustainability activities, taking advantage of the efficient lever that will be generated by the Next Generation EU funds.

Hotel and tourism business

Back in 2013, Banco Sabadell became the first Spanish financial institution to specialise in the tourism business in order to understand, identify and adapt to the needs of Spain's top sector in terms of contribution to GDP, namely the tourism industry. The Bank has consolidated itself as one of the top banks, a leader in the sector, offering expert advice with the highest standards of quality.

The value proposition is primarily based on offering specialised financial solutions to a group that is highly fragmented and not very homogeneous. This value proposition is built on three basic pillars: expert advice, a specialised product catalogue and a rapid response.

2024 was an exceptional year for the tourism industry in Spain, with more than 88.5 million international tourists. The upshot of this has been an increase in average daily spending, number of overnight stays and occupancy rates. Banco Sabadell's Tourism Business division achieved its highest ever level of financing with more than 1 billion euros provided, and it will continue to support both new projects and the upgrading and repositioning of existing hotel sector stock.

The Tourism Business division also has the institutional recognition and participation of leading entities in the industry, as a voting member on the board of Spain's Tourism Council (Consejo Español de Turismo, or Conestur), the Tourism Commission of the Spanish Confederation of Business Organisations (Confederación Española de Organizaciones Empresariales, or CEOE) and the Tourism Commission of the Spanish Chamber of Commerce.

As it does every year, Banco Sabadell was present at the main international tourism fair (FITUR) with its own stand. More than 70 Banco Sabadell employees took part in running the stand, which received its highest ever number of visitors. These visitors hailed from companies in the hotel sector, travel agencies, hospitality sector suppliers and consulting companies.

Sustainability has been established as a core pillar of the development and transformation of the tourism industry. The Bank incentivises the tourism industry and companies operating in it to attain sustainability objectives by asking them to agree to certain commitments based on metrics linked to ESG targets by means of a document annexed to financing contracts.

Sabadell Professional

Banco Sabadell has established itself as a leader in the management of agreements with professional and business associations and bodies at the national level. Its differentiation stems from the close relationship it has with these organisations, based on the support and commitment of Sabadell Professional managers. The core mission is to cater to the needs of professional bodies and associations and their members, through a range of specific and differentiated financial products and services.

In 2024, Banco Sabadell signed more than 400 agreements with professional associations and bodies throughout Spain, a reflection of its commitment to cooperation. It also participated in more than 700 events, forums and workshops, organised jointly with those associations and bodies. This participation not only strengthens its relationships with professional bodies and associations but also facilitates the acquisition of new customers through the branch network and through managers, with an offer that is adapted and relevant to professional customers.

Banco Sabadell maintains strategic positioning in the homeowners' associations and licensed property management segments, which are highly profitable and important sectors for the Bank. These customers benefit from a value proposition focused on improving their day-to-day operations and offering an optimised management experience, for both customers and branch managers. Additionally, financing for property refurbishment has increased significantly, supported by the Next Generation EU funds, which has further strengthened the commitment to the sector.

The Sabadell Professional segment enjoys market recognition, particularly among professional associations, consolidating the Bank's reputation as the "professionals' bank". Over the years, it has received various awards and accolades that are testament to its commitment to the sector, reinforcing its vocation to provide services for companies and professionals. The Bank's strategic decision to focus on this segment is consistent with its mission to support Spain's economic and social development.

This commitment drives Sabadell Professional to maintain strong, close and lasting relationships with professional bodies, which are considered to be essential agents in the economic and social development of the country. This focus continues to steer the management of Sabadell Professional, establishing it as the preferred partner of professional bodies and their members throughout Spain.

Real estate business

The Real Estate division focuses on comprehensively developing the residential real estate development business through a specialised and highly-consolidated management model.

2023 was a year marked by product shortages, affecting the level of real estate developer sales and, therefore, the volume of completed deals. By contrast, the initial forecasts were surpassed in 2024 and expectations for 2025 are promising.

The Investment Property division focuses its efforts on generating new business and consolidating the completion of residential properties so as to minimise any potential negative impact, as well as monitoring sales in progress.

The main strategy is to maintain the Bank's leading position in the sector, a position that exceeds its expected share of business in the segment, and to consolidate its market share, prioritising the best business opportunities by pinpointing the most notable projects and most solid customers, minimising risk and maximising profit for Banco Sabadell.

BStartup

Banco Sabadell's BStartup, a pioneer in the Spanish banking industry, is a company offering financial services for startups and scaleups. A unique project launched 11 years ago, it offers a 360° service of specialised banking and equity investment and plays a very active role in the country's innovative entrepreneurial ecosystem.

Specialising in banking has been BStartup's mainstay from the outset. Its customers have a strong level of engagement, they are very international and their activities are often complex; they come from all segments and all sectors and they have differentiated business models, development pathways and financing needs. At present, the specialisation is essentially based on a team of managers dedicated exclusively to startups and scaleups in the Territorial Divisions with the highest concentration of this type of company, with its own risk management workflow and a team of four specialists that drive the business throughout Spain.

It ended the year with the launch of the BStartup Hub Madrid, the first Banco Sabadell branch dedicated exclusively to startups and scaleups and their investors. A space of more than 600 square metres for entrepreneurs and technology, accommodating a team of 12 professionals who offer a 360° financial service and who are 100% specialised in startups at all stages. A new open multi-purpose space for Madrid's entrepreneurial ecosystem which seeks to be a meeting place for the startup community with its auditorium, meeting rooms and customer hotdesk.

In terms of equity investment activity, BStartup is aimed mainly at seed-stage tech-related companies with strong growth potential and with scalable and innovative business models. BStartup invests in all types of sectors, above all in digital companies, and focuses on two specific verticals: BStartup Green for startups which, through technology or digitalisation, are able to facilitate the transition to a more sustainable world, and BStartup Health, already a firm leader in investments in healthcare industry startups in the early stages of bringing science to market in Spain (7th call, 105 companies analysed). This year, it has invested in 7 startups, meaning that the BStartup10 portfolio of investees now totals 71 and is already yielding significant returns and a very positive valuation. During the year, three startup holdings were sold outright.

Over the year, BStartup's team organised or actively participated in 106 entrepreneurship events in 17 Spanish cities. This, together with all the activity mentioned above, continues to reinforce Banco Sabadell's reputation and positioning as a leading bank for scaleups and startups. As a reference indicator, BStartup has had 1,697 mentions in the media (print press and online), has amassed 13,710 followers on X, and BStartup has been one of the trending topics about the Bank on social media every month, always with a positive sentiment.

Sabadell Partners

The activity of Sabadell Partners as a customer acquisition lever, through partnership agreements with referral agents, is focused on providing services to the commercial banking branch network, the business banking network and the private banking arm, offering value propositions to facilitate access to Banco Sabadell's range of financial solutions, seeking customer satisfaction and referral agent satisfaction, at all times, as well as service excellence.

The sustained growth over time of the Sabadell Partners division means that it played an essential part in the mortgage results generated in 2024, reaching 42.1% of the Bank's total mortgage origination. Sabadell Partners' top branches deserve special mention, due to the significance of their contribution to new transactions, stemming from their expert advisory services and their specialisation in managing relationships with key mortgage partners.

Commercial products

Business services

Payment services

2024 was a year of innovation in payment services. In the month of May, the Smart Mini PoS terminal and the Smart Dual-Screen PoS terminal were added to the product catalogue, thereby creating a range of smart PoS terminals that can not only manage payments but also offer add-on loyalty, order management and tax free apps, among others. Another new feature is the inclusion of Instant Credit in the Smart PoS, an application developed by Sabadell Consumer Finance which allows retailers to offer all their customers, even those who are not Banco Sabadell customers, instant credit on purchases. In October, the PoS service was incorporated into mobile phones; just using a single application, an Android phone with NFC can be converted into a PoS terminal, thereby bringing access to PoS terminals to many more customers.

The volume managed continues to grow, driven by this increase in terminals and by the boost in national consumption and international tourism, which continues to grow at double digits.

In January 2024, the PoS business was spun off to the subsidiary Paycomet, which is specialised in payment services, as a step prior to the sale of that subsidiary to Nexi under the strategic alliance agreed between Nexi and the Bank with the aim of promoting innovation in a product that is key to its customer relations. This transaction is expected to close in 2025, once the outcome of BBVA’s tender offer to acquire all shares issued by the Bank is known, as indicated above in this Directors' Report.

Corporate credit cards

Turnover in credit card purchases and the margin on corporate credit cards continue to grow, posting a cumulative year-on-year change of 9.1% y 3.1%, respectively. As the use of cards becomes more widespread among its business customers, Banco Sabadell continues to work to offer a value proposition that is competitive in the market and that meets its customers’ needs.

Company insurance

To maintain its position as a leading provider of risk insurance for companies, in 2024 Banco Sabadell worked to provide a comprehensive and competitive product range with high-quality service. It developed its value proposition for self-employed customers and small businesses, enhancing its specialisation in each sector and adjusting the offering to the specific needs of each industry. In particular, the specialised product offering for companies in the agricultural sector was expanded, adding new multi-risk insurance and livestock protection products. It also worked to make its multi-risk protection products for small retailers and businesses more competitive. The team of specialist managers in Company Insurance, located throughout Spain, has continued to be consolidated during the year and was also strengthened with product and support training for the existing insurance policies service.

During the year, the focus was placed on personal protection products, with life insurance and health insurance products aimed at management staff and employees of the Bank’s business customers, offered in the form of both fringe benefits and flexible benefit plans. Equity protection products (multi-risk, civil liability and specialised products) continue to be the core products for Banco Sabadell customers, essential to protect their assets and liabilities vis-à-vis third parties.

Retirement planning

Through the Retirement Planning unit, Banco Sabadell Group offers solutions and responses to customers to help them better implement, manage and develop their retirement planning systems through pension plans and group insurance policies.

In 2024, the demand for retirement planning systems in companies continued to grow, particularly demand for collective retirement insurance and joint pension plans among small and medium-sized enterprises. Part of the business comes from tender processes and bids through consultants, with an increase seen in demand and business generated through this channel.

Both in collective retirement insurance and in pension plans, it is worth noting, as an innovative and unique solution in the market, the life cycle-based investment policies that complement its profiled investment funds.

It is also worth calling attention to the Sabadell Flex Empresa product, available across the branch network. This product consists of a fully digital platform for flexible benefit plans that allows companies to optimise their remuneration model, at very competitive prices. It is a solution that enables managers and employees to maximise their savings and increase their net disposable income by optimising its taxation.

Business finance

In terms of short-term financing, credit facilities have evolved positively since January 2024.

With regard to other working capital financing products, in 2024 the growth of reverse factoring was noteworthy, with market share increasing in a declining segment. In particular, the signature of sustainable reverse factoring transactions was noteworthy. The needs of companies to finance their day-to-day payments and collections has led to greater use of specialist financing solutions, such as factoring and, above all, reverse factoring, which is becoming increasingly important among the different facilities used by companies. By sector, the manufacturing industry has, by far, the greatest weight in the factoring business line.

