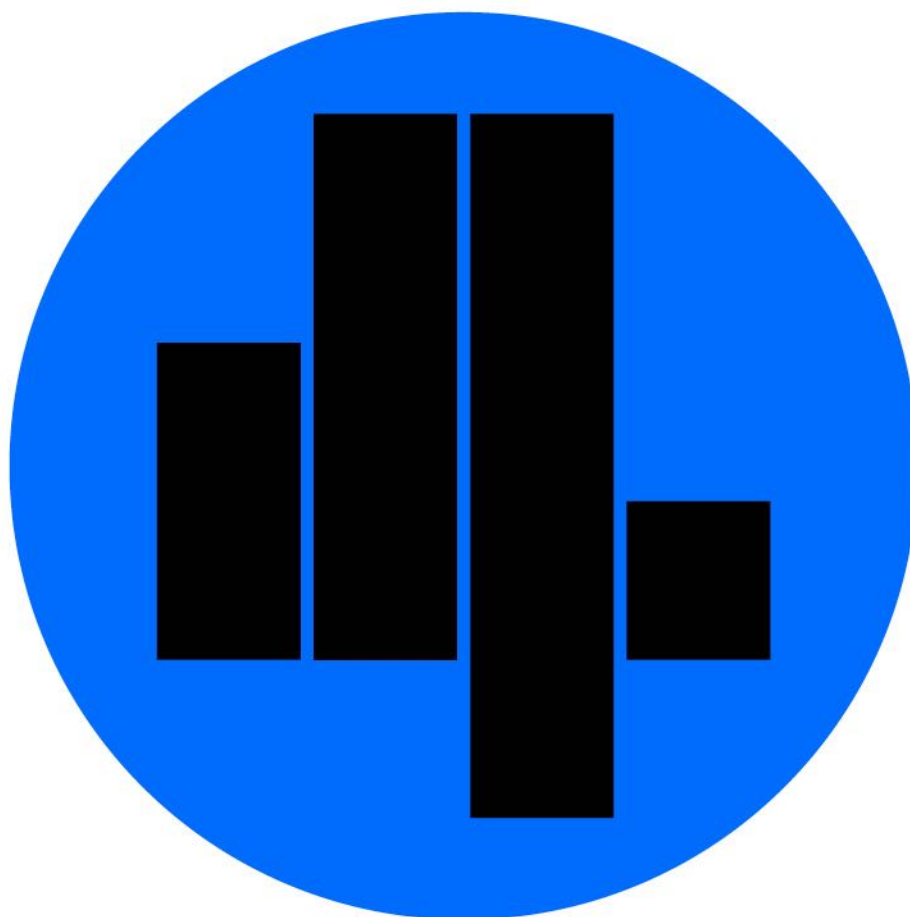


# Businesses



91	Banking Business Spain
123	Banking Business UK
126	Banking Business Mexico

# 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 (%)
<b>Net interest income</b>	<b>3,652</b>	<b>3,353</b>	<b>8.9</b>
Fees and commissions, net	1,231	1,247	(1.3)
<b>Core revenue</b>	<b>4,883</b>	<b>4,601</b>	<b>6.1</b>
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)
<b>Gross income</b>	<b>4,836</b>	<b>4,372</b>	<b>10.6</b>
Operating expenses, depreciation and amortisation	(2,071)	(1,965)	5.4
<b>Pre-provisions income</b>	<b>2,765</b>	<b>2,407</b>	<b>14.9</b>
Provisions and impairments	(652)	(816)	(20.1)
Capital gains on asset sales and other revenue	(14)	(27)	(47.2)
<b>Profit/(loss) before tax</b>	<b>2,098</b>	<b>1,564</b>	<b>34.2</b>
Corporation tax	(579)	(469)	23.5
Profit or loss attributed to minority interests	2	1	28.1
<b>Profit attributable to the Group</b>	<b>1,517</b>	<b>1,093</b>	<b>38.7</b>
<b>Cumulative ratios</b>			
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 (%)
<b>Assets</b>	<b>177,348</b>	<b>173,648</b>	<b>2.1</b>
Gross performing loans to customers	109,291	103,830	5.3
Non-performing real estate assets, net	497	586	(15.2)
<b>Liabilities and Equity</b>	<b>177,348</b>	<b>173,648</b>	<b>2.1</b>
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
<b>Off-balance sheet customer funds</b>	<b>46,171</b>	<b>40,561</b>	<b>13.8</b>
<b>Other indicators</b>			
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 BSOOnline 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 consolidated 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 BSOOnline, 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.

