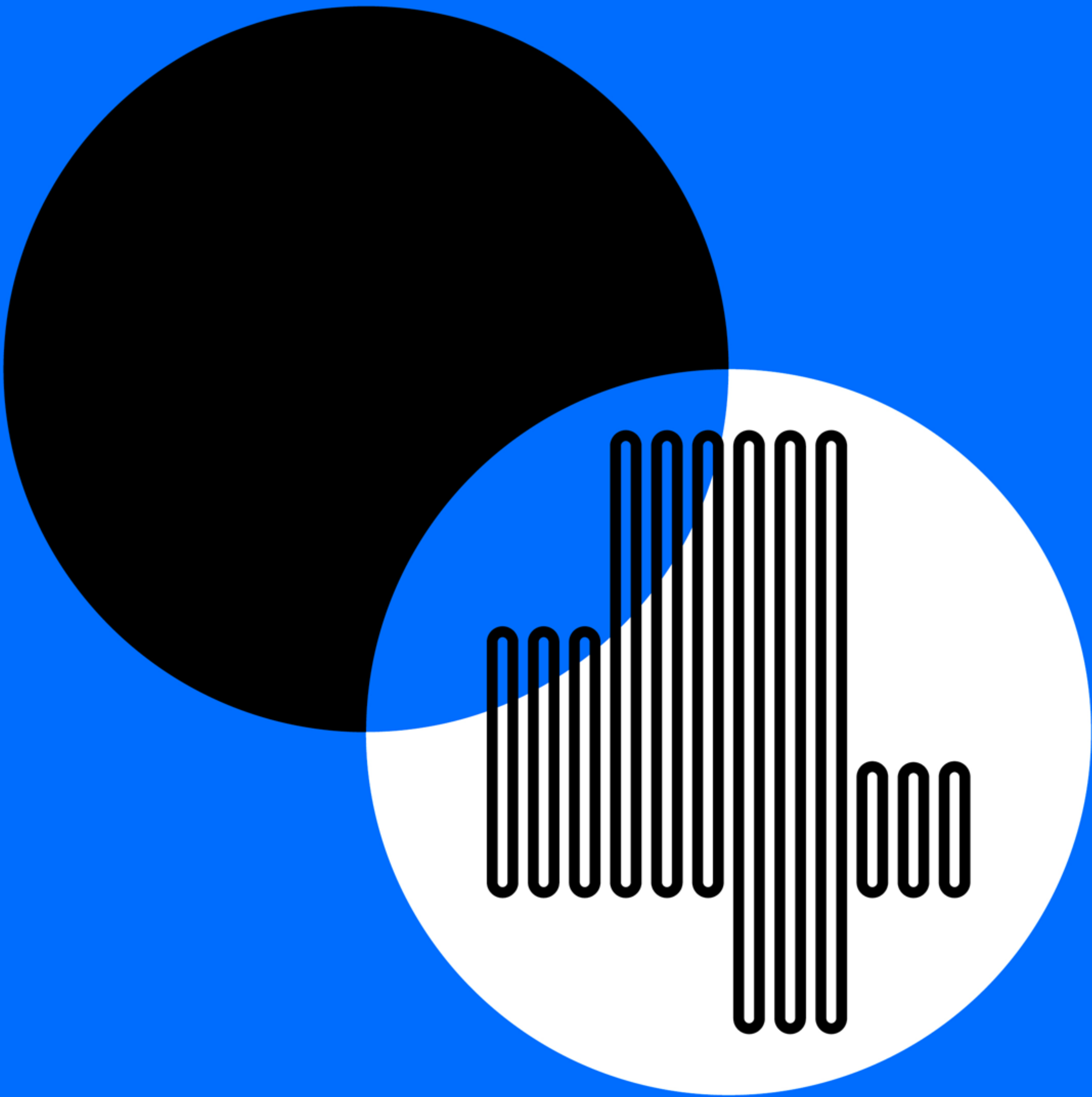
Consolidated annual accounts and Independent auditor's report



750 Consolidated annual accounts
981 Independent Auditor's Report

BANCO DE SABADELL, S.A. AND COMPANIES FORMING BANCO SABADELL GROUP

Consolidated annual financial statements and
consolidated Directors' Report
for the year ended
31 December 2024

Translation of the Consolidated Annual Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union. In the event of any discrepancy, the Spanish-language version will prevail.

Contents: Banco Sabadell Group consolidated annual financial statements and consolidated Directors' Report for the year ended 31 December 2024

Consolidated annual financial statement	**5**
Consolidated financial statements	**6**
Consolidated balance sheets of Banco Sabadell Group	6
Consolidated income statements of Banco Sabadell Group	9
Consolidated statements of recognised income and expenses of Banco Sabadell Group	11
Consolidated statements of total changes in equity of Banco Sabadell Group	12
Consolidated cash flow statements of Banco Sabadell Group	14
Consolidated annual report	**16**
Note 1 – Activity, accounting policies and practices, and other information	16
1.1 Activity	16
1.2 Basis of presentation and changes in accounting regulations	16
1.3 Accounting principles and policies and measurement criteria	20
1.3.1 Consolidation principles	20
1.3.2 Business combinations	22
1.3.3 Classification and measurement of financial instruments and recognition of changes arising in their subsequent measurement	23
1.3.4 Impairment of financial assets	28
1.3.5 Hedging transactions	38
1.3.6 Financial guarantees	39
1.3.7 Transfers and derecognition of financial instruments from the balance sheet	39
1.3.8 Offsetting of financial instruments	40
1.3.9 Non-current assets and assets and liabilities included in disposal groups classified as held for sale and discontinued operations	40
1.3.10 Tangible assets	41
1.3.11 Leases	41
1.3.12 Intangible assets	43
1.3.13 Inventories	44
1.3.14 Own equity instruments	45
1.3.15 Remuneration in equity instruments	45
1.3.16 Provisions, contingent assets and contingent liabilities.	45
1.3.17 Provisions for pensions	46
1.3.18 Foreign currency transactions and exchange differences	47
1.3.19 Recognition of income and expenses	48
1.3.20 Income taxes	49
1.3.21 Consolidated statement of recognised income and expenses	50
1.3.22 Consolidated statement of total changes in equity	50
1.3.23 Consolidated cash flow statement	51
1.4 Comparability	51
1.5 Other information (takeover bid)	51
Note 2 – Banco Sabadell Group	52
Note 3 – Shareholder remuneration and earnings per share	54
Note 4 – Risk management	56
4.1 Macroeconomic, political and regulatory environment	56
4.2 Key milestones during the year	59
4.2.1 The Group's risk profile during the year	59
4.2.2 Strengthened credit risk management and control environment	59
4.3 General principles of risk management	61
4.3.1 Global Risk Framework Policy	61
4.3.2 Risk Appetite Framework (RAF)	62

4.3.3 Risk Appetite Statement (RAS) 63
4.3.4 Specific policies for the various material risks 63
4.3.5 Risk Governance 63
4.4 Management and monitoring of the main material risks 65
4.4.1. Strategic risk 65
4.4.2. Credit risk 67
4.4.3. Financial risks 93
4.4.4. Operational risk 113
Note 5 – Minimum own funds and capital management 117
Note 6 – Fair value of assets and liabilities 126
Note 7 – Cash, cash balances at central banks and other demand deposits 136
Note 8 – Debt securities 137
Note 9 – Equity instruments 138
Note 10 – Derivatives held for trading 139
Note 11 – Loans and advances 140
Note 12 – Derivatives - hedge accounting 148
Note 13 – Non-current assets and disposal groups classified as held for sale 153
Note 14 – Investments in joint ventures and associates 155
Note 15 – Tangible assets 156
Note 16 – Intangible assets 159
Note 17 – Other assets and liabilities 161
Note 18 – Deposits of central banks and credit institutions 162
Note 19 – Customer deposits 163
Note 20 – Debt securities in issue 163
Note 21 – Other financial liabilities 164
Note 22 – Provisions and contingent liabilities 165
Note 23 – Shareholders' equity 171
Note 24 – Accumulated other comprehensive income 174
Note 25 – Minority interests (non-controlling interests) 176
Note 26 – Off-balance sheet exposures 177
Note 27 – Off-balance sheet customer funds and financial instruments deposited by third parties 178
Note 28 – Interest income and expenses 179
Note 29 – Fee and commission income and expenses 180
Note 30 – Net profit or net loss on financial operations and net exchange differences 180
Note 31 – Other operating income 181
Note 32 – Other operating expenses 181
Note 33 – Administrative expenses 182
Note 34 – Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains 186
Note 35 – Impairment or (-) reversal of impairment on non-financial assets 187
Note 36 – Gains or (-) losses on derecognition of non-financial assets, net 187
Note 37 – Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations 187
Note 38 – Segment reporting 188
Note 39 – Tax situation (income tax relating to continuing operations) 192
Note 40 – Related party transactions 197
Note 41 – Remuneration of members of the Board of Directors and Senior Management and their respective balances 199
Note 42 – Other information 203
Note 43 – Subsequent events 205
Schedule I – Banco Sabadell Group companies 206

Schedule II – Structured entities - Securitisation funds 214
Schedule III – Details of outstanding issues and subordinated liabilities of the Group 215
Schedule IV – Other risk information 219
Schedule V – Annual banking report 231