With regard to the medium and long term, new loan origination grew significantly in 2024 compared to 2023, being particularly relevant in miscellaneous loans and, specifically, in the Corporates segment and the public sector.

In terms of financing for purposes aligned with the Bank's Sustainable Financing Framework, as at year-end 2024, the Bank had mobilised 4.5 billion euros for projects related to renewable energies, energy efficiency, sustainable transportation and water & waste management in the year, surpassing the 2.4 billion euros mobilised in 2023 for the same purposes.

As part of its commitment to support businesses in their transition towards decarbonisation, Banco Sabadell also offers financing linked to the Company's sustainable development goals, which encourages the inclusion of sustainable goals in their business strategy. As at the end of 2024, more than 3 billion euros of financing of this kind had been mobilised.

Banco Sabadell works hard to ensure that customers take full advantage of European funds, through the dissemination of information at Sabadell Companies Hub sessions, or using tools such as the public aid advisory search service or agreements to facilitate guarantees and complementary financing for PERTEs (strategic projects for economic recovery and transformation), for example in the shipbuilding industry, providing funding for innovation and sustainability projects.

Leasing and rental of capital goods

Demand for leasing products in 2024 has increased considerably compared to the previous year, with a substantial increase in the Bank's market share (according to data published by the Spanish Association of Leasing and Renting, or AELR by its Spanish acronym), prompted by greater demand for business financing, by the signing of one-off high-value transactions and by the improved offer in specialised segments and in sustainability. The number of contracts has also increased since the previous year, albeit not as significantly as transaction volume.

In terms of rental of capital goods, these transactions have decreased both at the sector level and from the Bank's side, the drop being particularly significant in capital goods related to IT and tourism.

As regards sustainability, a high percentage of the investment arranged through the leasing and rental of capital goods qualified as sustainable lending.

Vehicle leasing

Having brought stock levels back to normal over the year, efforts have been channelled into offering a tailored product for customers of the Bank that operate large fleets.

This offer is accompanied by advice from specialist vehicle leasing managers throughout Spain, to offer the best solution for those companies, including sustainable alternatives.

Growth has been observed in the self-employed and individual retail customer segments as a result of the uncertainty generated by the transition towards much more sustainable mobility models.

Official agreements and guarantees

The Official Agreements and Guarantees division continues to manage agreements with various public bodies with which the Bank maintains a relationship. The Bank has signed new partnership agreements that enable it to meet the financing needs of its customers.

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

The Bank opted in once again this year to the ICO's second-floor facilities and to the new home rehabilitation facility currently being developed for homeowners' associations, offered to the market since January 2024.

In September 2024, Banco Sabadell signed up to offer the new ICO MRR (Mechanisms for Recovery and Resilience) credit lines for Companies and Entrepreneurs and the ICO MRR Green line. Thereafter, in December, it signed up to offer the ICO MRR Social Housing Rental credit line.

Banco Sabadell was the first institution to sign credit operations using the ICO MRR credit line, for a total of 60 million euros as at 2024 year-end, implemented through 180 loan operations, and it collaborated actively with the ICO to develop the procedures for this line and the MRR Banking platform.

In November, the Bank signed up to offer the ICO DANA line, to provide solutions for customers affected by the flash floods in Valencia. This credit line was developed with the aim of making all methods of banking available to the branch network, providing direct support to the network in order to help customers in this particularly vulnerable and sensitive situation.

The Bank's agreements with Mutual Guarantee Societies (MGSs) operating in Spain were also revised.

In 2024, a very large number of applications for the various EIB facilities made available to customers was submitted. In September 2024, a new special agreement was signed with the EIB and the EIF to offer 550 million euros of new finance to SMEs and ecological projects in Spain.

The aim for 2025 is to stand out in terms of the Bank's market share of ICO facilities through the ICO MRR lines, which enable it to offer customers products with the best terms and conditions to fund their projects.

International

In 2024, the International Business division's activities concentrated on three major areas.

Firstly, capturing working capital transactions in the international segment, both in terms of the products most typically required by companies, such as import/export financing and international factoring, and in terms of the consolidation of working capital facilities and international guarantees covered by CESCE, which are more complex but offer more added value for businesses. This has allowed us to meet the most stringent needs of customers and to play an active part in the international collections and payments that are linked to the financing.

Secondly, improving the customer experience in digital business services with the redesign of international transfers carried out via BSOnline, which has led to a much more intuitive interface for businesses and allows the real-time download of swift supporting documentation for customers, enabling us to improve service quality and optimise delivery times both for the businesses and managers involved. The customer experience has improved rapidly as a result.

Thirdly, mindful of the importance of specialisation and of continuous international geopolitical changes, the Bank has focused on company training with the 7th edition of the Sabadell International Business Program, which was a resounding success, as it has been every year since its inception, in which companies were taught, in a hands-on fashion, how to create an internationalisation plan. The Bank also focused on training its International Business managers who have completed the ESIC PEXNI (*Programa Experto en Negocios Internacionales*) programme, which gives them access to a unique qualification in Spain as specialists in international business, producing a very high level of expertise in the relationship between our specialists and the companies they work with.

In terms of international business in documentary transactions, the Bank continues to have a very high market share in this field, but this year it has also increased its volume of import letters of credit, demonstrating the high level of quality offered by the Institution in more complex transactions.

At the market level, it should be noted that the Bank has demonstrated that it can adapt to more complex markets, such as Algeria, which used to be a closed market for Spanish companies but which has partially opened up to certain sectors where the Bank responded quickly to win back value added transactions with customers interested in this market.

In addition, the Bank has played an active part in a new initiative of the Spanish Chamber of Commerce to develop mentoring in foreign markets, aimed at a number of Spanish companies associated with that Chamber of Commerce. The Bank developed support plans for a wide range of markets, including China, Morocco, Turkey, United Arab Emirates and Europe. The initiative was very well received by the companies involved and the work carried out in partnership was of a very high quality.

In terms of visibility, reporting and training for companies, the Bank has pursued the dynamic of initiatives carried out by the International Business division at the Companies Hub sessions held on Wednesdays, with discussion of matters including logistics, foreign markets and foreign trade products; these events continue to generate a very high level of interest. 14 events were held with more than 4,000 participating companies.

Corporate & Investment Banking

Business overview

Corporate & Investment Banking is the business unit that offers financial solutions and advisory services to corporates and financial institutions, both in Spain and internationally, with a presence in 12 countries.

It is one of the Bank's three core units, alongside Retail Banking and Business Banking. It is a division structured around the different needs of customers and the capabilities of each of these three distinct banking business lines to best meet those needs.

It structures its activity around two pillars, the first of which is the customer. It aims to serve its customers who are natural persons to meet the full range of their financial needs. This pillar is determined by the nature of those customers and includes large corporations classed under the Corporate Banking umbrella, financial institutions, Private Banking customers in the United States and, secondly, the specialised businesses, which group together the venture capital business run through BSCapital, and the activities of Structured Finance, Treasury, Investment Banking, and Trading, Custody and Research. Its goal is to advise, design and execute custom operations that anticipate the specific financial needs of its customers, be they companies or individuals, with its scope of activity ranging from large corporations to smaller companies and customers, insofar as its solutions are the best way to meet their increasingly complex financial needs.

Management milestones in 2024 and priorities for 2025

Corporate & Investment Banking remains focused on prioritising the creation of value for its customers, thus contributing to their growth and future earnings. To do this, it has continued to innovate and promote its specialist capabilities, fundamentally in the areas of investment banking and structured finance, which are able to continue meeting 100% of their customers' financial needs. The Bank's teams are constantly improving and expanding their international reach, always focusing on those markets in which its customers invest or have commercial interests.

The key areas in which it works to create value for its customers are the following:

— Knowledge: the Corporate Banking teams, located in the different countries in which the Bank operates, have not only specialisation in the large corporations segment but also knowledge and penetration differentiated by activity sectors in order to better understand and serve customers according to their own and their sector's singular characteristics.

— Coordination: unique and specialised solutions are required to meet the needs of large corporations, and these can be provided as a result of the participation and collaboration of several areas within the Bank (specialist teams and even teams operating in different geographies). Coordination between all these teams is crucial for providing and bringing value to customers.

— Specialisation: there are units that develop custom products for large corporations and financial institutions (Corporate Finance, Project Finance, Project Bonds, Syndication, Commercial Paper Programmes, Debt Issuance, M&A, Asset Finance, Derivatives, Risk Hedging, etc.). The units responsible for developing this entire range of products do so for the entire Banco Sabadell Group, extending their capabilities to the Corporate and Institutional Banking segment.

— Innovation: transitioning from idea to action is vital to grow in such a dynamic and demanding market as that of specialised lending and large corporations. The necessary spaces and mechanisms are created to allow teams to dedicate part of their time to innovation, understood in its broadest sense: innovation in products, in operations and also in the way of collaborating and interacting with others.

— Sustainability: customers are offered support and advice to move towards a more sustainable economy, generating solutions through specialised products and services.

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

Lastly, the priorities for 2025 are set out in detail in the following sections of this report.

Customer pillar

Corporate Banking Europe

Corporate Banking Europe is the customer unit, within Corporate & Investment Banking, responsible for managing the business segment that caters to large corporations which, given their size, uniqueness and complexity, require a tailored service, complementing the range of the more traditional financial products and transaction banking products with services provided by specialised units, thereby offering an end-to-end solution to their needs. The business model is based on a close and strategic relationship with customers, providing them with end-to-end solutions adapted to their needs and requirements, taking into account the specific aspects of their economic activity sector and the markets in which they operate.

This unit covers various branches, notably including the London, Paris, Casablanca and Lisbon foreign branches, which support and cater for the international activity of domestic customers and where the international Corporate Banking business is carried out.

2024 was characterised by active customer support focused on seeking optimal solutions to restore stability to their financial profiles, adapting those solutions to their needs, in an environment of slowing inflation and gradual stabilisation of interest rates, above all in the second half of the year.

As a consequence of this active support, volumes of lending in Corporate Banking Spain have increased by 18.23% compared to the previous year. Similarly, at the international level, at year-end lending had increased by 16.31% in comparison to the previous year.

As for profitability, Corporate Banking Europe had a ROTE of 18.04% as at the end of December 2024 (an increase of 306 basis points compared to December 2023).

2025 presents a number of opportunities, among them the progressive lowering of interest rates in the Eurozone, which has already happened during 2024 as a result of the gradual containment of inflation, which directly affects consumption and production. Corporate Banking is tackling these challenges by supporting its customers at both the national and international levels, with a product offering that covers 100% of their financing requirements, both in the short and long term, to deal with this new macroeconomic situation.

The contribution of value to customers in the large corporations segment and the improved profitability for shareholders are the two fundamental management pillars of this unit, which next year will continue to focus on optimising capital consumption, with the aim of increasing the return on capital employed.

Corporate Banking and Private Banking USA

2024 marked Banco Sabadell's thirty-first year operating in the United States through its international full service branch in Miami and through Sabadell Securities USA, which was set up in 2008 and has been operational ever since. These units manage the financial business activities of corporate banking and international private banking in the United States and Latin America.