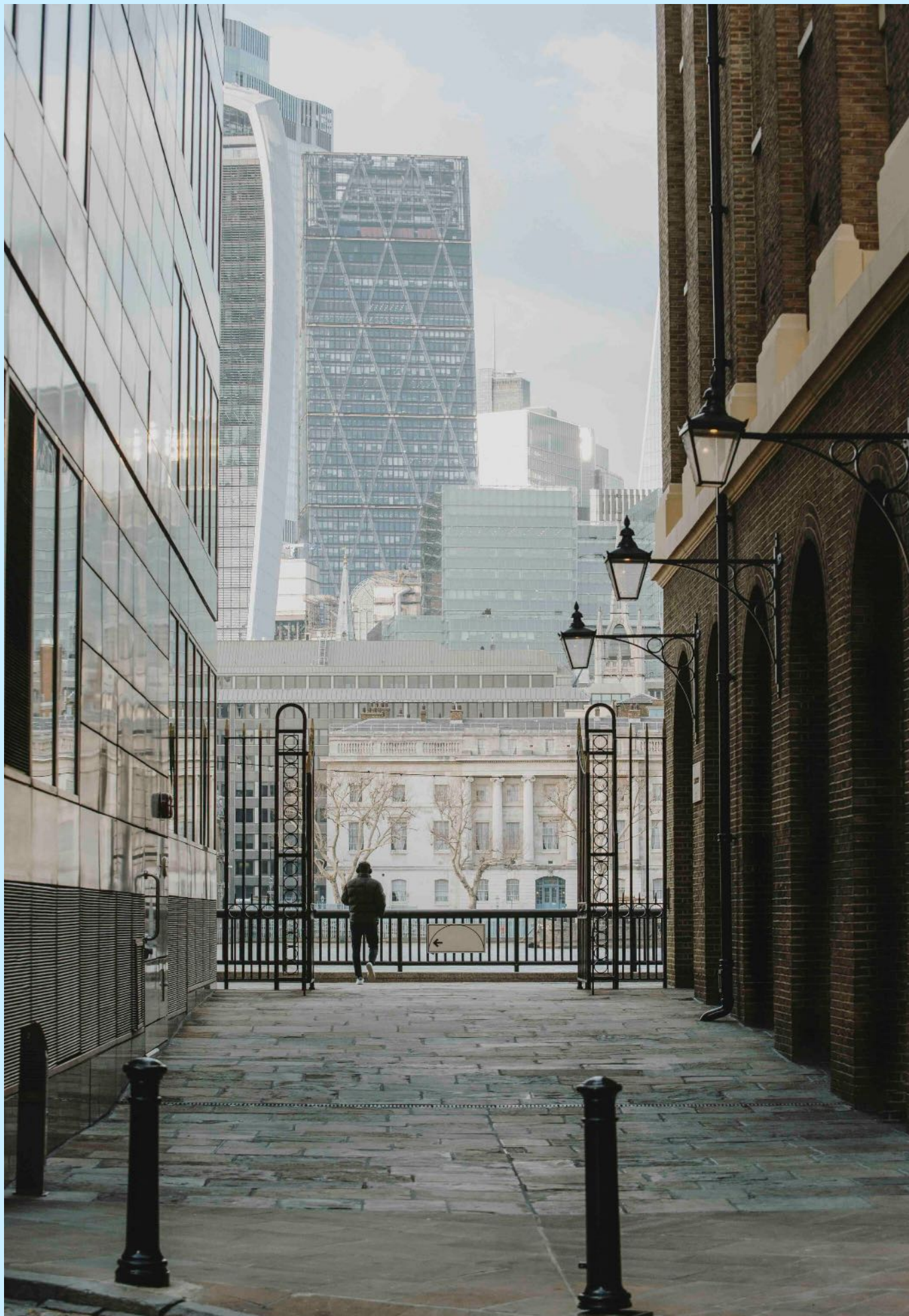
2024 has continued on the same trend observed in the previous year, with a continuing decline in the volume traded on the Spanish stock market (BME). In any event, Banco Sabadell maintains a similar market share in that market, specifically, 8.3% in 2024 compared with 8.2% in 2023.