Consolidated annual financial statements
for the year ended
31 December 2024

Consolidated balance sheets of Banco Sabadell Group

As at 31 December 2024 and 2023

Thousand euro

Assets	Note	2024	2023 (*)
Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista (**)	**7**	**18,382,112**	**29,985,853**
Activos financieros mantenidos para negociar		**3,438,955**	**2,706,489**
Derivados	10	2,017,999	2,563,994
Instrumentos de patrimonio	9	541,005	—
Valores representativos de deuda	8	879,951	142,495
Préstamos y anticipos		—	—
Bancos centrales		—	—
Entidades de crédito		—	—
Clientela		—	—
Pro memoria: prestados o entregados como garantía con derecho de venta o pignoración		*177,365*	*1,915*
Activos financieros no destinados a negociación valorados obligatoriamente a valor		**168,267**	**153,178**
Instrumentos de patrimonio	9	67,049	52,336
Valores representativos de deuda	8	60,705	65,744
Préstamos y anticipos	11	40,513	35,098
Bancos centrales		—	—
Entidades de crédito		—	—
Clientela		40,513	35,098
Pro memoria: prestados o entregados como garantía con derecho de venta o pignoración		—	—
Activos financieros designados a valor razonable con cambios en resultados		**—**	**—**
Valores representativos de deuda		—	—
Préstamos y anticipos		—	—
Bancos centrales		—	—
Entidades de crédito		—	—
Clientela		—	—
Pro memoria: prestados o entregados como garantía con derecho de venta o pignoración		—	—
Activos financieros a valor razonable con cambios en otro resultado global		**6,369,913**	**6,269,297**
Instrumentos de patrimonio	9	193,580	183,938
Valores representativos de deuda	8	6,176,333	6,085,359
Préstamos y anticipos		—	—
Bancos centrales		—	—
Entidades de crédito		—	—
Clientela		—	—
Pro memoria: prestados o entregados como garantía con derecho de venta o pignoración		*599,794*	*557,303*
Activos financieros a coste amortizado		**196,520,273**	**180,913,793**
Valores representativos de deuda	8	24,876,126	21,500,927
Préstamos y anticipos	11	171,644,147	159,412,866
Bancos centrales		—	156,516
Entidades de crédito		12,771,685	6,995,951
Clientela		158,872,462	152,260,399
Pro memoria: prestados o entregados como garantía con derecho de venta o pignoración		*6,170,535*	*5,996,602*
Derivados - contabilidad de coberturas	**12**	**2,394,902**	**2,424,598**
Cambios del valor razonable de los elementos cubiertos de una cartera con cobertura del	**12**	**(412,346)**	**(567,608)**
Inversiones en negocios conjuntos y asociadas	**14**	**524,562**	**462,756**
Negocios conjuntos		—	—
Asociadas		524,562	462,756
Activos amparados por contratos de seguro o reaseguro		**—**	**—**
Activos tangibles	**15**	**2,077,628**	**2,296,704**
Inmovilizado material		1,920,487	2,067,106
De uso propio		1,916,870	2,058,058
Cedido en arrendamiento operativo		3,617	9,048
Inversiones inmobiliarias		157,141	229,598
De las cuales: cedido en arrendamiento operativo		*157,141*	*229,598*
Pro memoria: adquirido en arrendamiento		*818,544*	*872,305*
Activos intangibles	**16**	**2,549,458**	**2,483,074**
Fondo de comercio		1,018,311	1,018,311
Otros activos intangibles		1,531,147	1,464,763
Activos por impuestos		**6,441,141**	**6,837,820**
Activos por impuestos corrientes		541,196	452,289
Activos por impuestos diferidos	39	5,899,945	6,385,531
Otros activos	**17**	**424,730**	**436,123**
Contratos de seguros vinculados a pensiones		80,888	80,693
Existencias		43,776	62,344
Resto de los otros activos		300,066	293,086
Activos no corrientes y grupos enajenables de elementos que se han clasificado como	**13**	**718,332**	**770,878**
TOTAL ACTIVO		**239,597,927**	**235,172,955**

(*) Se presenta, única y exclusivamente, a efectos comparativos.

(**) Véase el detalle en el estado de flujos de efectivo consolidado del grupo.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante del balance consolidado a 31 de diciembre de 2024.

Consolidated balance sheets of Banco Sabadell Group

As at 31 December 2024 and 2023

Thousand euro

Liabilities	**Note**	**2024**	**2023 (*)**
Pasivos financieros mantenidos para negociar		**2,381,434**	**2,867,459**
Derivados	10	2,298,763	2,530,086
Posiciones cortas		82,671	337,373
Depósitos		—	—
Bancos centrales		—	—
Entidades de crédito		—	—
Clientela		—	—
Valores representativos de deuda emitidos		—	—
Otros pasivos financieros		—	—
Pasivos financieros designados a valor razonable con cambios en resultados		**—**	**—**
Depósitos		—	—
Bancos centrales		—	—
Entidades de crédito		—	—
Clientela		—	—
Valores representativos de deuda emitidos		—	—
Otros pasivos financieros		—	—
Pro memoria: pasivos subordinados		—	—
Pasivos financieros a coste amortizado		**220,228,249**	**216,071,766**
Depósitos		186,341,181	183,947,196
Bancos centrales	18	1,696,734	9,776,360
Entidades de crédito	18	14,821,800	13,840,183
Clientela	19	169,822,647	160,330,653
Valores representativos de deuda emitidos	20	27,436,938	25,791,284
Otros pasivos financieros	21	6,450,130	6,333,286
Pro memoria: pasivos subordinados		*4,106,638*	*3,607,858*
Derivados - contabilidad de coberturas	**12**	**803,999**	**1,171,957**
riesgo de tipo de interés	**12**	**(227,209)**	**(422,347)**
Pasivos amparados por contratos de seguro o reaseguro		**—**	**—**
Provisiones	**22**	**478,254**	**536,092**
Pensiones y otras obligaciones de prestaciones definidas post-empleo		54,467	58,308
Otras retribuciones a los empleados a largo plazo		40	69
Cuestiones procesales y litigios por impuestos pendientes		75,064	60,550
Compromisos y garantías concedidos		142,482	165,376
Restantes provisiones		206,201	251,789
Pasivos por impuestos		**218,886**	**332,951**
Pasivos por impuestos corrientes		98,150	217,981
Pasivos por impuestos diferidos	39	120,736	114,970
Capital social reembolsable a la vista		**—**	**—**
Otros pasivos	**17**	**651,666**	**722,524**
Pasivos incluidos en grupos enajenables de elementos que se han clasificado como	**13**	**30,093**	**13,347**
TOTAL PASIVO		**224,565,372**	**221,293,749**

(*) Se presenta, única y exclusivamente, a efectos comparativos.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante del balance consolidado a 31 de diciembre de 2024.

Consolidated balance sheets of Banco Sabadell Group

As at 31 December 2024 and 2023

En miles de euros

Patrimonio neto	Note	2024	2023 (*)
Fondos Propios	**23**	**15,389,242**	**14,343,946**
Capital		680,028	680,028
Capital desembolsado		680,028	680,028
Capital no desembolsado exigido		—	—
Pro memoria: capital no exigido		—	—
Prima de emisión		7,695,227	7,695,227
Instrumentos de patrimonio emitidos distintos del capital		—	—
Componente de patrimonio neto de los instrumentos financieros compuestos		—	—
Otros instrumentos de patrimonio emitidos		—	—
Otros elementos de patrimonio neto		25,407	21,268
Ganancias acumuladas		7,373,498	6,401,782
Reservas de revalorización		—	—
Otras reservas		(1,663,460)	(1,584,816)
Reservas o pérdidas acumuladas de inversiones en negocios conjuntos y asociadas		79,016	54,836
Otras		(1,742,476)	(1,639,652)
(-) Acciones propias		(119,352)	(39,621)
Resultado atribuible a los propietarios de la dominante		1,826,805	1,332,181
(-) Dividendos a cuenta		(428,911)	(162,103)
Otro resultado global acumulado	**24**	**(391,103)**	**(498,953)**
Elementos que no se reclasificarán en resultados		(22,460)	(30,596)
Ganancias o (-) pérdidas actuariales en planes de pensiones de prestaciones		(1,826)	(3,313)
Activos no corrientes y grupos enajenables de elementos que se han clasificado como		—	—
Participación en otros ingresos y gastos reconocidos de inversiones en negocios conjuntos y asociadas		—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global		(20,634)	(27,283)
Ineficacia de las coberturas de valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global		—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global [elemento cubierto]		—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global [instrumento de cobertura]		—	—
Cambios del valor razonable de los pasivos financieros a valor razonable con cambios en resultados atribuibles a cambios en el riesgo de crédito		—	—
Elementos que pueden reclasificarse en resultados		(368,643)	(468,357)
Cobertura de inversiones netas en negocios en el extranjero (parte eficaz)		91,740	77,997
Conversión de divisas		(299,293)	(384,086)
Derivados de cobertura. Reserva de cobertura de flujos de efectivo (parte eficaz)		(48,300)	(49,215)
Cambios del valor razonable de los instrumentos de deuda valorados a valor razonable con cambios en otro resultado global		(151,279)	(145,732)
Instrumentos de cobertura (elementos no designados)		—	—
Activos no corrientes y grupos enajenables de elementos que se han clasificado como		—	—
Participación en otros ingresos y gastos reconocidos de las inversiones en negocios conjuntos y asociadas		38,489	32,679
Intereses minoritarios (participaciones no dominantes)	**25**	**34,416**	**34,213**
Otro resultado global acumulado		—	—
Otras partidas		34,416	34,213
TOTAL PATRIMONIO NETO		**15,032,555**	**13,879,206**
TOTAL PATRIMONIO NETO Y PASIVO		**239,597,927**	**235,172,955**

Pro memoria: exposiciones fuera de balance			
Compromisos de préstamos concedidos	**26**	**28,775,335**	**27,035,812**
Garantías financieras concedidas	**26**	**1,979,622**	**2,064,396**
Otros compromisos concedidos	**26**	**9,366,339**	**7,942,724**

(*) Se presenta, única y exclusivamente, a efectos comparativos.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante del balance consolidado a 31 de diciembre de 2024.

Consolidated income statements of Banco Sabadell Group

For the years ended 31 December 2024 and 2023

En miles de euros

	Note	2024	2023 (*)
Ingresos por intereses	28	9,713,392	8,658,756
Activos financieros a valor razonable con cambios en otro resultado global		204,968	134,309
Activos financieros a coste amortizado		8,668,531	7,771,231
Restantes ingresos por intereses		839,893	753,216
(Gastos por intereses)	28	(4,692,057)	(3,935,538)
(Gastos por capital social reembolsable a la vista)		—	—
Margen de intereses	**28**	**5,021,335**	**4,723,218**
Ingresos por dividendos		6,387	8,413
Resultados de entidades valoradas por el método de la participación	14	159,634	122,807
Ingresos por comisiones	29	1,708,162	1,671,213
(Gastos por comisiones)	29	(351,662)	(285,055)
Resultados de operaciones financieras (netos)	30	(240,802)	169,473
Ganancias o (-) pérdidas al dar de baja en cuentas activos y pasivos financieros no valorados a valor razonable con cambios en resultados, netas		10,546	23,250
Activos financieros a coste amortizado		4,769	15,939
Restantes activos y pasivos financieros		5,777	7,311
Ganancias o (-) pérdidas por activos y pasivos financieros mantenidos para negociar, netas		(231,498)	122,249
Reclasificación de activos financieros desde valor razonable con cambios en otro resultado global		—	—
Reclasificación de activos financieros desde coste amortizado		—	—
Otras ganancias o (-) pérdidas		(231,498)	122,249
Ganancias o (-) pérdidas por activos financieros no destinados a negociación valorados		13,994	11,781
Reclasificación de activos financieros desde valor razonable con cambios en otro resultado global		—	—
Reclasificación de activos financieros desde coste amortizado		—	—
Otras ganancias o (-) pérdidas		13,994	11,781
Ganancias o (-) pérdidas por activos y pasivos financieros designados a valor razonable con cambios en resultados, netas		—	—
Ganancias o (-) pérdidas resultantes de la contabilidad de coberturas, netas		(33,844)	12,193
Diferencias de cambio (ganancia o (-) pérdida), netas	30	327,904	(101,093)
Otros ingresos de explotación	31	111,626	91,184
(Otros gastos de explotación)	32	(405,222)	(538,228)
Ingresos de activos amparados por contratos de seguro o reaseguro		—	—
(Gastos de pasivos amparados por contratos de seguro o reaseguro)		—	—
Margen bruto		**6,337,362**	**5,861,932**

(*) Shown for comparative purposes only.