The Banco Sabadell Miami Branch is the largest international branch in Florida. It is one of the few financial institutions in the area with the experience and capability to provide all types of banking and financial services, from the most complex and specialised services for large corporations to international private banking products, including the products and services required by professionals and businesses of all sizes.

To supplement its structure in Miami, the Bank has representative offices in New York and in the Dominican Republic.

Sabadell Securities USA, for its part, is a stockbroker and investment advisor in the securities market that complements and strengthens the business strategy aimed at private banking customers residing in the United States, meeting their needs by providing advice on investments in capital markets.

2024 unfolded in an environment of uncertainty in the US macroeconomic context, with a clear focus on the evolution of inflation and levels of unemployment, which prompted the Federal Reserve to start bringing down the official base rate. Ultimately, US interest rate cuts did not begin until the final quarter of the year.

With an asset balance that had already captured the interest rate rises from the previous year, the branch has seen its net interest income fall over the year, despite highly disciplined price control on deposits. Following on from 2023, the high level of interest paid in the banking market and the competitive rates of US treasury bills triggered a migration of balances from non-interest-bearing deposits to money market accounts, term deposits and to investments in securities that offered higher yields. This process resulted in an increasing average cost of deposits.

In addition, although the composition of customers' investment portfolios was focused on investments more heavily weighted in funds with exposure to US treasury bonds, causing a slight reduction in the average fees received on these portfolios, the international Private Banking business continued to grow its fee income through other types of fees and commissions: structured products, transaction fees and advisory services for customers.

The process of operational improvements continued during 2024, with completion of the second stage of the project to update the IT platform in order to improve the features available to customers and to the business and support units.

With regard to the key financial figures, in an environment of considerable uncertainty over the projected performance of the US economy, the volume of business increased by 10%.

The private banking business was a mixed bag, with a slight reduction in deposits and a 10% increase in portfolios of investments in securities.

As a consequence of higher interest rates, the corporate banking business was impacted by the increased volume of loan prepayments.

Despite the above, this business unit increased lending by approximately 20%, meeting the targets set out in the Growth Plan to grow in target segments with appropriate profitability, which has also helped to generate fees and commissions at levels similar to the previous year.

In any event, net interest income in the year grew by 1% compared to the previous year, on the back of the growth in business volume and good liabilities management. As for the net fees and commissions generated, these have increased by around 8% compared with the previous year. All of this benefited gross margin which, combined with a contained reduction of administrative and amortisation/depreciation expenses, had a positive impact on net profit, which grew 7% compared to the previous year.

Specialised businesses

Structured finance

The Structured Finance division encompasses the Structured Finance and Global Financial Institutions units. This division operates globally and has teams in Spain, the United States, the United Kingdom, Mexico and France.

Structured Finance's activity focuses on the study, design and origination of corporate finance products and transactions, leveraged buyouts (LBOs), project & asset finance, global trade finance and commercial real estate, with the capacity to underwrite and syndicate transactions at the national and international levels, as well as being active in the primary and secondary syndicated loan markets.

The Global Financial Institutions unit manages the commercial and operational relationship with the international banks with which Banco Sabadell has collaboration and correspondent agreements (some 3,000 correspondent banks around the world), thus guaranteeing maximum coverage for Banco Sabadell Group customers in their international transactions. This allows it to ensure it provides customers with optimal support in their internationalisation processes, in coordination with the Group's international network of branches, subsidiaries and investees.

In 2024, thanks to its policy of supporting customers and adapting to their needs so as to seek the best way to meet their credit requirements within the possibilities offered by the credit markets in the specific macroeconomic environment, Banco Sabadell has improved its leadership position in Spain, as well as in Mexico and the United States, and is now reviewing its positioning in UK, France and Portugal, with the aim of increasing activity in these geographies and becoming more active in European one-off transactions.

The Bank's top priority continues to be supporting customers by designing long-term financing structures for new projects, acquisitions and internationalisation, among other things, as well as syndicated transactions that ensure stable and complete debt that can be restructured, where appropriate, assessing the positive potential of possible solutions combined with investment banking, Treasury or BSCapital products, to which end the development of a better commercial system, carried out jointly with Business Banking and Corporate Banking, is essential.

BSCapital

BSCapital carries out the Group's venture capital and private equity activities. Its activity is articulated through the acquisition of temporary shareholdings in companies and venture capital funds, with the aim of maximising the return on its investments. In addition, it also offers support to companies through alternative financing (senior debt fund, venture debt or mezzanine loans).

BSCapital actively managed its portfolio, engaging in its traditional capital and debt-related activities, with the materialisation of investment and disinvestment operations and portfolio revaluations.

It has continued to apply a strategic focus to its investments in private equity funds, the divestment of some of the most significant Aurica III fund investees being particularly noteworthy. The Aurica IV fund, of which Banco Sabadell is anchor investor, continues to make new investments.

BSCapital continues to carry out transactions guaranteed under the InvestEU programme for renewable loans, venture debt and mezzanine facilities granted by the European Investment Fund (EIF). It is also making use of the co-investment framework with the European Investment Bank (EIB) to grant venture debt to scaleups.

In renewables, it continues to seek investment opportunities suited to the current action framework, focusing on Spain and Latin America, and it is analysing potential asset sales. It is also working on the definition of a new action framework for the next five years.

The debt fund Crisae continues to originate and execute transactions to offer funding to companies in the Spanish midmarket. Banco Sabadell Group and institutional investors have a stake in Crisae and the fund’s investment commitments increased during 2024.

Throughout 2025, BSCapital will continue to invest in capital and debt, with the support of international bodies such as the EIF and the EIB, and it will continue to focus on optimising capital consumption. It will also continue to manage the current portfolio to generate long-term value.

Funding opportunities will continue to be sought, in accordance with the frameworks of investment in mezzanine debt and renewable energies, with the expansion of the latter.

Focus will be placed on venture debt activity and the rotation of the venture capital portfolio through divestments that produce capital gains.

Crisae will continue to originate and execute transactions aimed at increasing the size of the debt fund, as well as manage the current portfolio.

Treasury & Markets

Treasury & Markets is responsible, on one hand, for structuring and selling treasury products to the Group’s customers, through the Group’s units assigned for this purpose, both from commercial networks and through specialists and, on the other hand, for managing the Bank’s short-term liquidity, as well as managing its regulatory ratios and ensuring they are compliant. It also manages the risk associated with the trading of interest-rate, forex and fixed-income products, which mainly arises due to flows of transactions originated by the activities of the structuring and distribution units with both internal and external customers, and by activities related to short-term liquidity management.

In 2024, the Treasury and Markets division continued to work on the digitalisation and optimisation of its transactions with customers, seeking to expand its range of services and improving customer experience. Furthermore, the division continued to expand the range of products and solutions it has on offer, adapting it to new customer needs arising from a changing market. In terms of trading, the capacity to take on and control various risk factors such as currency, fixed income and interest rates was enhanced.

As for distribution activity in 2025, activity related to foreign currency products is expected to continue being a core pillar of the strategy, although work will continue to increase the range of other available underlying products so that customers may manage their risks more efficiently. With regard to commercial segments, the focus will be placed on increasing capacity in order to provide services to large enterprises and corporates. In trading activity, the aim is to continue to build up the capacity to manage risk in the Bank's own books, reducing hedging transactions with other institutions, and to continue to improve collateral management in order to obtain the highest possible returns.

Investment Banking

Investment Banking forms part of the Corporate & Investment Banking division, which offers the Bank's customers value added products and services that do not involve the Bank's balance sheet. The activity of this division can be broken down into three different teams:

The Corporate Finance division, which combines the following activities: (i) Mergers & Acquisitions (M&A), (ii) Equity Capital Markets (ECM) and (iii) Alternative Financing.

The activity of Mergers & Acquisitions consists of offering advice on company acquisitions and sales, corporate mergers and the incorporation of new shareholders.

In an environment where differences between the price expectations of buyers and sellers were particularly high, the Bank advised in an acquisition carried out by a venture capital fund that is specialised in boosting SME growth and is a leader in its sector in Spain. Support from the Bank's different funding units in raising debt financing enabled this transaction to take place successfully.

Conversely, the sale of a company in the manufacturing sector has provided continuity to a business project faced with uncertainty around the succession of its founding shareholders, and will thus enable the business to grow.

On the other hand, the activities of the Equity Capital Markets division include, among others, activities related to corporate capital transactions and IPOs.

Particularly noteworthy in 2024 was its participation as *co-lead manager* of the underwriting syndicate in an IPO that proved to be Spain's largest since 2015, with a transaction value of approximately 2.5 billion euros, combining a capital increase and a share offering. Also noteworthy in the year was the participation in an accelerated share placement for more than 900 million euros by one of Spain's largest office owners.

Lastly, the Alternative Financing division coordinates the channelling of liquidity of institutional investors wishing to take on risk in situations where banking institutions typically do not. Investment Banking continues to focus on offering tailor-made financing solutions, in any format, in various sectors, from real estate to infrastructure, focusing particularly on renewable energy projects and corporate finance in the domestic mid-corporates segment.

All the above activities were merged into one single division, Corporate Finance, to offer Banco Sabadell customers all of the value-added solutions available according to their corporate needs, in terms of both capital and debt.

The second division, Debt Capital Markets (DCM), encompasses activities involving the origination and structuring of public instruments in trading markets. In terms of the Bank's participation in transactions involving corporates, those involving public sector and financial issuers, in both long- and short-term financing operations, with a particular focus on sustainability label issues, are considered particularly noteworthy. One of the markets in which the Bank is most active is that of commercial paper programmes, participating in the programmes of 50 different issuers. Another of the core pillars of this activity is the closing of niche transactions, such as securitisations.

In 2024, in view of expectations that interest rates would fall, the DCM division suffered the withdrawal of some investors who, in many cases, decided to postpone the issue of bonds and debentures. In addition, high interest rates have also affected investor appetite for existing commercial paper programmes, due to alternative investment products offering high yields.

However, the division has continued to make the most of opportunities that have arisen, such as the corporate activity in France, where it participated in a number of transactions, which is all the more striking in view of the limited presence of the Bank's balance sheet in that country. Also noteworthy is its participation in debt issues of the autonomous communities, where record breaking volumes were achieved.

Lastly, the third division, Syndicate and Sales (S&S), encompasses the distribution of private debt originated by Structured Finance teams among banking and institutional investors, both domestic and international, following the originate-to-distribute philosophy.

The division faced a year of stiff competition in this area of activity, as the appetite for funding bilateral transactions with corporates increased; in view of this, the division pivoted towards increasing its share of secondary market purchasing activity, thereby also increasing the credit exposure of the Bank's balance sheet.

Nevertheless, it continued to play an important role in primary market transactions, with the underwriting and sale of LBOs, or the placement of infrastructure projects among banks and underwriters.

On a separate note, it has continued to seek alternative third-party financing for certain corporate customers' investment projects, increasing the number of providers approached for this type of financing and reaching new agreements with funds to expand the range of situations in which this type of loan might be obtained (renewables, machinery, real estate, etc.)