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 2024 year-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 (%)
<b>Net interest income</b>	<b>1,163</b>	<b>1,174</b>	<b>(0.9)</b>
Fees and commissions, net	107	124	(13.6)
<b>Core revenue</b>	<b>1,270</b>	<b>1,298</b>	<b>(2.1)</b>
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)
<b>Gross income</b>	<b>1,286</b>	<b>1,291</b>	<b>(0.4)</b>
Operating expenses, depreciation and amortisation	(887)	(941)	(5.8)
<b>Pre-provisions income</b>	<b>399</b>	<b>350</b>	<b>14.1</b>
Provisions and impairments	(37)	(75)	(50.2)
Capital gains on asset sales and other revenue	(8)	—	—
<b>Profit/(loss) before tax</b>	<b>353</b>	<b>274</b>	<b>28.8</b>
Corporation tax	(100)	(80)	26.0
Profit or loss attributed to minority interests	—	—	—
<b>Profit attributable to the Group</b>	<b>253</b>	<b>195</b>	<b>29.9</b>
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 (%)
<b>Assets</b>	<b>55,604</b>	<b>54,855</b>	<b>1.4</b>
Gross performing loans to customers	43,380	41,381	4.8
<b>Liabilities and Equity</b>	<b>55,604</b>	<b>54,855</b>	<b>1.4</b>
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
<b>Off-balance sheet customer funds</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other indicators</b>			
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.