Notes 1 to 43 and accompanying Schedules I to V form an integral part of the consolidated income statement for 2024.

Consolidated income statements of Banco Sabadell Group

For the years ended 31 December 2024 and 2023

En miles de euros

	Note	2024	2023 (*)
(Gastos de administración)		(2,582,749)	(2,496,362)
(Gastos de personal)	33	(1,531,352)	(1,494,644)
(Otros gastos de administración)	33	(1,051,397)	(1,001,718)
(Amortización)	15, 16	(501,039)	(518,965)
(Provisiones o (-) reversión de provisiones)	22	(43,762)	(6,290)
(Deterioro del valor o (-) reversión del deterioro del valor de activos financieros no valorados a valor razonable con cambios en resultados y pérdidas o (-) ganancias netas por modificación)	34	(591,818)	(824,393)
(Activos financieros a valor razonable con cambios en otro resultado global)		236	852
(Activos financieros a coste amortizado)		(592,054)	(825,245)
Resultado de la actividad de explotación		**2,617,994**	**2,015,922**
(Deterioro del valor o (-) reversión del deterioro del valor de inversiones en negocios conjuntos		—	—
(Deterioro del valor o (-) reversión del deterioro del valor de activos no financieros)	35	(45,457)	(25,845)
(Activos tangibles)		(37,818)	(11,526)
(Activos intangibles)		—	—
(Otros)		(7,639)	(14,319)
Ganancias o (-) pérdidas al dar de baja en cuentas activos no financieros, netas	36	(22,253)	(39,344)
Fondo de comercio negativo reconocido en resultados		—	—
Ganancias o (-) pérdidas procedentes de activos no corrientes y grupos enajenables de elementos clasificados como mantenidos para la venta no admisibles como actividades	37	(36,386)	(59,955)
Ganancias o (-) pérdidas antes de impuestos procedentes de las actividades continuadas		**2,513,898**	**1,890,778**
(Gastos o (-) ingresos por impuestos sobre los resultados de las actividades continuadas)	39	(685,272)	(557,175)
Ganancias o (-) pérdidas después de impuestos procedentes de las actividades continuadas		**1,828,626**	**1,333,603**
Ganancias o (-) pérdidas después de impuestos procedentes de actividades interrumpidas		—	—
RESULTADO DEL EJERCICIO		**1,828,626**	**1,333,603**
Atribuible a intereses minoritarios (participaciones no dominantes)	25	1,821	1,422
Atribuible a los propietarios de la dominante		1,826,805	1,332,181
Beneficio (o pérdida) por acción (en euros)	**3**	**0.32**	**0.23**
Básico (en euros)		0.32	0.23
Diluido (en euros)		0.32	0.23

(*) Se presenta, única y exclusivamente, a efectos comparativos.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante de la cuenta de pérdidas y ganancias consolidada del ejercicio 2024.

Consolidated statements of recognised income and expenses of Banco Sabadell Group

For the years ended 31 December 2024 and 2023

En miles de euros

	Note	2024	2023 (*)
Resultado del ejercicio		**1,828,626**	**1,333,603**
Otro resultado global	**24**	**107,850**	**84,447**
Elementos que no se reclasificarán en resultados		8,136	(1,471)
Ganancias o (-) pérdidas actuariales en planes de pensiones de prestaciones definidas		2,124	(1,919)
Activos no corrientes y grupos enajenables de elementos mantenidos para la venta		—	—
Participación en otros ingresos y gastos reconocidos de las inversiones en negocios conjuntos y		—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con		9,709	1,250
Ganancias o (-) pérdidas resultantes de la contabilidad de coberturas de instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global, netas		—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global (elemento cubierto)		—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global (instrumento de cobertura)		—	—
Cambios del valor razonable de los pasivos financieros a valor razonable con cambios en resultados atribuibles a cambios en el riesgo de crédito		—	—
Impuesto sobre las ganancias relativo a los elementos que no se reclasificarán		(3,697)	(802)
Elementos que pueden reclasificarse en resultados		99,714	85,918
Cobertura de inversiones netas en negocios en el extranjero (parte eficaz)		13,743	(41,351)
Ganancias o (-) pérdidas de valor contabilizadas en el patrimonio neto		13,743	(41,351)
Transferido a resultados		—	—
Otras reclasificaciones		—	—
Conversión de divisas		84,794	91,944
Ganancias o (-) pérdidas por cambio de divisas contabilizadas en el patrimonio neto		84,794	91,944
Transferido a resultados		—	—
Otras reclasificaciones		—	—
Coberturas de flujos de efectivo (parte eficaz)		856	22,291
Ganancias o (-) pérdidas de valor contabilizadas en el patrimonio neto		9,708	(74,571)
Transferido a resultados		(8,852)	95,129
Transferido al importe en libros inicial de los elementos cubiertos		—	1,733
Otras reclasificaciones		—	—
Instrumentos de cobertura (elementos no designados)		—	—
Ganancias o (-) pérdidas de valor contabilizadas en el patrimonio neto		—	—
Transferido a resultados		—	—
Otras reclasificaciones		—	—
Instrumentos de deuda a valor razonable con cambios en otro resultado global		(6,174)	48,733
Ganancias o (-) pérdidas de valor contabilizadas en el patrimonio neto		489	53,041
Transferido a resultados		(6,663)	(4,308)
Otras reclasificaciones		—	—
Activos no corrientes y grupos enajenables de elementos mantenidos para la venta		—	—
Ganancias o (-) pérdidas de valor contabilizadas en el patrimonio neto		—	—
Transferido a resultados		—	—
Otras reclasificaciones		—	—
Participación en otros ingresos y gastos reconocidos de las inversiones en negocios conjuntos y		5,810	(14,151)
Impuesto sobre las ganancias relativo a los elementos que pueden reclasificarse en ganancias o (-)		685	(21,548)
RESULTADO GLOBAL TOTAL DEL EJERCICIO		**1,936,476**	**1,418,050**
Atribuible a intereses minoritarios (participaciones no dominantes)		1,821	1,422
Atribuible a los propietarios de la dominante		1,934,655	1,416,628

(*) Se presenta, única y exclusivamente, a efectos comparativos.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante del estado de ingresos y gastos reconocidos consolidado del ejercicio 2024.

Consolidated statements of total changes in equity of Banco Sabadell Group

For the years ended 31 December 2024 and 2023

En miles de euros

Fuentes de los cambios en el patrimonio neto	Capital	Prima de emisión	Instrumentos de patrimonio emitidos distintos del capital	Otros elementos de patrimonio neto	Ganancias acumuladas	Reservas de revalorización	Otras reservas	(-) Acciones propias	Resultado atribuible a los propietarios de la dominante	(-) Dividendos a cuenta	Otro resultado global acumulado	Intereses minoritarios: Otro resultado global acumulado	Intereses minoritarios: Otros elementos	Total
Saldo de cierre 31/12/2023	**680,028**	**7,695,227**	**—**	**21,268**	**6,401,782**	**—**	**(1,584,816)**	**(39,621)**	**1,332,181**	**(162,103)**	**(498,953)**	**—**	**34,213**	**13,879,206**
Efectos de la corrección de errores	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Efectos de los cambios en las políticas contables	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Saldo de apertura 01/01/2024	**680,028**	**7,695,227**	**—**	**21,268**	**6,401,782**	**—**	**(1,584,816)**	**(39,621)**	**1,332,181**	**(162,103)**	**(498,953)**	**—**	**34,213**	**13,879,206**
Resultado global total del periodo	**—**		**—**	**—**	**—**	**—**	**—**	**—**	**1,826,805**	**—**	**107,850**	**—**	**1,821**	**1,936,476**
Otras variaciones del patrimonio neto	**—**		**—**	**4,139**	**971,716**	**—**	**(78,644)**	**(79,731)**	**(1,332,181)**	**(266,808)**	**—**	**—**	**(1,618)**	**(783,127)**
Emisión de acciones ordinarias	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Emisión de acciones preferentes	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Emisión de otros instrumentos de patrimonio	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ejercicio o vencimiento de otros instrumentos de patrimonio emitidos	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversión de deuda en patrimonio neto	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reducción del capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividendos (o remuneraciones a los socios) (véase	—	—	—	—	(162,417)	—	—	—	—	(428,911)	—	—	—	(591,328)
Compra de acciones propias	—	—	—	—	—	—	—	(113,785)	—	—	—	—	—	(113,785)
Venta o cancelación de acciones propias	—	—	—	—	—	—	1,367	34,054	—	—	—	—	—	35,421
Reclasificación de instrumentos financieros del patrimonio neto al pasivo	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclasificación de instrumentos financieros del pasivo al patrimonio neto	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transferencias entre componentes del patrimonio	—	—	—	—	1,170,078	—	—		(1,332,181)	162,103	—	—	—	—
Aumento o (-) disminución del patrimonio neto resultante de combinaciones de negocios	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pagos basados en acciones	—	—	—	4,139	—	—	—	—	—	—	—	—	—	4,139
Otros aumentos o (-) disminuciones del patrimonio	—	—	—	—	(35,945)	—	(80,011)	—	—	—	—	—	(1,618)	(117,574)
Saldo de cierre 31/12/2024	**680,028**	**7,695,227**	**—**	**25,407**	**7,373,498**	**—**	**(1,663,460)**	**(119,352)**	**1,826,805**	**(428,911)**	**(391,103)**	**—**	**34,416**	**15,032,555**

Notes 1 to 43 and accompanying Schedules I to V form an integral part of the consolidated statement of total changes in equity for 2024.