Overall, Investment Banking continues to develop and expand its capacity to offer a broader range of value added solutions, helping the Bank to position itself as the leading financial institution for companies seeking funding in all situations.

Trading, Custody and Research

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

It has a research department whose aim is to offer guidance and investment recommendations in equity and credit markets. Customers can access this service through a variety of means, including *podcasts*, *webinars*, videos, daily reports, sectoral reports, company factsheets, etc.

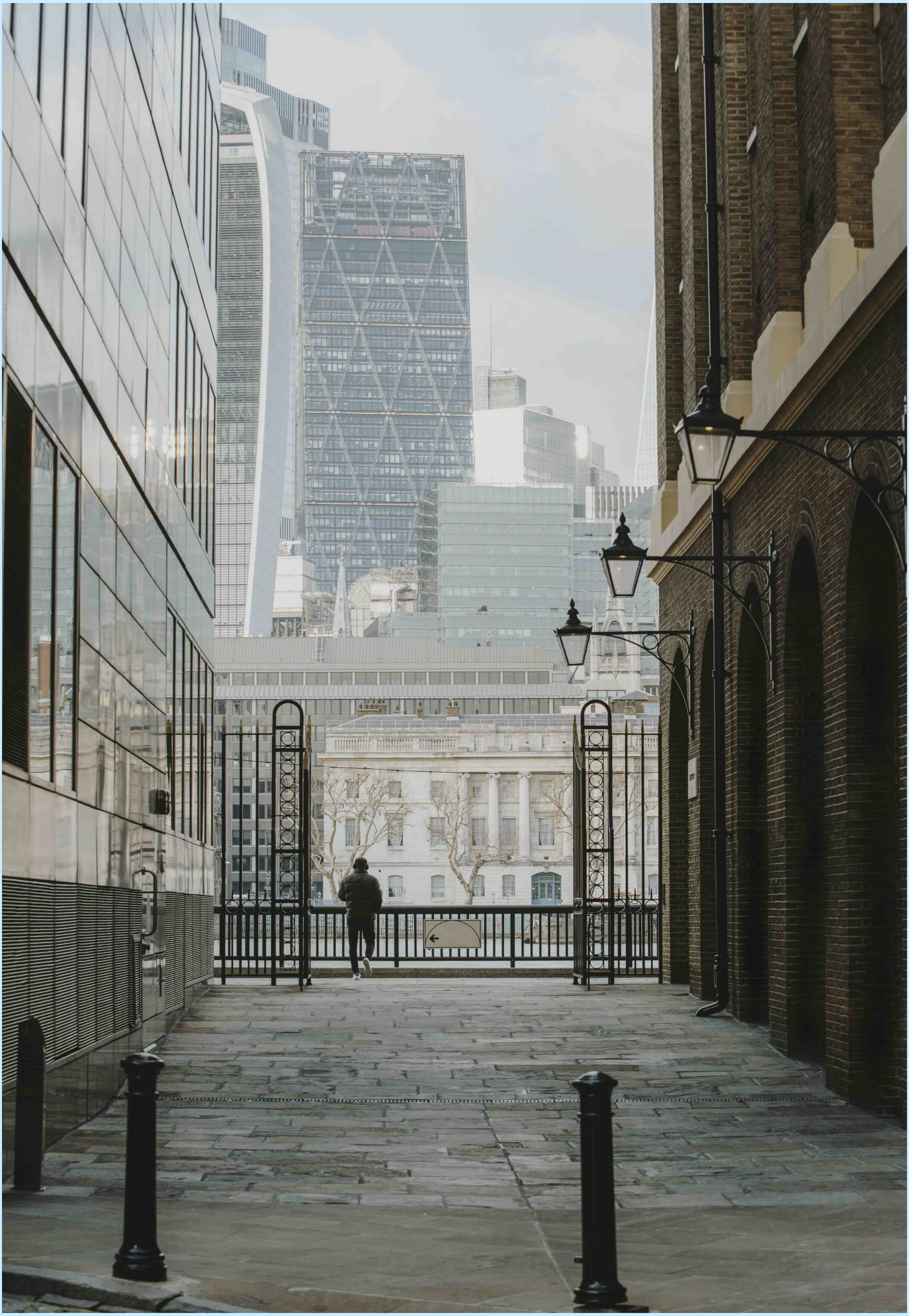
In 2024, a number of initiatives and projects were implemented focused on improving the level of service offered to customers, increasing the range of brokerage products, attracting new customers and facilitating transaction capacity. Commercial activity with private banking customers who frequently trade in securities has continued to boost the exclusive direct access service for these customers through the equity trading desk, for both execution services and recommendations.

2024 has continued on the same trend observed in the previous year, with a continuing decline in the volume traded on the Spanish stock market (BME). In any event, Banco Sabadell maintains a similar market share in that market, specifically, 8.3% in 2024 compared with 8.2% in 2023.

A very high percentage of equity transactions carried out through self-service channels was observed, with 93% of orders channelled directly by customers using tools provided by Banco Sabadell, the mobile app being the preferred channel for these transactions.

The main objective for 2025 will be to increase brokerage volumes in the equity markets, both in Spain and internationally, and optimise the customer's online experience with the completion and launch of the new Sabadell Broker platform, including more analytical information and providing better and more sophisticated brokerage capabilities and services. In addition, the changes required under the Reform III project (Law 6/2023 of 17 March on Securities Markets and Investment Services) will be implemented.

In terms of income, 2024 was a positive year with fees and commissions increasing by around 10%. Furthermore, the forecasts for 2025 are optimistic and both volumes and fees & commissions are expected to grow.



4.2 Banking Business United Kingdom

Business overview

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

The multi-channel offer enables TSB to provide a better service to its customers. Customers want a bank that gives them access to both skilled people and simple digital tools to meet their banking needs, which allows them to manage their money with more confidence. TSB continues to invest in the development of digital products and services to meet customers' current and future needs. To that end, the entity combines the best of digital banking with a revitalised presence in commercial areas of the UK, in addition to a telephone helpline and a video-call facility. All this allows TSB to serve its customers with that all-important human touch when it matters most to customers, ensuring it lives up to its purpose of "Money Confidence. For everyone. Every day".

TSB offers current and savings accounts, personal loans, mortgages and debit/credit cards for retail customers, as well as a wide range of current and savings accounts and loans for SME customers.

Management team priorities in 2024

Throughout 2024, TSB has continued to support customers and successfully execute its 2025 Strategy, which is centred around service excellence, customer focus, simplification and efficiency and doing what matters for people and the planet.

Thanks to a clear focus on cost discipline, TSB's financial position remains strong. The entity has once again delivered an excellent set of results, with profitability improving each quarter, demonstrating the resilience that underpins its business model.

With the strong foundations put in place over recent years, TSB is well placed to realise its potential as it continues to meet the evolving needs and demands of its customers.

Executing the strategy

TSB is a simpler, more efficient and more resilient bank and has become more streamlined in the way it supports its customers, combining modern digital services to meet growing customer demand, and efficient personal support in branch or over the phone. The continued growth of video banking provides customers with even greater convenience and choice in how they engage with the bank.

In 2024, TSB:

— Opened more than 1.19 million new products for its customers across core product lines, including 244,000 personal current accounts in a highly competitive market.
— The entity has enabled customers to perform more daily transactions whenever and wherever they find it most convenient to do so; consequently, in 2024, 91% of new products taken by TSB customers were arranged remotely.
— Further strengthened its digital banking offer, including a range of improvements to make its website and app more accessible.
— Helped more than 7,600 first-time buyers get onto the property ladder, thanks to its award-winning mortgage intermediary and operations team.
— Has the seventh largest network of physical branches in the United Kingdom, with 186 branches in commercial areas, complemented by pop-up branches and TSB pods.

With inflation now at more contained levels, the Bank of England cut the official rate twice in the second half of 2024, lowering it to 4.75%. Market expectations remain unsettled, but it is anticipated that the official rate will remain higher than it was in the years before the recent hikes.

The unemployment rate remained at relatively low levels in 2024 while house prices increased. Nevertheless, the pace of economic activity in the United Kingdom slowed during the second half of the year.

The ‘money confidence’ that TSB offers its customers is particularly relevant in this economic context. Its solid capital and liquidity position indicates that the entity is well positioned to reach its ambitious growth targets going forward.

Key figures

The contribution to net profit amounted to 253 million euros as at the end of 2024, representing year-on-year growth of 29.9%.

Net interest income came to a total of 1,163 million euros, 0.9% lower than in the previous year, due to the higher cost of deposits and wholesale funding and reduced average volumes, which offset the increase attributable to the higher credit yield. However, net interest income in the last quarter of 2024 reversed this trend, rising by 3.5%.

Net fees and commissions amounted to 107 million euros as at 2024year-end, representing a year-on-year reduction of 13.6%, due to a reduction in card fees, which incorporate an increase in costs.

Total costs amounted to 887 million euros, falling by 5.8% year-on-year due both to the reduction in staff and general expenses and a decrease in amortisation/depreciation. Total costs include -21 million euros of non-recurrent restructuring costs in 2024 and -33 million euros in 2023, and as such the reduction in recurrent costs is -4.7%.

Provisions and impairments amounted to 37 million euros, representing a year-on-year improvement due to fewer credit provisions, mainly explained by the revised macroeconomic scenario.

Million euro

	2024	2023	Year-on-year change (%)
Net interest income	**1,163**	**1,174**	**(0.9)**
Fees and commissions, net	107	124	(13.6)
Core revenue	**1,270**	**1,298**	**(2.1)**
Profit or loss on financial operations and exchange differences	39	16	141.0
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(23)	(23)	(0.4)
Gross income	**1,286**	**1,291**	**(0.4)**
Operating expenses, depreciation and amortisation	(887)	(941)	(5.8)
Pre-provisions income	**399**	**350**	**14.1**
Provisions and impairments	(37)	(75)	(50.2)
Capital gains on asset sales and other revenue	(8)	—	—
Profit/(loss) before tax	**353**	**274**	**28.8**
Corporation tax	(100)	(80)	26.0
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	**253**	**195**	**29.9**
ROTE (net return on tangible equity)	12.0 %	10.0 %	
Cost-to-income (general administrative expenses / gross income)	59.5 %	62.1 %	
NPL ratio	1.5 %	1.5 %	
Stage 3 coverage ratio, with total provisions	34.3 %	41.8 %	

(*) The exchange rates applied to the income statement are EUR/GBP 0.8463 (average) and EUR/GBP 0.8706 (average) in 2024 and 2023, respectively.

Gross performing loans increased by 4.8% year-on-year, benefiting from the appreciation of the pound sterling as, considering a constant exchange rate, they remained broadly stable.

On-balance sheet customer funds increased by 5.7% year-on-year, driven by demand deposits and term deposits. At constant exchange rates, the growth was 0.8%.