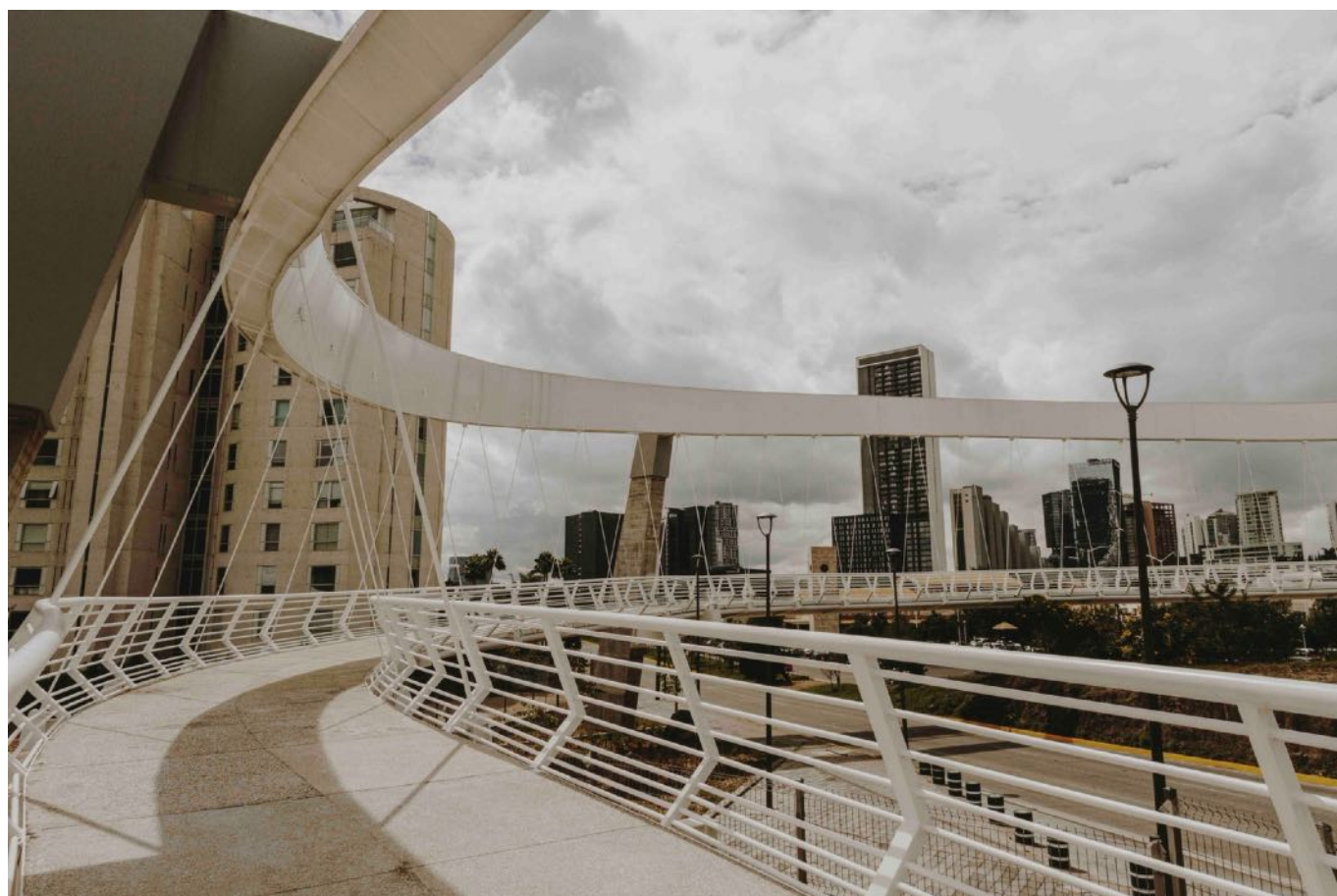
## 4.3 Banking Business Mexico

### 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 (%)
<b>Net interest income</b>	<b>206</b>	<b>196</b>	<b>5.0</b>
Fees and commissions, net	18	15	24.8
<b>Core revenue</b>	<b>224</b>	<b>211</b>	<b>6.4</b>
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
<b>Gross income</b>	<b>216</b>	<b>198</b>	<b>8.6</b>
Operating expenses, depreciation and amortisation	(126)	(108)	15.8
<b>Pre-provisions income</b>	<b>90</b>	<b>90</b>	<b>(0.1)</b>
Provisions and impairments	(24)	(19)	27.1
Capital gains on asset sales and other revenue	(4)	(19)	(80.7)
<b>Profit/(loss) before tax</b>	<b>62</b>	<b>53</b>	<b>18.5</b>
Corporation tax	(6)	(9)	(32.8)
Profit or loss attributed to minority interests	—	—	—
<b>Profit attributable to the Group</b>	<b>57</b>	<b>44</b>	<b>28.8</b>
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 (%)
<b>Assets</b>	<b>6,646</b>	<b>6,670</b>	<b>(0.4)</b>
Gross performing loans to customers	4,242	4,587	(7.5)
Real estate exposure, net	—	—	—
<b>Liabilities and Equity</b>	<b>6,646</b>	<b>6,670</b>	<b>(0.4)</b>
On-balance sheet customer funds	3,199	3,205	(0.2)
Allocated own funds	686	631	8.7
<b>Off-balance sheet customer funds</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other indicators</b>			
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.