Consolidated statements of total changes in equity of Banco Sabadell Group

For the years ended 31 December 2024 and 2023

En miles de euros

Fuentes de los cambios en el patrimonio neto	Capital	Prima de emisión	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
Saldo de cierre 31/12/2022 (*)	**703,371**	**7,899,227**	**—**	**21,548**	**5,859,520**	**—**	**(1,365,777)**	**(23,767)**	**858,642**	**(112,040)**	**(650,647)**	**—**	**34,344**	**13,224,421**
Efectos de la corrección de errores	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Efectos de los cambios en las políticas contables	—	—	—	—	—	—	(236,302)	—	30,750	—	67,247	—	—	(138,305)
Saldo de apertura 01/01/2023	**703,371**	**7,899,227**	**—**	**21,548**	**5,859,520**	**—**	**(1,602,079)**	**(23,767)**	**889,392**	**(112,040)**	**(583,400)**	**—**	**34,344**	**13,086,116**
Resultado global total del periodo	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,332,181**	**—**	**84,447**	**—**	**1,422**	**1,418,050**
Otras variaciones del patrimonio neto	**(23,343)**	**(204,000)**	**—**	**(280)**	**542,262**	**—**	**17,263**	**(15,854)**	**(889,392)**	**(50,063)**	**—**	**—**	**(1,553)**	**(624,960)**
Emisión de acciones ordinarias	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Emisión de acciones preferentes	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Emisión de otros instrumentos de patrimonio	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ejercicio o vencimiento de otros instrumentos de patrimonio emitidos	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversión de deuda en patrimonio neto	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reducción del capital (véase nota 23)	(23,343)	(204,000)	—	—	—	—	23,343	204,000	—	—	—	—	—	—
Dividendos (o remuneraciones a los socios) (véase	—	—	—	—	(111,645)	—	—	—	—	(162,103)	—	—	—	(273,748)
Compra de acciones propias	—	—	—	—	—	—	—	(276,200)	—	—	—	—	—	(276,200)
Venta o cancelación de acciones propias	—	—	—	—	—	—	3,477	56,346	—	—	—	—	—	59,823
Reclasificación de instrumentos financieros del patrimonio neto al pasivo	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclasificación de instrumentos financieros del pasivo al patrimonio neto	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transferencias entre componentes del patrimonio	—	—	—	—	777,352	—	—	—	(889,392)	112,040	—	—	—	—
Aumento o (-) disminución del patrimonio neto resultante de combinaciones de negocios	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pagos basados en acciones	—	—	—	(280)	—	—	—	—	—	—	—	—	—	(280)
Otros aumentos o (-) disminuciones del patrimonio	—	—	—	—	(123,445)	—	(9,557)	—	—	—	—	—	(1,553)	(134,555)
Saldo de cierre 31/12/2023	**680,028**	**7,695,227**	**—**	**21,268**	**6,401,782**	**—**	**(1,584,816)**	**(39,621)**	**1,332,181**	**(162,103)**	**(498,953)**	**—**	**34,213**	**13,879,206**

Se presenta, única y exclusivamente, a efectos comparativos.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante del estado total de cambios en el patrimonio neto consolidado del ejercicio 2024.

(*) Corresponden a los saldos incluidos en las Cuentas anuales consolidadas del ejercicio 2022 formuladas por los administradores de Banco de Sabadell, S.A.

Consolidated cash flow statements of Banco Sabadell Group

For the years ended 31 December 2024 and 2023

En miles de euros

	Note	2024	2023 (*)
Flujos de efectivo de las actividades de explotación		**(11,071,457)**	**(10,523,303)**
Resultado del ejercicio		1,828,626	1,333,603
Ajustes para obtener los flujos de efectivo de las actividades de explotación		1,772,165	1,912,593
Amortización		501,039	518,965
Otros ajustes		1,271,126	1,393,628
Aumento/disminución neto de los activos de explotación		(16,696,142)	3,764,543
Activos financieros mantenidos para negociar		(732,466)	1,310,764
razonable con cambios en resultados		(15,089)	(75,756)
Activos financieros designados a valor razonable con cambios en resultados		—	—
Activos financieros a valor razonable con cambios en otro resultado global		(99,278)	(431,840)
Activos financieros a coste amortizado		(16,242,203)	3,146,531
Otros activos de explotación		392,894	(185,156)
Aumento/disminución neto de los pasivos de explotación		2,400,345	(17,125,186)
Pasivos financieros mantenidos para negociar		(486,025)	(731,024)
Pasivos financieros designados a valor razonable con cambios en resultados		—	—
Pasivos financieros a coste amortizado		3,656,483	(16,558,167)
Otros pasivos de explotación		(770,113)	164,005
Cobros/Pagos por impuesto sobre las ganancias		(376,451)	(408,856)
Flujos de efectivo de las actividades de inversión		**(245,919)**	**(163,020)**
Pagos		(548,782)	(533,861)
Activos tangibles	15	(200,897)	(236,420)
Activos intangibles	16	(346,193)	(296,085)
Inversiones en negocios conjuntos y asociadas	14	(1,692)	(1,356)
Entidades dependientes y otras unidades de negocio		—	—
Activos no corrientes y pasivos que se han clasificado como mantenidos para la venta		—	—
Otros pagos relacionados con actividades de inversión		—	—
Cobros		302,863	370,841
Activos tangibles		119,726	122,648
Activos intangibles		—	—
Inversiones en negocios conjuntos y asociadas	14	102,196	28,669
Entidades dependientes y otras unidades de negocio		—	—
Activos no corrientes y pasivos que se han clasificado como mantenidos para la venta		80,941	219,524
Otros cobros relacionados con actividades de inversión		—	—

(*) Se presenta, única y exclusivamente, a efectos comparativos.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante del estado de flujos de efectivo consolidado del ejercicio 2024.

Consolidated cash flow statements of Banco Sabadell Group

For the years ended 31 December 2024 and 2023

En miles de euros

	Note	2024	2023 (*)
Flujos de efectivo de las actividades de financiación		**(382,291)**	**(617,001)**
Pagos		(917,712)	(1,676,824)
Dividendos	3	(591,328)	(273,748)
Pasivos subordinados	Schedule III	—	(900,000)
Amortización de instrumentos de patrimonio propio		—	—
Adquisición de instrumentos de patrimonio propio		(113,785)	(276,200)
Otros pagos relacionados con actividades de financiación		(212,599)	(226,876)
Cobros		535,421	1,059,823
Pasivos subordinados	Schedule III	500,000	1,000,000
Emisión de instrumentos de patrimonio propio		—	—
Enajenación de instrumentos de patrimonio propio		35,421	59,823
Otros cobros relacionados con actividades de financiación		—	—
Efecto de las variaciones de los tipos de cambio		**95,926**	**28,782**
Aumento (disminución) neto del efectivo y equivalentes		**(11,603,741)**	**(11,274,542)**
Efectivo y equivalentes al inicio del ejercicio	**7**	**29,985,853**	**41,260,395**
Efectivo y equivalentes al final del ejercicio	**7**	**18,382,112**	**29,985,853**

Pro-memoria			
FLUJOS DE EFECTIVO CORRESPONDIENTES A:			
Intereses percibidos		9,616,961	8,552,871
Intereses pagados		4,665,824	2,985,133
Dividendos percibidos		6,387	8,413
COMPONENTES DEL EFECTIVO Y EQUIVALENTES AL FINAL DEL EJERCICIO			
Efectivo	7	710,780	726,122
Saldos equivalentes al efectivo en bancos centrales	7	17,105,586	28,566,694
Otros depósitos a la vista	7	565,746	693,037
Otros activos financieros			—
Menos: descubiertos bancarios reintegrables a la vista			—
TOTAL EFECTIVO Y EQUIVALENTES AL FINAL DEL EJERCICIO		**18,382,112**	**29,985,853**
Del cual: en poder de entidades del grupo pero no disponible por el grupo		—	—

(*) Se presenta, única y exclusivamente, a efectos comparativos.

Las notas explicativas 1 a 43 y los anexos I a V adjuntos forman parte integrante del estado de flujos de efectivo consolidado del ejercicio 2024.

Consolidated report of Banco Sabadell Group for the year ended 31 December 2024

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

1.1 Activity

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

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

The Institution is entered in the Companies Register of Barcelona, under volume/IRUS)[1] 1000152932861, folio 873, sheet B-1561, and also in the Bank of Spain's Official Register of Credit Institutions under code number 0081. The Legal Entity Identifier (LEI) of Banco de Sabadell, S.A. is SI5RG2M0WQQLZCXKRM20.

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

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

1.2 Basis of presentation and changes in accounting regulations

The Group's consolidated annual financial statements for 2024 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) applicable as at the end of 2024, taking into account Bank of Spain (BoS) Circular 4/2017 of 27 November as well as other provisions of the financial reporting regulations applicable to the Group and considering the formatting and mark-up requirements established in Commission Delegated Regulation (EU) 2019/815, in order to fairly present the Group's equity and consolidated financial situation as at 31 December 2024 and the results of its operations, recognised income and expenses, changes in equity and cash flows (all consolidated) in 2024.

The consolidated annual financial statements have been prepared based on the accounting records kept by the Bank and each of the other entities in the Group, and include adjustments and reclassifications necessary to ensure the harmonisation of the accounting principles and policies and the measurement criteria applied by the Group, which are described in this note.

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

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

[1] Unique company record identifier (*Identificador Registral Único de la Sociedad*, or IRUS).

Standards and interpretations issued by the International Accounting Standards Board (IASB) that entered into force in 2024

In 2024, the standards and interpretations adopted by the European Union, together with their amendments, which have been applied by the Group due to their entry into force or their early application, are the following:

Standards	Titles
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements
Amendments to IAS 1	Presentation of financial statements: - Classification of liabilities as current or non-current - Non-current liabilities with covenants
Amendments to IFRS 16	Lease liabilities in sale and leaseback transactions

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

Amendments to IAS 7 and IFRS 7 "Supplier finance arrangements"

The purpose of these amendments is to require institutions to provide additional breakdowns of their supplier finance arrangements. To that end, new requirements have been developed to ensure that information is provided to users of financial statements that allows them to assess how supplier finance arrangements affect the Institution's cash flows and liabilities, and to understand the impact of those supplier finance arrangements on the Institution's exposure to liquidity risk and how it might be affected if the arrangements were no longer in effect.

Amendments to IAS 1 "Presentation of financial statements"

Classification of liabilities as current or non-current

These amendments are designed to make clear how institutions should classify debts and other liabilities as current and non-current, in particular liabilities with no fixed maturity and those that may be converted to equity.

Non-current liabilities with covenants

The purpose of these amendments is to clarify how the conditions agreed in a loan (the 'covenants') affect the classification of that loan as either a current or a non-current liability according to whether those conditions must be complied with before or after the date of the financial statements. These amendments alter the "Classification of liabilities as current or non-current".