Million euro

	2024	2023	Year-on-year change (%)
Assets	**55,604**	**54,855**	**1.4**
Gross performing loans to customers	43,380	41,381	4.8
Liabilities and Equity	**55,604**	**54,855**	**1.4**
On-balance sheet customer funds	42,123	39,864	5.7
Wholesale funding in capital markets	5,859	4,545	28.9
Allocated own funds	2,543	2,368	7.4
Off-balance sheet customer funds	**—**	**—**	**—**
Other indicators			
Employees	4,729	5,426	(12.8)
Branches and offices	186	211	(11.8)

The EUR/GBP exchange rate used for the balance sheet is 0.8292 as at 31 December 2024 and 0.8691 as at 31 December 2023.

4.3 Banking Business Mexico

Business overview

The business was established in Mexico through an organic project with the creation of two financial vehicles: first, a SOFOM (multi-purpose financial company), which commenced operations in 2014, and subsequently, a bank. The banking licence was obtained in 2015 and the Bank began operating in Mexico at the beginning of 2016.

Both vehicles operate under a customer-centric model, with agile processes, digital channels and no branches. The rollout of business capabilities considers the vehicles mentioned above, present in 10 Mexican banks, and the following business lines:

— Corporate Banking, aimed at corporates and large enterprises, with specialisation in different sectors.
— Business Banking, which mimics the Group’s original business banking relationship model and has been consolidated year after year since its launch in 2016.
— Retail Banking, which features entirely digital customer acquisition, launched in the second half of 2024, which pays interest with no minimum balance, has zero fees and commissions and offers 24/7 availability of funds. To position the product successfully, there has been significant investment in marketing over the year.

Management priorities in 2024

The Mexican subsidiaries (Banco Sabadell S.A., I.B.M. and Sabcapital S.A. de C.V., SOFOM, E.R.) performed well, despite an increase in administrative and marketing expenses associated with the rollout of a new source of retail deposit-taking.

During 2024, the Mexican subsidiaries continued to focus on growth, financial self-sufficiency and profitability. It is worth noting the following initiatives implemented during the year:

— In Corporate Banking, activity in Banco Sabadell's Fiduciary division stabilised as did activity involving derivative financial instruments and the rollout of currency forward transactions, leading to a more comprehensive service for structured finance transactions and strengthening the link with customers.
— In Business Banking, the improvement in transactional capabilities has been consolidated, offering an excellent service, a quality that has set it apart since the segment was first launched.
— During 2024, work was carried out on the launch of Retail Banking to attract new customers, offering attractive interest rates and the ability to access funds at any time, deploying the corresponding human and marketing resources to that end.

In 2024, a financial planning exercise in line with that of the Group was carried out to determine the main strategic courses of action for Banco Sabadell in Mexico, which will allow more value to be generated for the Group's Mexican franchise. These are summarised below:

— The rollout and promotion of Retail Banking, in order to contribute to an improved cost of funding, by marketing attractive rates for customers.
— Increasing the generation of income without capital consumption by generating more income from fees and commissions and by promoting new products, such as derivatives, currency trading and fiduciary services, among others, as well as treasury strategies to obtain a better return on investments and repo transactions.

On 1 July 2024, HR Ratings ratified the credit ratings of Banco Sabadell Mexico and Sabcapital of HR AAA long term and HR +1 short term with a stable outlook, based on the operational and financial support that it receives from the parent company in Spain, its sound solvency position, improvement in net interest margin and highly-rated Environmental, Social and Governance policies.

On 19 December 2024, S&P issued its long- and short-term credit ratings using the Mexican domestic rating scale, with the entity's long-term rating remaining at MxAA with a stable outlook and the short-term rating placed at mxA-1+, based on a positive trend in operating income thanks to the consolidation of its market position in business lending to companies in the Mexican banking system.

Looking ahead to 2025, authorisation has been obtained from the regulator to proceed with the merger of Banco Sabadell, Institución de Banca Múltiple and Sabcapital, S.A. de C.V., SOFOM, E.R., effective as from 1 January 2025. The purpose of the merger is primarily to make operational, administrative and regulatory processes more efficient by having a single vehicle, and to give the resulting entity's results and indicators market visibility.

In addition, an issue of subordinated bonds for 50 million dollars is planned in the first quarter, with the aim of mitigating possible exchange rate volatility through this private placement, which will be purchased by Banco Sabadell with the intention of treating these debt instruments as part of 'non-core basic capital'. Authorisation by the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores de México) must be obtained for this issue.

Key figures

The contribution to net profit as at 2024 year-end amounted to 57 million euros, representing year-on-year growth of 28.8%, mainly supported by core revenue growth.

Net interest income came to 206 million euros, growing by 5.0% year-on-year, mainly due to larger average volumes and a higher credit yield.

Net fees and commissions amounted to 18 million euros as at 2024 year-end, increasing by 3 million euros compared to the previous year due to increased commercial activity.

Total costs stood at 126 million euros, representing a year-on-year increase, mainly driven by higher general expenses, particularly marketing costs.

Provisions and impairments amounted to -24 million euros as at the end of 2024, representing a year-on-year increase due to the impairment of single-name borrowers.

Capital gains on asset sales and other revenue fell during the year due to fewer write-downs of IT assets.

Million euro

	2024	2023	Year-on-year change (%)
Net interest income	**206**	**196**	**5.0**
Fees and commissions, net	18	15	24.8
Core revenue	**224**	**211**	**6.4**
Profit or loss on financial operations and exchange differences	13	8	67.3
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(21)	(20)	7.6
Gross income	**216**	**198**	**8.6**
Operating expenses, depreciation and amortisation	(126)	(108)	15.8
Pre-provisions income	**90**	**90**	**(0.1)**
Provisions and impairments	(24)	(19)	27.1
Capital gains on asset sales and other revenue	(4)	(19)	(80.7)
Profit/(loss) before tax	**62**	**53**	**18.5**
Corporation tax	(6)	(9)	(32.8)
Profit or loss attributed to minority interests	—	—	—
Profit attributable to the Group	**57**	**44**	**28.8**
ROTE (net return on tangible equity)	9.7 %	8.9 %	
Cost-to-income (general administrative expenses / gross income)	51.2 %	45.7 %	
NPL ratio	2.8 %	2.4 %	
Stage 3 coverage ratio, with total provisions	59.5 %	74.3 %	

(*) The exchange rates applied to the income statement are EUR/MXN 19.7732 (average) and EUR/MXN 19.1120 (average) in 2024 and 2023, respectively.

Performing loans fell by 7.5% year-on-year, impacted by the depreciation of the Mexican peso, the reduction at constant rates standing at 4.6%.

On-balance sheet customer funds fell by 0.2% year-on-year, while at constant exchange rates they increased by 10.5%, due to an increase in both demand deposits and term deposits.

Million euro

	2024	2023	Year-on-year change (%)
Assets	**6,646**	**6,670**	**(0.4)**
Gross performing loans to customers	4,242	4,587	(7.5)
Real estate exposure, net		—	—
Liabilities and Equity	**6,646**	**6,670**	**(0.4)**
On-balance sheet customer funds	3,199	3,205	(0.2)
Allocated own funds	686	631	8.7
Off-balance sheet customer funds	**—**	**—**	**—**
Other indicators			
Employees	515	435	18.4
Branches and offices	12	15	(20.0)

(*) The EUR/MXN exchange rate used for the balance sheet was 21.5504 as at 31 December 2024 and 18.7231 as at 31 December 2023.

Risks

Risks

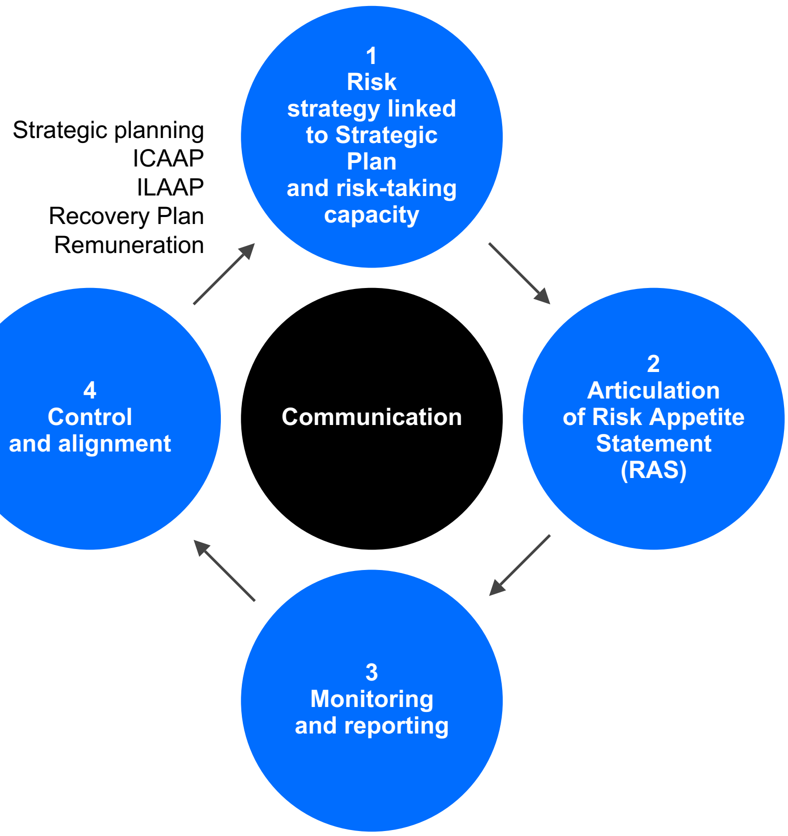
During 2024, Banco Sabadell Group has continued to strengthen its global risk framework by making improvements to bring it in line with best practice in the financial sector.

During 2024, Banco Sabadell Group has continued to strengthen its Global Risk Framework by making improvements to bring it in line with best practice in the financial sector.

The Group continues to have a medium-low risk profile, in accordance with the risk appetite defined by the Board of Directors.

The Group's risk strategy is fully implemented and linked to the Strategic Plan and the Group's risk-taking capacity, articulated through the Risk Appetite Statement (RAS), under which all material risks are monitored, tracked and reported, and the necessary control and remediation systems are in place to ensure compliance therewith:

5.1 Strategic risk management and control processes



5.2 Main milestones achieved in 2024 in relation to risk management and control

The most salient aspects concerning the management of the first-tier risks identified in Banco Sabadell Group's risk taxonomy and concerning the actions taken in this regard in 2024 are set out below:

Strategic risk

Definition: the risk of losses (or negative impacts in general) materialising as a result of making strategic decisions or of their subsequent implementation. It also includes the inability to adapt the Group's business model to changes in the environment in which it operates.