Amendments to IFRS 16 "Lease liabilities in sale and leaseback transactions"

These amendments specify the requirements that a seller-lessee must use to measure the lease liability arising from a sale and leaseback transaction to ensure that the seller-lessee does not recognise any gain or loss related to the right of use that it retains.

Standards and interpretations issued by the IASB not yet in force

As at 31 December 2024, the most significant standards and interpretations that have been published by the IASB but which have not been applied when preparing these consolidated annual financial statements, either because their effective date is subsequent to the date thereof or because they have not yet been endorsed by the European Union, are as follows:

Standards and Interpretations	Title	Mandatory for years beginning:
Approved for application in the EU		
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Not approved for application in the EU		
Amendments to IFRS 9 and IFRS 7	- Amendments to the classification and measurement of financial instruments - Contracts referencing nature-dependent electricity	1 January 2026
Annual improvements to IFRS	Volume 11	1 January 2026
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027

Except for the potential impact on presentation and disclosure resulting from the adoption of IFRS 18, it is estimated that the adoption of the amendments issued by the IASB not yet in effect will not have a significant impact for the Group.

Approved for application in the EU

Amendments to IAS 21 “Lack of exchangeability”

These amendments aim to require institutions to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

Earlier application of these amendments is permitted. If they are applied to a period prior to the date of mandatory application, the Institution must indicate this.

Not approved for application in the EU

Amendments to IFRS 9 and IFRS 7 “Amendments to the classification and measurement of financial instruments”

These amendments form part of the post-implementation review of the classification and measurement requirements of IFRS 9 “Financial instruments”, as well as the requirements related to IFRS 7 “Financial instruments: disclosures”.

The main changes to the requirements relate to:

- settling financial liabilities using an electronic payment system; and
- assessing contractual cash flow characteristics of financial assets, including those with Environmental, Social and Governance (ESG)-linked features.

The amendments also concern the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and include additional disclosure requirements for financial instruments with contingent characteristics that do not relate directly to the risks and costs of a basic lending arrangement.

The application of the amendments to IFRS 9 should be carried out retrospectively, although it is not mandatory to restate information from previous years. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted.

Amendments to IFRS 9 and and IFRS 7 "Contracts referencing nature-dependent electricity"

The purpose of these amendments is to improve the information disclosed by banks in their financial statements in relation to nature-dependent electricity contracts, generally structured as Power Purchase Agreements (PPAs). Earlier application of these amendments is permitted.

Annual improvements to IFRS Accounting Standards - Volume 11

These amendments include clarifications, simplifications, corrections and minor changes aimed at improving the consistency of the following standards: IFRS 1 "First-time adoption of international financial reporting standards", IFRS 7 "Financial instruments: disclosures" and its accompanying guidance on implementation, IFRS 9 "Financial instruments", IFRS 10 "Consolidated financial statements" and IAS 7 "Statement of cash flows".

IFRS 18 "Presentation and disclosure in financial statements"

IFRS 18, which will replace IAS 1, aims to improve the quality of financial reporting, as it:

- introduces defined categories for income and expenses (operating, investing and financing) and requires defined subtotals for each category (i.e. operating profit) in the income statement;

- requires the disclosure of information on Management-defined Performance Measures (MPMs) in the notes to the financial statements; and

- adds new principles for the aggregation and disaggregation of financial information.

In addition, IFRS 18 introduces narrow-scope amendments, among others, to IAS 7 "Statement of cash flows", IAS 33 "Earnings per share" and IAS 34 "Interim financial reporting". These changes should be applied as from the date of entry into force of IFRS 18.

The Bank considers that IFRS 18 will mainly have an impact on the presentation and disclosure of the consolidated income statement as a result of adapting the templates used for the consolidated financial statements to the aforesaid amendments.

The application of IFRS 18 on the date of its entry into force should be carried out retrospectively. Earlier application will also be permitted.

IFRS 19 "Subsidiaries without public accountability: disclosures"

This standard allows certain subsidiaries to provide reduced disclosures when applying IFRS accounting standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible, setting out the disclosure requirements for subsidiaries that elect to apply it. For these purposes, eligible subsidiaries are those that do not have public accountability (meaning that their debt or equity instruments are not traded in a public market, they are not in the process of issuing instruments to trade in a public market, and they do not hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses) for which their parent company produces consolidated financial statements available for public use that comply with IFRS accounting standards. Earlier application of this standard is permitted.

Judgements and estimates

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

The main judgements and estimates relate to the following:

- The accounting classification of financial assets and off-balance sheet exposures according to their credit risk (see Notes 1.3.4, 8, 11 and 26).

- Impairment losses on certain financial assets and off-balance sheet exposures (see Notes 1.3.4, 4.4.2.5, 8, 11 and 26).

- The assumptions used in actuarial calculations of liabilities and post-employment obligations (see Notes 1.3.17 and 22).
- The measurement of consolidated goodwill (see Notes 1.3.12 and 16).
- The useful life and impairment losses of tangible assets and other intangible assets (see Notes 1.3.10, 1.3.11, 1.3.12, 15 and 16).
- The provisions and consideration of contingent liabilities (see Notes 1.3.16 and 22).
- The fair value of certain unquoted financial assets (see Notes 1.3.3 and 6).
- The fair value of real estate assets held on the balance sheet (see Notes 1.3.9, 1.3.10, 1.3.13 and 6).
- The recoverability of non-monetisable deferred tax assets and tax credits (see Notes 1.3.20 and 39).

The estimates are based on the best knowledge to hand about current and foreseeable circumstances, taking into account the uncertainties stemming from the existing economic and geopolitical environment and, consequently, the final results could differ from these estimates, particularly in relation to impairment losses on certain financial assets and off-balance sheet exposures. Future events may therefore make it necessary to modify these estimates, which would involve recording the effects of such estimation changes, if any, in the Group's consolidated financial statements on a forward-looking basis, in accordance with applicable regulations. The macroeconomic scenarios considered by the Group in its main estimates and the sensitivity of financial asset impairment allowances to changes in the main variables considered in the macroeconomic scenarios are described in Note 4.4.2.5 "Calculation of credit loss allowances".

1.3 Accounting principles and policies and measurement criteria

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

1.3.1 Consolidation principles

In the consolidation process, a distinction is drawn between subsidiaries, joint ventures, associates and structured entities.

Subsidiaries

Subsidiaries are entities over which the Group has control. This occurs when the Group is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

For control to exist, the following criteria must be met:

- Power: an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns.
- Returns: an investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative, or both positive and negative.
- Relationship between power and returns: an investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

When the Group takes control of a subsidiary, it applies the acquisition method provided for in the regulations governing business combinations (see Note 1.3.2) except in the case of acquisitions of an asset or a group of assets.

The financial statements of subsidiaries are consolidated with the Bank's financial statements using the full consolidation method.

The third-party ownership of the Group’s consolidated equity is shown under the heading “Minority interests [non-controlling interests]” of the consolidated balance sheet and the portion of the profit or loss for the year attributable to those interests is disclosed under the heading “Profit or (-) loss for the year - Attributable to minority interest [non-controlling interests]” in the consolidated income statement.

As at 31 December 2024, there were no Group companies qualifying as subsidiary undertakings in which an interest of less than 50% was held. Similarly, as at the aforesaid date, the Group neither managed nor consolidated any investment fund or any pension fund.

Joint ventures

These are entities subject to joint control contractual arrangements whereby decisions about the relevant activities are made unanimously by the entities that share control.

Investments in joint ventures are accounted for using the equity method, i.e. by the fraction of equity represented by the share held in their capital stock, after taking account of any dividends received from them and any other equity disposals.

The Group held no investments in joint ventures in 2024 and 2023.

Associates

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

In the consolidated annual financial statements, associates are accounted for using the equity method.

Notwithstanding the foregoing, when the Group’s investment in an associate is held directly by, or is held indirectly through, a venture capital organisation or similar entity, it may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9. This election is made separately for each associate on the date of its initial recognition. Similarly, when the Group has an interest in an associate that is an investment entity, it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate to its subsidiaries. This election is made separately for each investment entity associate, at the later of the date on which (a) the associate is initially recognised, (b) the associate becomes an investment entity, or (c) the associate first becomes a parent of a group of entities.

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

Structured entities

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in deciding who controls the entity.

Where the Group holds an interest in an entity, or where it incorporates an entity, in order to transfer risks or for any other purposes, or to allow customers access to certain investments, it determines whether there is control over the entity based on that provided in regulations, as described above, in order to consequently determine whether it should be subject to consolidation. Specifically, the following factors, among others, are considered:

- Analysis of the Group's influence over the relevant activities of the entity that could influence the amount of its returns.
- Implicit or explicit commitments of the Group to provide financial support to the entity.
- Identification of the entity’s manager and analysis of the remuneration scheme.
- Existence of removal rights (possibility of dismissing managers).
- Significant exposure of the Group to the variable returns on the entity’s assets.

These entities include those known as ‘asset securitisation funds’, which are consolidated in cases where, based on the above analysis, it is determined that the Group has maintained control. For these operations, contractual arrangements for financial support commonly used in securitisation markets are generally in place, and there are no commitments to provide any financial support that goes significantly beyond what has been contractually agreed. It is therefore considered that, for the majority of securitisations carried out by the Group, the securitised assets cannot be derecognised and the securities issued by securitisation funds are recognised as liabilities on the consolidated balance sheet.

Schedule II provides details of the Group’s structured entities.

In all cases, the profit or loss generated by companies forming part of the Group during a given year is consolidated considering only the profit or loss relating to the period spanning from the acquisition date to year-end. Similarly, the profit or loss generated by companies disposed of during the year is consolidated considering only the profit or loss relating to the period spanning from the start of the year to the disposal date.

In the consolidation process, all material balances and transactions between the companies forming part of the Group have been eliminated, in the proportion corresponding to them based on the method of consolidation applied.

Financial and insurance institutions, both subsidiaries and associates, regardless of the country in which they are located, are subject to supervision and regulation by various bodies. The laws in effect in the various jurisdictions, along with the need to meet certain minimum capital requirements and the performance of supervisory activities, are circumstances that could affect the ability of those institutions to transfer funds in the form of cash, dividends, loans or advances.

Note 2 includes information on the most significant acquisitions and disposals that have taken place during the year. Significant disclosures regarding the Group’s companies are provided in Schedule I.

1.3.2 Business combinations

A business combination is a transaction or any other event in which the Group obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

Under this method, the acquiring entity (acquirer) recognises the assets acquired and liabilities assumed in its financial statements, also considering contingent liabilities, measured at their fair value, including those that the acquired entity (acquiree) had not recognised in its accounts. This method also requires the cost of the business combination to be estimated, which will normally correspond to the consideration paid, defined as the fair value, on the acquisition date, of the assets delivered, the liabilities incurred against the former owners of the acquired business and the equity instruments issued, if any, by the acquirer.

The Group then recognises goodwill in the consolidated annual financial statements if on the acquisition date there is a positive difference between:

- the sum of the consideration paid plus the amount of all minority interests and the fair value of prior interests held in the acquired business; and

- the fair value of recognised assets and liabilities.

If the difference is negative, it is recorded under the heading “Negative goodwill recognised in profit or loss” in the consolidated income statement.

In cases where the consideration amount depends on future events, any contingent consideration is recognised as part of the consideration paid and measured at fair value on the acquisition date. The costs associated with the transaction do not form part of the cost of the business combination for these purposes.

If the cost of the business combination or the fair value assigned to the acquiree’s assets, liabilities or contingent liabilities cannot be conclusively determined, the initial accounting of the business combination will be considered provisional. In any event, the process should be completed within a maximum of one year from the acquisition date and effective as of that date.

Minority interests in the acquiree are measured on the basis of the proportional percentage of its identified net assets. All purchases and disposals of these minority interests are accounted for as capital transactions when they do not result in a change of control. No profit or loss is recognised in the consolidated income statement and the initially recognised goodwill is not remeasured. Any difference between the consideration paid or received and the decrease or increase in minority interests, respectively, is recognised in reserves.

With regard to non-monetary contributions of businesses to associates or joint ventures in which there is a loss of control over those businesses, the Group's accounting policy is to record the full profit or loss in the consolidated income statement, recognising any remaining interest held at its fair value.

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

In general, all financial instruments are initially recognised at fair value (see definition in Note 6) which, unless evidence to the contrary is available, coincides with the transaction price. For financial instruments not recognised at fair value through profit or loss, the fair value is adjusted by either adding or deducting the transaction costs directly attributable to their acquisition or issuance. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are recognised immediately in the consolidated income statement. As a general rule, conventional purchases and sales of financial assets are recognised at the settlement date.

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

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

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

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

Business model

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

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

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

Contractual cash flow characteristics of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Portfolios of financial instruments classified for the purpose of their measurement

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

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

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

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

These financial assets primarily correspond to debt securities.

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

This portfolio is in turn subdivided into:

– *Financial assets held for trading*

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

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

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

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

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

Financial liabilities held for trading

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

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

Financial liabilities at amortised cost

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

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

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

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

Hybrid financial instruments

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

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

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

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

The fair value of the Group's financial instruments as at 31 December 2024 and 2023 is indicated in Note 6.

1.3.4 Impairment of financial assets

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

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

1.3.4.1 Debt instruments and off-balance sheet exposures

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

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

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

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

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

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

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

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

Definition of classification categories

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

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

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

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

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

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

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

- Write-off:

    The Group derecognises transactions from the consolidated balance sheet where their possibility of full or partial recovery is concluded to be remote following an individual assessment. The aspects that the Group considers to recognise transactions as write-offs include the amount of time elapsed since they were classified as stage 3 as a result of borrower arrears, the guarantees, the level of coverage, whether the borrower has filed for bankruptcy, and the portfolio to which the transactions in question relate. This also includes transactions which, despite not being in any of the previous situations, are undergoing a manifest and irreversible deterioration of their solvency.

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

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

Purchased or originated credit-impaired transactions

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

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

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

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

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

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

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

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

Transaction classification criteria

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

– Automatic criteria;

– Criteria based on indicators (triggers); and

– Specific criteria for refinancing.

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

Furthermore, to enable an early identification of any significant increase in credit risk or vulnerabilities, or any transaction impairment, the Group establishes different triggers for significant and non-significant borrowers. The details for each borrower group are described in the sections on “Individual assessment” and “Collective assessment”, respectively. In particular, non-significant borrowers are assessed by means of a process which aims to identify any significant increase in credit risk since the transaction was first approved and which could result in losses greater than those incurred on other similar transactions classified as stage 1. For significant borrowers, on the other hand, there is an automated system of triggers in place that generates a series of alerts, which serve to indicate, during a borrower’s assessment, that a decision needs to be made with regard to their classification.

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

Individual assessment

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

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

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

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

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

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

Stage 2 triggers:

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

Stage 3 triggers:

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

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

Collective assessment

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

The Group has a statistical model that applies to all geographies except for the UK (TSB) and which allows it to determine the Probability of Default (PD) term structure and, therefore, the residual lifetime PD of a contract (or the PD from a given moment in time up to the maturity of the transaction), based on different characteristics:

– Systemic: macroeconomic characteristics shared by all exposures.

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

– Idiosyncratic: aspects specific to each transaction or borrower.

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

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

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

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

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

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

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

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

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

In the case of TSB, the methodology for classification to stage 2 uses the multiplier of lifetime PD upon approval relative to current lifetime PD as an input, complemented with an absolute increase in PD calculated specifically for each portfolio. Both of these thresholds must be reached in order for an exposure to be reclassified to stage 2. In 2024 and 2023, the threshold for the multiplier of current PD relative to PD upon approval ranged from 1.5 to 2, while absolute thresholds ranged from 200 to 950 basis points in both years, with the exception of overdrafts, which only use an absolute threshold of 200 basis points.

Forbearance

The credit risk management policies and procedures applied by the Group ensure that borrowers are carefully monitored, identifying cases where provisions need to be allocated as there is evidence that their solvency is declining (see Note 4.4.2 - Credit risk). To that end, the Group allocates loan loss provisions for the transactions that require them given the borrower's circumstances, before formally executing any refinancing/restructuring transactions, which should be understood as follows:

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

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

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

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

- It is concluded, having reviewed the borrower's assets and financial position, that the borrower is unlikely to experience financial difficulties.

- A minimum of two years has elapsed since the date of the restructuring or refinancing or, if later, since the date of reclassification to the stage 3 category.

- The borrower has paid the instalments of principal and interest accrued since the date of the refinancing or restructuring or, if later, since the date of reclassification to the stage 3 category.

- The borrower has no other transactions with amounts more than 30 days past due at the end of the probation period.

- At least 12 months have passed since the grace period came to an end.

- The refinanced amount of both the contract and the borrower has been reduced, through payments made by the customer whose cumulative amount since the refinancing date is at least the amount equivalent to the write-down, the unpaid amount at the time of refinancing or the new risk approved.

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

- It is concluded, having reviewed the borrower's assets and financial position, that the borrower is unlikely to experience financial difficulties.

- One year has passed since the date of the refinancing or restructuring.

- The borrower has paid the accrued instalments of principal and interest.

- The borrower has no other transactions with amounts more than 90 days past due on the date on which the refinancing, refinanced or restructured transaction is reclassified to stage 2.

- At least 12 months have passed since the grace period came to an end.

- The refinanced amount of both the contract and the borrower has been reduced, through payments made by the customer whose cumulative amount since the refinancing date is at least the amount equivalent to the write-down, the unpaid amount at the time of refinancing or the new risk approved.

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

1.3.4.1.2 Credit loss allowances

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

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

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

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

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

  In this context, the Group reviews the quality and stability of the scoring and rating tools currently in use on an annual basis. The review process includes the definition of the sample used and the methodology to be applied when monitoring rating models (see Note 4.4.2.2 "Risk management models").

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

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

- Multiple scenarios: in order to estimate expected losses, the Group applies different scenarios to identify the effect of the non-linearity of losses. To that end, the provisions required are estimated in the different scenarios for which a probability of occurrence has been defined (see Note 4.4.2.5 "Calculation of credit loss allowances").

Summary of criteria for classification and allowances

The amount of credit impairment allowances is calculated based on whether or not there has been a significant increase in credit risk since the transaction was originated, and on whether or not any default events have occurred:

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

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

Guarantees

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

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

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

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

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

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

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

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

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

1.3.4.2 Investments in joint ventures and associates

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

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

- Significant financial difficulties.
- Disappearance of an active market for the instrument in question because of financial difficulties.
- Significant changes in performance compared with budgets, business plans or milestones.
- Significant changes in the market for the issuer's equity or its products or potential products.
- Significant changes in the global economy or in the economic environment in which the issuer operates.
- Significant changes in the technological or legal environment in which the issuer operates.

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

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

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

1.3.5 Hedging transactions

The Group has elected to continue applying IAS 39 for its hedge accounting until the IFRS 9 macro hedge accounting project has been finalised, as permitted by IFRS 9.

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

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

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

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

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

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

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

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

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

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

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

- Measurement differences in hedging instruments corresponding to the ineffective portion of cash flow hedges and net investments in foreign operations are recognised under the heading "Net profit or net loss on financial operations" of the consolidated income statement.

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

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

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

1.3.6 Financial guarantees

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

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

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

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

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

1.3.7 Transfers and derecognition of financial instruments from the balance sheet

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

Note 4 provides details of asset transfers in effect at the end of 2024 and 2023, indicating those that did not involve the derecognition of the asset from the consolidated balance sheet.

1.3.8 Offsetting of financial instruments

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

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

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

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

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

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

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

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

The appraisal value of real estate assets recognised in this heading is obtained following policies and criteria analogous to those described in the section entitled "Guarantees" in Note 1.3.4. The main appraisal firms and agencies used to obtain market appraisal values are listed in Note 6.

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

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

1.3.10 Tangible assets

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

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

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

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

	Años de vida útil
Inmuebles	17 a 75
Instalaciones	5 a 20
Mobiliario, equipos de oficina y otros	3 a 15
Vehículos	3 a 6
Equipos informáticos	4 a 6

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

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

In particular, certain items of property, plant and equipment are assigned to cash-generating units in the banking business. Impairment tests are conducted on these units to verify whether sufficient cash flows are generated to support the assets’ value. To that end, the Group (i) calculates the recurring net cash flow of each branch based on the cumulative contribution margin less the allocated recurring cost of risk, and (ii) that recurring net cash flow is regarded as a perpetual cash flow and a valuation is effected using the discounted cash flow method applying the cost of capital and growth rate in perpetuity determined by the Group (see Note 16).

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

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

1.3.11 Leases

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

Leases in which the Group acts as lessee

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

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

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

The lease liability is initially recognised in the heading "Financial liabilities at amortised cost – Other financial liabilities" of the consolidated balance sheet (see Note 21), at a value equal to the present value of the estimated payments outstanding, based on the envisaged maturity date. Lease payments are discounted using the implicit interest rate, if this can be easily determined and, if not, the incremental borrowing rate, understood as the rate of interest that the Group would have to pay to borrow the funds necessary to purchase assets with a value similar to the rights of use acquired over the leased assets for a term equal to the estimated duration of the lease contracts.