Key milestones in 2024:

(1) Strategy and reputation

— Although there were macroeconomic factors at play in 2024 that threatened to have a negative impact on the Bank's profitability, those threats did not materialise as (i) inflation has stabilised, (ii) global growth was better than expected, (iii) the interest rate cutting cycle began, and (iv) there were signs of improvement in both demand for credit and economic activity, with a better outlook for Spain. Similarly, the successful implementation of levers by the Institution, the stronger credit profile and the delivery of record-breaking results are all reflected in several reputational indicators, for example, (i) the improved outlooks of investors and rating agencies with regard to the Institution and (ii) solid performance of the Institution's shares, which appreciated by 68.64% over the year.
— The Group is exposed to reputational risk inherent in the sector in which it operates, characterised by significant visibility among customers and the general public.
— In recent years, a series of events has led to a change in the relationship model of financial institutions with their customers and investors, with a shift towards reduced face-to-face service in retail banking which has accentuated the materiality of this risk.
— Banco Sabadell Group bases its business model on corporate values such as ethics, professionalism, rigour, transparency, quality and, in general, long-term business relationships that are beneficial to both the Group and its counterparties.

(2) Capital position

- The CET1 ratio stood at 13.02% as at 2024 year-end, particularly driven by organic capital generation. Regulatory requirements in relation to capital are generally being met.
- The Total Capital ratio has improved, ending 2024 at 17.60%.
- As at the end of 2024, the leverage ratio stood at 5.20%, representing an increase of 12 basis points compared to 2023.

(3) Profitability

- In 2024, global growth was better than expected, inflation stabilised and the central banks began to cut interest rates. Demand for credit and economic activity also showed signs of improvement.
- With regard to the tender offer launched by Banco Bilbao Vizcaya Argentaria (BBVA) in May 2024 for the acquisition of 100% of Banco Sabadell's share capital, to date, there has been no indication that the risks posed by this situation will materialise.
- The geopolitical environment appears somewhat unstable due to the conflicts in Ukraine and in the Middle East, and because of the result of the presidential election in the United States, which could exacerbate trade and/or financial tensions at a global level.
- In 2024, the Institution successfully delivered on a number of strategic initiatives introducing, among other things, a series of improvements that have helped to reduce its cost of risk, such as the improvements made to its risk acceptance models for both companies and individuals.
- Against this backdrop, in year-on-year terms, Banco Sabadell has significantly increased its net earnings, driven by (i) sound core results, (ii) increased net interest income, (iii) reduced cost of risk, (iv) an active and growing commercial dynamic, and (v) contained growth of costs.
- All these aspects are clearly reflected in the Group's improved profitability, shown by an improvement of its ROTE, which increased from 11.50% as at 31 December 2023 to 14.93% as at 31 December 2024.

Credit risk

Definition: risk of incurring losses as a result of borrowers failing to fulfil their payment obligations, or of losses in value materialising due simply to the deterioration of borrowers' credit quality.

Key milestones in 2024:

(1) Non-performing assets

- During 2024, non-performing assets were reduced by 1,068 million euros. The NPL ratio for the year stands at 2.84%.

(2) Concentration

- From a sectoral point of view, the loan portfolio is diversified and has limited exposure to the sectors most sensitive to the current economic environment.
- Similarly, in terms of individual concentration, the risk metrics relating to concentration of large exposures showed a slight downward trend and remained within the appetite level. The credit rating of large exposures also improved over the year.

— Geographically speaking, the portfolio is positioned in the most dynamic regions, both in Spain and worldwide. International exposures account for 37% of the loan book.

(3) Lending performance

— Gross performing loans ended the year 2024 with a balance of 156,913 million euros, increasing by 4.7% year-on-year.

— In Spain, gross performing loans in year-on-year terms posted a 5.3% improvement, driven by the increase in lending to corporates and individuals, as well as the healthy performance of foreign branches.

(4) TSB lending performance

— In TSB, at a constant exchange rate, gross performing loans remained stable.

Financial risk

Definition: possibility of obtaining inadequate returns or having insufficient levels of liquidity that prevent an institution from meeting future requirements and expectations.

Key milestones in 2024:

(1) Sound liquidity position

— Sound liquidity position in which the Liquidity Coverage Ratio (LCR) stands at 210% at the Group level (200% at TSB LMU and 248% at Banco Sabadell Spain) and the Net Stable Funding Ratio (NSFR) stands at 142% at the Group level (153% at TSB LMU and 137% at Banco Sabadell Spain), both as at 2024 year-end, having repaid the remaining 5 billion euros of the amount drawn down from the ECB's TLTRO III facility, and having optimised long-term funding of up to 1.67 billion euros secured with the Bank of England.

— The Loan-to-Deposit ratio (LtD) as at the end of 2024 was 93.2%, with a balanced retail funding structure.

— Moreover, Banco Sabadell has fulfilled the capital markets issuance plan that it had set itself for 2024, with strong investor appetite, allowing it to optimise the associated funding costs.

(2) Structural interest rate risk

- In 2024, the Institution's loan book continued to trend towards a higher proportion of fixed-rate transactions, mainly mortgages and business loans, while on the liabilities side, balances of interest-bearing demand deposits (mainly of wholesale customers) and term deposits have increased, contrasting with a reduction in the balance of non-interest-bearing demand deposits, whilst costs have been kept at low levels relative to interest rate trends over the year. In addition, other balance sheet variations in 2024 included the increase in the fixed-income portfolio on the asset side, which acts as a natural balance sheet management and coverage lever, and the implementation of management actions to defend net interest income amidst interest rate cuts.

Operational risk

Definition: risk of incurring losses due to inadequate or failed internal processes, people and systems or due to external events. This definition includes but is not limited to compliance risk, model risk and Information and Communications Technology (ICT) risk and excludes strategic risk and reputational risk.

Key milestones in 2024:

- Operational risk remains a significant risk for the Group, with impacts that can be absorbed in the normal course of the business.
- The current situation of high awareness and increased regulatory pressure, aimed especially at providing greater protection for consumers and vulnerable customers, requires conduct risks to be the main focus of attention. Its current materiality and the expectation that this situation will likely continue requires the focus to remain fixed on these risks, tracking their evolution and adequately monitoring the planned mitigation measures.
- The focus remains on complaints related to floor clauses, mortgage application and arrangement fees, interest rates connected with revolving credit cards and appropriate assistance for vulnerable customers, especially in the UK, given the demanding regulatory environment.
- The creation of the new financial customer protection authority, which is not yet in operation, could have an impact on the complaints received, as it facilitates this process. The materialisation of conduct risks involves a potential reputational risk for the Institution, although it remains in line with the sector.

Compliance risk

Definition: risk of incurring legal or regulatory sanctions, material financial loss or loss to reputation as a result of failing to comply with laws, regulations, internal rules and codes of conduct applicable to the Group's activities.

In accordance with Banco Sabadell's Compliance Policy and observing the EBA's Guidelines on Internal Governance, a Compliance Programme is drawn up, applying the principle of proportionality according to the nature, volume and complexity of activities, containing a detailed schedule of activities, including the review of policies and procedures, risk assessment, control plans and staff training in relation to compliance. This programme covers all services provided and activities carried out by Compliance and defines its priorities based on the risk assessment, in coordination with the Risk Control function. Monitoring exercises are conducted and regular reports on them are made to the Group's governing bodies in order to identify any deviations and resolve them quickly and effectively.

In 2024, efforts continued to be made to promote a culture of ethics and compliance among employees, interacting on an ongoing basis with the main supervisory authorities in connection with the Bank's compliance activity.

Priorities in 2025:

— Ensure the continuing development of the supervision model for subsidiaries and foreign branches in order to reinforce a homogeneous and grouped view of the entities under the scope of supervision.
— Continue to promote the plan to digitalise processes in the area of Anti-Money Laundering and Countering the Financing of Terrorism.
— Develop monitoring metrics to prevent compliance risks at the level of the governing bodies.
— Integrate research and the use of artificial intelligence models in the management and prevention of customer data protection risks.

Other material disclosure

6

Other material disclosures

6.1 R&D and innovation

In the technological field, the focus remains on providing each geography with the functionalities that best suit their market context, supported by enhanced technological capabilities aligned with the latest market standards.

In Spain, the acceleration and digitalisation of processes and products is particularly noteworthy, especially in Retail Banking, and in the development of a new mobile app. It is also worth mentioning the improved resilience of the IT platform, with the launch of a new data centre for disaster recovery. TSB has continued to prioritise efforts to improve business capabilities, while the foundations have been laid to accommodate the technological platform's new architecture. Sabadell Mexico has focused on technological enhancement for Retail Banking activity and has continued to develop capabilities that improve transaction efficiency.

In the domestic context

In 2024, the rollout of the catalogue of digital products and processes in different customer segments has been key, as has the introduction of new capabilities for managers in the branch network, in order to continue enhancing their efficiency. At the same time, work has continued to strengthen and increase the resilience of the technological platform.

Within Retail Banking, the expansion of the catalogue of digital products was a priority, specifically improving capabilities in mortgage and loan granting processes. In turn, other digital self-service processes have been reinforced with the aim of reducing customer dependency on non-digital channels. In Business Banking, the global move towards digitalisation, particularly in the self-employed segment, stands out, with specific new processes enabled, as in the case of digital onboarding.

Advances in the development of a new mobile app have been remarkable and the card transaction geolocation service, as well as a range of improvements in transaction monitoring, have already been rolled out. The deployment of the new architecture is planned to take place at the beginning of 2025.

In the branch network, the deployment of new capabilities for network managers stands out, which has led to the digitalisation of different processes and is aimed at improving customer service and commercial productivity.

With regard to the development of the technological platform, the focus has been on bolstering and underpinning resilience in the rollout of the new disaster recovery data centre, combined with continuous improvement of cyberdefence capabilities and protection against fraud and scams. The development of the journey to cloud, focused on multicloud training and the dynamic provision of environments, or the artificial intelligence management programme that has deployed technological capabilities to enable the industrialisation of the process to provide new semantic models, are also noteworthy.

In 2024, these investments in technology (booked in the accounts as “Other intangible assets”) at the national level (including technology investments in the foreign branches) amounted to 264,359 thousand euros, which was invested in different companies, including 216,752 thousand euros in Sabadell Digital, S.A.U.

In the international context

At TSB, a large part of activities have focused on improving the digital catalogue and the customer journey, as well as offering new multi-channel capabilities that make it possible to tailor the customer experience. Initiatives were also implemented designed to improve the quality and resilience of the IT platform.

Sabadell Mexico has focused on developing programmes to improve digitalisation in Retail Banking, including the new Unconditional Account, as well as improving internal productivity tools.

Technology investments on an international scale during 2024 (booked in the accounts under "Other intangible assets") amounted to 54,464 thousand euros at TSB bank plc, and 27,370 thousand euros invested by the company Institución Banca Múltiple (IBM).

6.2 Acquisition and sale of treasury shares

See Note 22 to the annual financial statements.

6.3 Days payable outstanding

The average time taken to pay suppliers (days payable outstanding) by consolidated entities located in Spain was 24.51 days (22.36 days in the case of the Bank).

6.4 Material post-closing events

The most important developments to have occurred after 31 December 2024 are the change of location of the registered office from Alicante to Sabadell, described at the beginning of this Directors' Report, and the capital reduction described in section 3.1.

6.5 Other reports related to the Directors' Report

The consolidated Non-Financial Disclosures and Sustainability Disclosures Report of Banco de Sabadell, S.A. and subsidiaries (Sustainability Report).