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

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

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

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

The criteria for impairing these assets are similar to those used for tangible assets (see Note 1.3.10).

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

<u>Sale and leaseback</u>

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

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

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

Leases in which the Group acts as lessor

Finance leases

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

Operating leases

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

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

1.3.12 Intangible assets

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

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

Goodwill

Positive differences between the cost of a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired entities are recognised as goodwill on the asset side of the consolidated balance sheet. These differences represent an advance payment made by the Group of the future economic benefits derived from the acquired entities that are not individually identified and separately recognised. Goodwill, which is not amortised, is only recognised when acquired for valuable consideration in a business combination.

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

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

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

– Estimates of macroeconomic variables and other financial parameters.

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

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

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

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

Other intangible assets

This heading mainly includes intangible assets acquired in business combinations, such as the value of brands of the acquired businesses, as well as computer software.

These intangible assets have a finite useful life and are amortised based on their useful lives, applying similar criteria to those used for tangible assets. The useful life of brands and contractual rights arising from relationships with customers of the acquired businesses varies between 10 and 15 years, while for computer software the useful life ranges from 7 to 15 years. In particular, the software applications corresponding to infrastructure, communications, architecture and corporate functions of the banking platforms used by Group entities to carry out their activity generally have a useful life of between 10 and 15 years, while the useful life of applications corresponding to channels and to data & analytics ranges from 7 to 10 years. The base platform implemented in 2018 that TSB uses to carry out its activity has a useful life of 15 years.

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

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

1.3.13 Inventories

Inventories are non-financial assets that are held by the Group for their use or sale in the ordinary course of its business, or which are in the process of production, construction or development for such sale or use, or which are to be consumed in the production process or in the rendering of services.

As a general rule, inventories are measured at the lower of cost and net realisable value. Net realisable value means the estimated selling price net of the estimated production and marketing costs to carry out the sale.

Decreases in net realisable value and, where applicable, any subsequent recoveries in value are recognised under the heading "Impairment or (-) reversal of impairment on non-financial assets – Other" of the consolidated income statement for the year in which they materialise.

Inventories correspond to land and buildings and their net realisable value is calculated based on the appraisal carried out by an independent expert, entered in the Bank of Spain Special Register of Appraisal Firms and performed in accordance with the criteria established in Order ECO/805/2003 on rules for the appraisal of real estate and particular rights for specific financial purposes, which is then adjusted taking into account past experience in selling assets that are similar in terms of prices, the period during which each asset remains on the consolidated balance sheet and other explanatory factors. Nevertheless, statistical methodologies may be used to update appraisals for properties with a fair value of no more than 300,000 euros and which have a certain level of homogeneity among them, in other words, those with low exposure and low risk whose characteristics are likely to be shared by other properties and which are located in an active market with frequent transactions, although a full appraisal is carried out in accordance with the aforesaid ECO Order (an "ECO appraisal") at least once every three years.

The carrying amount of the inventories is derecognised from the consolidated balance sheet and recognised as an expense during the year in which the income from its sale is recognised.

1.3.14 Own equity instruments

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

- They do not involve any contractual obligation for the issuer that entails delivering cash or another financial asset to a third party, or exchanging financial assets or financial liabilities with a third party under terms that are potentially unfavourable to the issuer.
- In the case of a contract that will or may be settled with the issuer's own equity instruments: if it is a non-derivative financial instrument, it does not entail an obligation to deliver a variable number of its own equity instruments; or, if it is a derivative instrument, it is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments.

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

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

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

On the other hand, compound financial instruments, which are contracts that have both a financial liability and an own equity instrument from the issuer's perspective (e.g. convertible bonds that grant their holder the right to convert them into equity instruments of the issuing entity), are recognised at issuance, separating their component parts and presenting them according to their substance (see Note 1.3.3).

1.3.15 Remuneration in equity instruments

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

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

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

1.3.16 Provisions, contingent assets and contingent liabilities

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

In general, the Group's consolidated annual financial statements include all significant provisions based on which it is estimated that it is more likely than not that the obligation will need to be settled. These provisions include, among other items, pension commitments undertaken with employees by Group entities (see Note 1.3.17), as well as provisions for tax litigation and other contingencies.

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

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

1.3.17 Provisions for pensions

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

Defined contribution plans

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

These contributions are recognised each year in the consolidated income statement (see Note 33).

Defined benefit plans

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

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

The "Provisions – Pensions and other post employment defined benefit obligations" heading on the liabilities side of the consolidated balance sheet includes the actuarial present value of pension commitments, which is calculated individually using the projected unit credit method on the basis of the financial and actuarial assumptions set out below. This is the same method used for the sensitivity analysis described in Note 22.

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

The assets that back pension commitments shown in the standalone balance sheet of the insurance company BanSabadell Vida, S.A. de Seguros y Reaseguros, also called reimbursement rights or pension-linked insurance contracts, are not plan assets, as the company is a related party of the Group (see Note 17).

Pension commitments are recognised in the following way:

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

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

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

Actuarial assumptions

The most relevant financial/actuarial assumptions used in the measurement of pension commitments as at 31 December 2024 and 2023 are as follows:

	2024	2023
Tablas de mortalidad	PER2020_Col_1er.orden	PER2020_Col_1er.orden
Tipo de interés técnico plan de pensiones	3,00% anual	3,75% anual
Tipo de interés técnico pólizas vinculadas	3,00% anual	3,75% anual
Tipo de interés técnico pólizas no vinculadas	3,00% anual	3,75% anual
Inflación	2,00% anual	2,00% anual
Crecimiento salarial	3,00% anual	3,00% anual
Salidas por invalidez	SS90-Absoluta	SS90-Absoluta
Salidas por rotación	No consideradas	No consideradas
Jubilación anticipada	Considerada	Considerada
Jubilación normal	65 o 67 años	65 o 67 años

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

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

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

1.3.18 Foreign currency transactions and exchange differences

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

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

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

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

The balances of the financial statements of consolidated entities with a functional currency other than the euro are translated into euros in the following manner:

- Assets and liabilities are translated at the exchange rate ruling at each year-end closing.
- Income and expenses are translated at the average exchange rate, weighted by the volume of transactions of the company whose income and expenses are being translated.
- Equity is translated at historical exchange rates.

Exchange differences arising in the translation of financial statements of consolidated entities with a functional currency other than the euro are recognised under the heading "Accumulated other comprehensive income" on the consolidated statement of equity.

The exchange rates applied to translate balances denominated in foreign currency into euros are those published by the European Central Bank on 31 December of each year.

1.3.19 Recognition of income and expenses

Interest income and expenses and other similar items

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

Commissions, fees and similar items

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

– Those linked to financial assets and financial liabilities measured at fair value through profit or loss are recognised at the time of disbursement.

– Those related to transactions carried out or services rendered over a given period of time are recognised throughout that period.

– Those related to a transaction or service that is carried out or rendered in a single act are recognised when the originating act takes place.

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

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

Non-financial income and expenses

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

Deferred payments and collections

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

Levies

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

Deposit guarantee schemes

The Bank is a member of the Deposit Guarantee Fund (hereinafter, DGF). The Management Committee of the DGF of credit institutions, in accordance with that established in Royal Decree-Law 16/2011 and Royal Decree 2606/1996, set the annual contribution for the year 2024 in the following terms: (i) no annual contribution needs to be made for the deposit guarantee offered by the Fund, as the financial resources available in that guarantee as at 31 December 2023 already represented 0.8% of the amount of the guaranteed deposits, and (ii) the contribution to the securities guarantee offered by the Fund has been set at 0.2% of 5% of the value of the securities guaranteed as at 31 December 2024 (see Note 32).

Some of the consolidated entities are integrated into schemes which are similar to the DGF and they make contributions to those schemes in accordance with domestic regulations (see Note 32). The most significant of these are listed below:

- TSB Bank plc makes contributions to the Financial Services Compensation Scheme.
- Banco Sabadell, S.A. Institución de Banca Múltiple makes contributions to the deposit guarantee scheme established by the Instituto para la Protección del Ahorro Bancario.

Single Resolution Fund (SRF)

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

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

The calculation of each entity's contribution to the SRF, governed by Commission Delegated Regulation (EU) 2015/63, is based on the proportion that each entity represents with respect to the aggregate total liabilities of the Fund's member entities, after deducting own funds and the guaranteed amount of the deposits. The latter is then adjusted to the Institution's risk profile (see Note 32).

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

Temporary levy of credit institutions and financial credit establishments

Law 38/2022 of 27 December was published on 28 December 2022. Among other aspects, it established a temporary levy for credit institutions and financial credit establishments. This levy was to be paid during 2023 and 2024 by credit institutions and financial credit establishments operating in Spain whose sum of interest income and fee and commission income in 2019 was 800 million euros or more. The payment amount was set at 4.8% of the sum of net interest income plus net fees and commissions stemming from their activities in Spain recognised on the income statement for the calendar year immediately preceding the year in which the payment obligation arose. The payment obligation arose every 1 January and had to be paid during the first 20 calendar days of the month of September of each year, without prejudice to a 50% advance payment of the total levy, which had to be made during the first 20 calendar days of the first February following the date on which the payment obligation arose (see Note 32).

1.3.20 Income taxes

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

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

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

Deferred tax assets and deferred tax liabilities relate to taxes expected to be payable or recoverable arising from differences between the carrying amounts of the assets and liabilities appearing in the financial statements and the related tax bases ("tax value"), as well as tax losses carried forward and unused tax credits that might be offset or applied in the future. They are calculated by applying to the relevant timing differences or tax credits the tax rate at which they are expected to be recovered or settled (see Note 39).

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

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

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

The "Tax assets" and "Tax liabilities" on the consolidated balance sheet include all tax assets and tax liabilities, differentiating between current tax assets/liabilities (to be recovered/paid in the next twelve months, for example, a corporation tax payment made to the tax authority (Hacienda Pública)) and deferred tax assets/liabilities (to be recovered/paid in future years).

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

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

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

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

1.3.21 Consolidated statement of recognised income and expenses

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

1.3.22 Consolidated statement of total changes in equity

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

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

1.3.23 Consolidated cash flow statement

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

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

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

1.4 Comparability

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

1.5 Other information (tender offer)

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

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

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

Furthermore, as part of its strong commitment to shareholder value creation and supported by the company's business plan and solid capital generation, the Board of Directors reiterated its commitment to distribute, on an ongoing basis, any excess capital above the 13% CET1 ratio pro forma Basel IV[2] to its shareholders. The overall excess capital amount to be generated over 2024 and 2025, together with recurrent dividends during this period according to a successful completion of the current business plan, was projected to be 2.4 billion euros[3], with part of the distribution to shareholders potentially subject to supervisory approval.