In accordance with the provisions of Directive (EU) 2022/2464 of the European Parliament and of the Council, of 14 December 2022, as regards corporate sustainability reporting (CSRD), Banco Sabadell Group has prepared the Group's consolidated Non-Financial Disclosures and Sustainability Disclosures Report of Banco de Sabadell, S.A. and subsidiaries (Sustainability Report) for the year 2024, which, as established in Article 44 of Spain's Commercial Code, forms part of this consolidated Directors' Report and is included as a separate accompanying document. The standalone information corresponding to Banco Sabadell, S.A. is included in that separate document accompanying the consolidated Directors' Report, which will be filed with the Companies Register of Barcelona.

Annual Corporate Governance Report

The Annual Corporate Governance Report (ACGR) corresponding to the 2024 financial year forms an integral part of the Directors' Report in accordance with the provisions of the Spanish Capital Companies Act. This report is signed off by the Board of Directors on the same date as the annual financial statements and the Directors' Report and is sent separately to the CNMV. From the date of publication of the annual financial statements and the Directors' Report, the ACGR is available on the CNMV's website (www.cnmv.es) and on the corporate website of Banco Sabadell Group (www.grupbancsabadell.com).

Annual Report on Director Remuneration

The Annual Report on Director Remuneration (ARDR) corresponding to the 2024 financial year forms an integral part of the Directors' Report in accordance with the provisions of the Spanish Capital Companies Act. This report is signed off by the Board of Directors on the same date as the annual financial statements and the Directors' Report and is sent separately to the CNMV. From the date of publication of the annual financial statements and the Directors' Report, the ARDR is available on the CNMV's website (www.cnmv.es) and on the corporate website of Banco Sabadell Group (www.grupbancsabadell.com).

www.grupbancsabadell.com

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 indicators to monitor the management of the Group's assets and liabilities, as well as its financial and economic situation, 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 in this section the definition, calculation and reconciliation for each APM.

Performance measure	Definition and calculation	Use or purpose
Gross performing loans to customers	Includes gross customer loans and advances, excluding reverse repos, assets classified as stage 3 and other valuation adjustments (interest, fees and commissions, and other).	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 financial liabilities at amortised cost, excluding non-retail liabilities, such as deposits from central banks, deposits from credit institutions, institutional issues and other financial liabilities.	Key figure in the Group's condensed consolidated balance sheet, the performance of which is monitored.
On-balance sheet funds	Includes customer deposits and debt securities issued.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Off-balance sheet customer funds	Includes off-balance sheet funds under management and third-party funds, such as mutual funds, assets under management, pension funds and insurance.	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. The average balance is the arithmetic mean, calculated as the sum of the daily balances for the reference period and divided by the number of days in said period.	Reflects the profitability of solely banking activity.
Other assets	Comprises the following headings from the asset side of the balance sheet: (i) derivatives - hedge accounting, (ii) fair value changes of the hedged items in portfolio hedge of interest rate risk, (iii) assets under insurance or reinsurance contracts, (iv) tax assets, (v) other assets, and (vi) non-current assets and disposal groups classified as held for sale.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Other liabilities	Comprises the following headings from the liability side of the balance sheet: (i) derivatives - hedge accounting, (ii) fair value changes of the hedged items in portfolio hedge of interest rate risk, (iii) tax liabilities, (iv) other liabilities, and (v) liabilities included in disposal groups classified as held for sale.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Other operating income and expenses	Comprises the following headings from the income statement: (i) other operating income, and (ii) other operating expenses.	Grouping of items used to explain part of the performance of the Group's consolidated results.
Pre-provisions income	Comprises gross margin and the following headings from the income statement: administrative expenses, and depreciation and amortisation.	One of the key figures that reflects the performance of the Group's consolidated results.
Total provisions and impairments	Comprises the following headings from the income statement: (i) provision or reversal of provisions, (ii) impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or gains, (iii) impairment or reversal of impairment on investments in joint ventures or associates, (iv) impairment or reversal of impairment on non-financial assets, (v) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excluding gains or (-) losses on the sale of interests and other items), and (vi) gains or (-) losses on derecognition of non-financial assets and interests, 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 headings from the income statement: (i) gains or (-) losses on derecognition of non-financial assets, net (excluding gains or losses on the sale of investment properties), and (ii) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (including only gains or (-) losses on the sale of interests and other items).	Grouping of items used to explain part of the performance of the Group's consolidated results.
ROA	Defined as a ratio that includes, in the numerator, consolidated profit or loss (past 12 months) and, in the denominator, average total assets. Average total assets: arithmetic mean calculated as the sum of the daily balances over the past twelve months and divided by the number of days in the past twelve months.	Measure commonly used in the financial sector to determine the accounting return on Group assets.

RORWA	Defined as a ratio that includes, in the numerator, consolidated profit or loss (past 12 months) and, in the denominator, average risk-weighted assets. Average risk-weighted assets: the average, over the past twelve months, of a credit institution's total assets, multiplied by its respective risk factors (risk weights). Risk factors reflect the perceived level of risk of a particular asset class.	Measure commonly used in the financial sector to determine the accounting return on risk-weighted assets.
ROE	Defined as a ratio that includes, in the numerator, profit attributable to the Group over the past twelve months and, in the denominator, average shareholders' equity. Average shareholders' equity: average shareholders' equity calculated using the closing balance of the past twelve months.	Measure commonly used in the financial sector to determine the accounting return on the Group's shareholders' equity.
ROTE	Defined as the ratio of profit attributable to the Group over the past twelve months to average shareholders' equity over the past twelve months. The denominator excludes intangible assets and goodwill of investees. Average shareholders' equity: average shareholders' equity over the past twelve months.	Additional measure of the accounting return on shareholders' equity, but excluding goodwill and intangible assets from its calculation.
Cost-to-income ratio	Defined as the ratio of administrative expenses to adjusted gross margin. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the bank levy (BL), except at year-end. The straight-line accrual of the DGF, SRF, IDEC and BL is based on the Group's best estimates.	One of the main indicators of efficiency or productivity of banking activity.
Cost-to-income ratio with amortisation/ depreciation	Defined as the ratio of administrative expenses and depreciation/amortisation to adjusted gross margin. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the bank levy (BL), except at year-end. The linear accrual of the DGF, SRF, IDEC and BL is based on the Group's best estimates.	One of the main indicators of efficiency or productivity of banking activity.
Stage 3 exposures	These include (i) assets classified as stage 3 including other valuation adjustments (accrued interests, fees and commissions, and other) classified as stage 3 of loans and advances not classified as non-current assets held for sale, and (ii) financial guarantees and other guarantees given classified as stage 3.	One of the main indicators used in the banking industry to monitor the status and performance of the quality of credit risk undertaken with customers and to assess its management.
Stage 3 coverage ratio, with total provisions	Percentage of stage 3 exposures that is covered by total provisions. Calculated as impairment allowances of loans and advances to customers (including provisions for off-balance sheet exposures) / exposures classified as stage 3.	One of the main indicators used in the banking industry to monitor the status and performance of the quality of credit risk undertaken with customers and shows the provisions that the Institution has allocated for loans classified as stage 3.
Stage 3 coverage ratio	Percentage of exposures classified as stage 3 that are covered by stage 3 provisions. Calculated as impairment allowances of stage 3 loans and advances to customers (including provisions for stage 3 off-balance sheet exposures) / exposures classified as stage 3.	One of the main indicators used in the banking industry to monitor the status and performance of the quality of credit risk undertaken with customers and shows the provisions that the Institution has allocated for loans classified as stage 3.

Non-performing assets	The sum of risks classified as stage 3 plus non-performing real estate assets. Non-performing real estate assets: foreclosed properties or properties accepted in payment of debt and properties classified in the portfolio of non-current assets and disposal groups classified as held for sale, except for investment properties with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment.	Indicator of total exposure to risks classified as stage 3 and to non-performing real estate assets.
Non-performing real estate coverage ratio	Obtained by dividing provisions for non-performing real estate assets by 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.	One of the main indicators used in the banking industry to monitor the status and performance of the quality of real estate risk and shows the provisions that the Institution has allocated for real estate exposure.
NPA coverage ratio	This ratio considers impairment allowances for customer loans and advances (including allowances for the impairment of off-balance sheet exposures) plus provisions associated with non-performing real estate in the numerator, while the denominator considers total non-performing assets.	One of the main indicators used in the banking industry to monitor the status and performance of the quality of credit risk and real estate risk, and it shows the provisions that the Institution has allocated for non-performing exposures.
NPL ratio	Calculated in the form of a ratio whose numerator includes exposures classified as stage 3 and whose denominator includes (i) gross loans to customers, excluding reverse repos or (loans and advances to customers, excluding reverse repos and without impairment allowances), and (ii) financial guarantees and other guarantees given.	One of the main indicators used in the banking industry to monitor the status and performance of the quality of credit risk undertaken with customers and to assess its management.
Credit cost of risk (bps)	Calculated as credit loss provisions / gross loans to customers, excluding reverse repos and including financial guarantees and other guarantees given. The numerator considers the straight-line annualisation of loan loss provisions, which are adjusted for costs associated with the management of stage 3 assets (NPLs).	Relative measure of risk, being one of the main indicators used in the banking industry to monitor the status and performance of the quality of credit risk through the cost or loss due to financial asset impairment that has taken place in one year.
Total cost of risk (bps)	This ratio's numerator includes total provisions and impairments, while its denominator includes gross loans to customers, excluding reverse repos and including financial guarantees and other guarantees given and non-performing real estate assets. The numerator considers the straight-line annualisation of total provisions and impairments.	Relative measure of risk, being one of the main indicators used in the banking industry to monitor the status and performance of the quality of credit risk through the cost or loss due to financial asset impairment that has taken place in one year.
Loan-to-deposit ratio	This ratio's numerator includes gross loans to customers excluding brokered loans, reverse repos and impairment allowances, while its denominator includes on-balance sheet customer funds.	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 number of shares outstanding (number of total shares minus closing treasury stock position, including share buyback programmes, where applicable) as at the reporting date.	An economic market measurement or market ratio that indicates the total value of a company according to the market price.

Earnings (or loss) per share	This gives the ratio of net profit attributable to the Group, adjusted by the amount of the Additional Tier 1 coupon over the past twelve months, relative to the average number of shares outstanding over the past twelve months (average number of total shares minus average treasury stock, including buyback programmes, where applicable).	An economic measurement or market ratio that indicates a company's profitability, and it is one of the measurements used most frequently to assess institutions' performance.
Book value per share	Calculated as book value / number of shares outstanding (number of total shares minus closing treasury stock position, including share buyback programmes, where applicable) as at the reporting date. The book value is the sum of shareholders' equity, adjusted to account for contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC) and the bank levy (BL), except at year-end. The DGF, SRF, IDEC and BL accrue based on the Group's best estimates.	An economic market measurement or market ratio that indicates the book value per share.
TBV per share	Calculated as tangible book value / number of shares outstanding (number of total shares minus closing treasury stock position, including share buyback programmes, where applicable) as at the reporting date. Tangible book value: 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), the Spanish tax on deposits of credit institutions (IDEC) and the bank levy (BL), except at year-end. The DGF, SRF, IDEC and BL accrue based on the Group's best estimates.	An economic market measurement or market ratio that indicates the tangible book value per share.
P/TBV (price/ tangible book value per share)	Share price or value / tangible book value per share.	Economic measurement or market ratio commonly used by the market, which represents the listed price of a share relative to its book value.
PER (share price / EPS)	Share price or value / net earnings per share.	Economic measurement or market ratio commonly used by the market to determine a company's ability to generate future earnings.

Equivalence of headings from the income statement of businesses and management units that appear in Note 38 on “Segment information” and in the 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 margin.
— (Administrative expenses).
— (Depreciation and amortisation).

Provisions and impairments:

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

Provisions for loan losses:

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

Provisions for other financial assets:

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

Other provisions and impairments:

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

(*) 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	31/12/2024	31/12/2023
Gross loans to customers / Gross performing loans to customers		
Loans and credit secured with mortgages	89,185	86,162
Loans and credit secured with other collateral	5,924	5,064
Trade credit	8,356	7,465
Finance leases	2,376	2,236
Bank overdrafts and other short-term borrowings	51,071	48,870
Gross performing loans to customers	**156,913**	**149,798**
Stage 3 assets (customers)	4,595	5,472
Other valuation adjustments (interest, fees and commissions, and other)	208	172
Gross loans to customers, excluding reverse repos	**161,717**	**155,442**
Reverse repos	—	17
Gross loans to customers	**161,717**	**155,459**
Impairment allowances	(2,844)	(3,199)
Loans and advances to customers	**158,872**	**152,260**
On-balance sheet customer funds		
Financial liabilities at amortised cost	220,228	216,072
Non-retail financial liabilities	50,671	55,184
Deposits from central banks	1,697	9,776
Deposits from credit institutions	14,822	13,840
Institutional issues	27,702	25,234
Other financial liabilities	6,450	6,333
On-balance sheet customer funds	**169,557**	**160,888**
On-balance sheet funds		
Customer deposits	169,823	160,331
Demand deposits	138,347	134,243
Deposits with agreed maturity including deposits redeemable at notice and hybrid financial liabilities	31,047	25,588
Repurchase agreements	—	200
Other valuation adjustments (interest, fees and commissions, and other)	429	299
Debt securities issued	**27,437**	**25,791**
Borrowings and other marketable securities	23,345	22,198
Subordinated liabilities	4,092	3,593
On-balance sheet funds	**197,260**	**186,122**
Off-balance sheet customer funds		
Mutual funds	28,308	24,093
Assets under management	4,729	3,598
Pension funds	3,352	3,249
Insurance products sold	9,782	9,621
Off-balance sheet customer funds	**46,171**	**40,561**
Funds under management and third-party funds		
On-balance sheet funds	197,260	186,122
Off-balance sheet customer funds	46,171	40,561
Funds under management and third-party funds	**243,431**	**226,682**

BALANCE SHEET	31/12/2024	31/12/2023
Other assets		
Derivatives – Hedge accounting	2,395	2,425
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(412)	(568)
Tax assets	6,441	6,838
Other assets	425	436
Non-current assets and disposal groups classified as held for sale	718	771
Other assets	**9,567**	**9,902**
Other liabilities		
Derivatives – Hedge accounting	804	1,172
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(227)	(422)
Tax liabilities	219	333
Other liabilities	652	723
Liabilities included in disposal groups classified as held for sale	30	13
Other liabilities	**1,477**	**1,818**

INCOME STATEMENT	31/12/2024	31/12/2023
Customer margin		
Loans and advances to customers (net)		
Profit/(loss)	6,726	5,840
Average balance	154,131	153,978
Annualised average rate (%)	4.36	3.79
Customer deposits		
Profit/(loss)	(1,997)	(1,432)
Average balance	162,250	160,564
Annualised average rate (%)	(1.23)	(0.89)
Customer margin	**3.13**	**2.90**
Other operating income and expenses		
Other operating income	112	91
Other operating expenses	(405)	(538)
Other operating income and expenses	**(294)**	**(447)**

INCOME STATEMENT	31/12/2024	31/12/2023
Pre-provisions income		
Gross margin	6,337	5,862
Administrative expenses	(2,583)	(2,496)
Staff expenses	(1,531)	(1,495)
Other general administrative expenses	(1,051)	(1,002)
Depreciation and amortisation	(501)	(519)
Pre-provisions income	**3,254**	**2,847**
Total provisions and impairments		
Impairment or reversal of impairment on investments in joint ventures and associates	—	—
Impairment or reversal of impairment on non-financial assets, adjusted	(42)	(22)
Impairment or reversal of impairment on non-financial assets	(45)	(26)
Gains or losses on sale of investment properties	3	4
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, adjusted (excluding gains or (-) losses on the sale of interests and other items).	(36)	(58)
Other provisions and impairments	**(78)**	**(80)**
Provisions or reversal of provisions	(44)	(6)
Impairment or reversal of impairment and gains or losses on modifications of cash flows of financial assets not measured at fair value through profit or loss and net modification losses or gains	(592)	(824)
Provisions for loan losses and other financial assets	**(636)**	**(831)**
Total provisions and impairments	**(714)**	**(910)**
Capital gains on asset sales and other revenue		
Gains or (-) losses on derecognition of non-financial assets and interests, net, adjusted (excluding gains or losses on sale of investment properties and other items).	(26)	(44)
Gains or losses on the sale of interests and other items	—	(2)
Capital gains on asset sales and other revenue	**(26)**	**(46)**

PROFITABILITY AND EFFICIENCY	31/12/2024	31/12/2023
ROA		
Consolidated profit or loss (past 12 months)	1,829	1,334
Average total assets (past 12 months)	242,145	245,173
ROA (%)	**0.76**	**0.54**
RORWA		
Consolidated profit or loss (past 12 months)	1,829	1,334
Average risk-weighted assets (RWAs) (past 12 months)	79,693	78,519
RORWA (%)	**2.29**	**1.70**
ROE		
Net profit attributable to the Group (past 12 months)	1,827	1,332
Average shareholders' equity (past 12 months)	14,738	14,042
ROE (%)	**12.40**	**9.49**
ROTE		
Net profit attributable to the Group (past 12 months)	1,827	1,332
Average shareholders' equity excluding intangible assets (past 12 months)	12,235	11,583
ROTE (%)	**14.93**	**11.50**
Cost-to-income ratio		
Gross margin	6,337	5,862
Administrative expenses	(2,583)	(2,496)
Cost-to-income ratio (%)	**40.75**	**42.59**
Depreciation and amortisation	(501)	(519)
Cost-to-income ratio with amortisation/depreciation (%)	**48.66**	**51.44**

RISK MANAGEMENT	31/12/2024	31/12/2023
Stage 3 exposures		
Assets classified as stage 3 (including other valuation adjustments)	4,637	5,510
Financial guarantees and other guarantees given classified as stage 3 for off-balance sheet exposures	207	268
Stage 3 exposures	**4,844**	**5,777**
Stage 3 coverage ratio, with total provisions		
Impairment allowances	2,848	3,202
Provisions recognised on liabilities side of the balance sheet for off-balance sheet exposures	142	165
Stage 3 exposures	4,844	5,777
Stage 3 coverage ratio, with total provisions (%)	**61.7 %**	**58.3 %**
Stage 3 coverage ratio		
Impairment allowances for stage 3 assets	2,168	2,359
Provisions recognised on liabilities side of the balance sheet classified as stage 3 for off-balance sheet exposures	77	86
Stage 3 exposures	4,844	5,777
Stage 3 coverage ratio (%)	**46.3 %**	**42.3 %**
Non-performing assets		
Stage 3 exposures	4,844	5,777
Non-performing real estate assets	836	971
Non-performing assets	**5,680**	**6,748**
NPA coverage ratio (%)		
Impairment allowances	2,848	3,202
Provisions recognised on liabilities side of the balance sheet for off-balance sheet exposures	142	165
Allowances for non-performing real estate assets	338	385
Non-performing assets	5,680	6,748
NPA coverage ratio (%)	**58.6 %**	**55.6 %**
Non-performing real estate coverage ratio		
Allowances for non-performing real estate assets	338	385
Non-performing real estate assets	836	971
Non-performing real estate coverage ratio (%)	**40.5 %**	**39.6 %**
NPL ratio		
Stage 3 exposures	4,844	5,777
Gross loans to customers, excluding reverse repos	161,717	155,442
Financial guarantees and other guarantees given for off-balance sheet exposures	8,699	8,896
NPL ratio (%)	**2.8 %**	**3.5 %**
Credit cost of risk (bps)		
Provisions for loan losses	(567)	(813)
NPL expenses	(118)	(106)
Gross loans to customers, excluding reverse repos	161,717	155,442
Financial guarantees and other guarantees given for off-balance sheet exposures	8,699	8,896
Credit cost of risk (bps)	**26**	**43**
Total cost of risk (bps)		
Total provisions and impairments	(714)	(910)
Gross loans to customers, excluding reverse repos	161,717	155,442
Financial guarantees and other guarantees given for off-balance sheet exposures	8,699	8,896
Non-performing real estate assets	836	971
Total cost of risk (bps)	**42**	**55**

LIQUIDITY MANAGEMENT	31/12/2024	31/12/2023
Loan-to-deposit ratio		
Gross loans to customers, excluding reverse repos	161,717	155,442
(-) Impairment allowances	2,844	3,199
(-) Brokered loans	884	953
On-balance sheet customer funds	169,557	160,888
Loan-to-deposit ratio (%)	**93.2 %**	**94.0 %**

SHAREHOLDERS AND SHARES	31/12/2024	31/12/2023
Market capitalisation		
Total number of shares issued less treasury stock (outstanding) (million)	5,361	5,403
Listed price	1.877	1.113
Market capitalisation (million euro)	**10,063**	**6,014**
Earnings per share (EPS)		
Profit attributable to the Group, adjusted (past 12 months)	1,729	1,217
Profit attributable to the Group (past 12 months)	1,827	1,332
Adjustment for accrued AT1 (past 12 months)	(98)	(115)
Average number of shares outstanding (million)	5,376	5,401
Earnings per share (euro)	**0.32**	**0.23**
Book value per share		
Shareholders' equity	15,389	14,344
Total number of shares issued less treasury stock (outstanding) (million)	5,361	5,403
Book value per share (euro)	**2.87**	**2.65**
TBV per share		
Gross carrying value	12,840	11,861
Shareholders' equity	15,389	14,344
(-) Tangible assets	2,549	2,483
Total number of shares issued less treasury stock (outstanding) (million)	5,361	5,403
TBV per share (euro)	**2.39**	**2.20**
P/TBV		
Listed price	1.877	1.113
TBV per share (euro)	2.39	2.20
P/TBV (price/tangible book value per share)	**0.78**	**0.51**
PER		
Listed price	1.877	1.113
Earnings per share (euro)	0.32	0.23
PER (share price / EPS)	**5.84**	**4.94**