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

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

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

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

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

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

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

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

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

Note 2 – Banco Sabadell Group

Subsidiaries and associates as at 31 December 2024 and 2023 are listed in Schedule I, along with their registered offices, primary activities, the percentage shareholding in each, key financial data and the consolidation method used (full consolidation or equity method) in each case.

Schedule II provides details of consolidated structured entities (securitisation funds).

A description is provided here below of the business combinations, acquisitions and sales or liquidations which are most representative of investments in the capital of other entities (subsidiaries and/or investments in associates) made by the Group during 2024 and 2023. Schedule I also includes details of changes in the scope of consolidation in each financial year and the profit or loss obtained by the Group on the disposal of its subsidiaries and associates.

Changes in the scope of consolidation in 2024

Additions to the scope of consolidation:

No significant additions to the scope of consolidation took place in 2024.

Exclusions from the scope of consolidation:

No significant exclusions from the scope of consolidation took place in 2024.

Changes in the scope of consolidation in 2023

Additions to the scope of consolidation:

No significant additions to the scope of consolidation took place in 2023.

Exclusions from the scope of consolidation:

On 22 December 2022, the Board of Directors of Banco de Sabadell, S.A. and the Board of Directors of Bansabadell Financiación, E.F.C., S.A.U. approved and signed the common draft terms of the merger between Banco de Sabadell, S.A. (as the absorbing company) and Bansabadell Financiación, E.F.C., S.A.U. (as the absorbed company). Having obtained the relevant authorisations, the deed of the merger by absorption of Bansabadell Financiación E.F.C., S.A. by Banco de Sabadell, S.A. was entered in the Alicante Companies Register on 10 October 2023. As Bansabadell Financiación, E.F.C., S.A.U. was a company directly and fully owned by the Bank (see Schedule I – Changes in the scope of consolidation in 2023), this transaction had no significant impact on the Group's consolidated financial statements.

With the exception of the transaction described above, no significant exclusions from the scope of consolidation took place in 2023.

Other significant transactions in 2024

The Group made no other significant transactions meriting disclosure in 2024.

Other significant transactions in 2023

On 27 February 2023, Banco Sabadell signed a strategic deal to provide merchant acquiring services with Nexi S.p.A. (hereinafter, "Nexi"), a leading European paytech company, for a renewable ten-year period, under which Nexi is to acquire 80% of Banco Sabadell's payments subsidiary Paycomet, S.L.U. for 280 million euros. Banco Sabadell will retain a 20% stake for at least three years, whilst aligning interests with its new industrial partner. Following this period, Banco Sabadell will have the option to sell that 20%.

The total transaction amount was fixed at 350 million euros (280 million euros due to the 80% subject to sale), which may be increased depending on the achievement of certain targets.

As at the sign-off date of these consolidated annual financial statements, the necessary regulatory authorisations to close this transaction have been obtained. The transaction is expected to be completed in 2025, once the outcome of the tender offer for the acquisition of shares representing the total share capital of the Bank, described in Note 1.5, is known.

Note 3 – Shareholder remuneration and earnings per share

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

Thousand euro

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

(*) Importe correspondiente al pago del dividendo en efectivo a cuenta abonado el 1 de octubre de 2024 de 0,08 euros brutos por acción y a la estimación del importe de un dividendo de 0,1244 euros brutos por acción, a abonar en efectivo. Esta estimación se ha calculado teniendo en cuenta: (a) que a fecha de formulación de las presentes Cuentas anuales consolidadas el banco es titular de 78.840.390 acciones propias, (b) que como consecuencia de las restricciones a la operativa de autocartera derivadas de la oferta pública voluntaria de adquisición formulada por Banco Bilbao Vizcaya Argentaria, S.A. sobre la totalidad de las acciones representativas del capital social de Banco Sabadell (véase nota 1.5), la entidad no prevé que dichas acciones vuelvan a circular en el mercado antes de la fecha de abono del dividendo, y (c) que, conforme exige la Ley de Sociedades de Capital, las acciones propias no tienen derecho a percibir dividendo.

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

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

Thousand euro

Disponible para reparto de dividendo según estado previsional al:	**30/06/2024**
Banco Sabadell profit as at the date indicated, after provisions for taxes	788,703
Estimated statutory reserve	—
Estimated Canary Island investment reserve	36
Maximum amount available for distribution	788,667
Interim dividend proposed	428,915
Cash balance available at Banco de Sabadell, S.A. (*)	22,669,798

(*) Incluye el saldo del epígrafe "Efectivo, saldos en efectivo en bancos centrales y otros depósitos vista".

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

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

In addition, during the aforementioned meeting of 6 February 2025, the Board of Directors of Banco Sabadell, having obtained prior authorisation from the competent authority, decided that a proposal would be submitted at the next Annual General Meeting to resume execution of the share buyback programme approved at the Annual General Meeting of April 2024, in the amount of 247 million euros, equivalent to 0.0461 euros (gross) per share, which was temporarily suspended as per the request of the CNMV received on 13 May 2024 in light of the publication of the announcement of the tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A. (see Note 1.5). Similarly, during that meeting, and also having obtained the previous authorisation from the competent authority, the Board of Directors agreed to submit a proposal to the next Annual General Meeting to distribute excess capital above the 13% fully-loaded CET1 ratio (post-impact of Basel IV[4]), through a share buyback programme, in the amount of 755 million euros, equivalent to 0.1408 euros (gross) per share.

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

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

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

Share buyback programme

Share buyback programme in 2024

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

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

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

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

At its meeting of 29 January 2025, the Bank's Board of Directors agreed to partially execute the capital reduction resolution approved by the Annual General Meeting on 10 April 2024, in the amount of 6,566,420.625 euros, through the redemption of the 52,531,365 shares acquired by virtue of the aforesaid buyback programme up to the time of its suspension. The aforesaid resolution already envisaged the possibility of it not being executed or only partially executed due to unforeseen circumstances (see Note 23).

Share buyback programme in 2023

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

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

On 30 November 2023, the Board of Directors agreed to execute Banco Sabadell's share capital reduction through the redemption of all the treasury shares acquired under the share buyback programme. Execution of the capital reduction was approved under the powers conferred to the Board of Directors at the Ordinary

Annual General Meeting held on 23 March 2023 in the amount of 23,342,906.75 euros. The public deed corresponding to the capital reduction was entered with the Companies Register of Alicante on 11 December 2023 (see Note 23).

Earnings per share

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

The Group's earnings per share calculations are shown below:

	2024	2023
Resultado atribuible a los propietarios de la dominante (en miles de euros)	1,826,805	1,332,181
Ajuste: Remuneración de otros instrumentos de patrimonio (en miles de euros)	(98,155)	(115,391)
Ganancias o (-) pérdidas después de impuestos procedentes de actividades	—	—
Resultado atribuible a los propietarios de la dominante ajustado (en miles de euros)	1,728,650	1,216,790
Número medio ponderado de acciones ordinarias en circulación (*)	5,376,450,440	5,401,123,639
Conversión asumida de deuda convertible y otros instrumentos de patrimonio	—	—
Número medio ponderado de acciones ordinarias en circulación ajustado	5,376,450,440	5,401,123,639
Beneficio (o pérdida) por acción (en euros)	0.32	0.23
Beneficio (o pérdida) básico por acción considerando el efecto de las obligaciones necesariamente convertibles (en euros)	0.32	0.23
Beneficio (o pérdida) diluido por acción (en euros)	0.32	0.23

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

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

The distributions of profits of subsidiaries are subject to approval by shareholders at their respective Annual General Meetings.

Note 4 – Risk management

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

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

4.1. Macroeconomic, political and regulatory environment

Macroeconomic environment

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

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

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

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

Political and regulatory environment

DANA response measures

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

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

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

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

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

Based on these criteria, the Group's exposure that met any of the aforementioned conditions stood at 396 million euros as at the date of the event, 30 October 2024. The Group has estimated DANA's impact as at 2024 year-end on the accounting classification on the basis of credit risk and on the expected loss based on the updated exposure, reclassifying exposures as stage 2 or stage 3 in the amount of 255 million euros and 96 million euros, respectively, and applying an adjustment to the expected loss in the amount of 45 million euros (see Note 4.4.2.5 - Calculation of credit loss allowances).

As at 31 December 2024, the Group had arranged 1,437 statutory moratoria for a total amount of 60 million euros, distributed between 828 transactions granted to households amounting to 34 million euros, 272 transactions granted to self-employed professionals amounting to 12 million euros, and 337 transactions granted to companies and businesses amounting to 14 million euros, as well as one ICO guarantee transaction amounting to 3 million euros.

War between Russia and Ukraine

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

Measures to ease the mortgage burden and strengthen financial inclusion

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

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

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

4.2 Key milestones during the year

4.2.1 The Group's risk profile during the year

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

I. Non-performing assets:

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

II. Lending performance:

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

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

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

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

III. Concentration:

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

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

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

IV. Strong capital position:

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

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

V. Sound liquidity position:

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

4.2.2 Strengthened credit risk management and control environment

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

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

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

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

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

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

In the United Kingdom, despite the interest rate cuts implemented by the Bank of England during 2024, interest rates are expected to remain high for longer than initially anticipated by the market. This could undermine debtors' repayment capacity. Consequently, the focus of regulators and financial institutions continues to be on establishing adequate and agile communication channels, tools and training to support and proactively help customers, in particular those in vulnerable situations. Furthermore, the tool established in mid-2023 by the government, the Mortgage Charter, remains in place to help mortgage borrowers. Although it is worth noting that its use is not very widespread.

With regard to the credit risk control framework, throughout 2024, TSB has strengthened the set of RAS metrics for retail mortgages and consumer loans. Furthermore, the Group has increased the number of local TSB metrics which it monitors in order to improve their visibility.

4.3 General principles of risk management

Global Risk Framework

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

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

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

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

4.3.1 Global Risk Framework Policy

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

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

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

Principles of the Global Risk Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

– Alignment with the interests of stakeholders

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

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

4.3.2 Risk Appetite Framework (RAF)

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

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

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

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

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

4.3.3 Risk Appetite Statement (RAS)

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

Qualitative aspects of the RAS

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

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

Quantitative aspects of the RAS

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

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

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

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

4.3.4 Specific policies for the various material risks

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

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

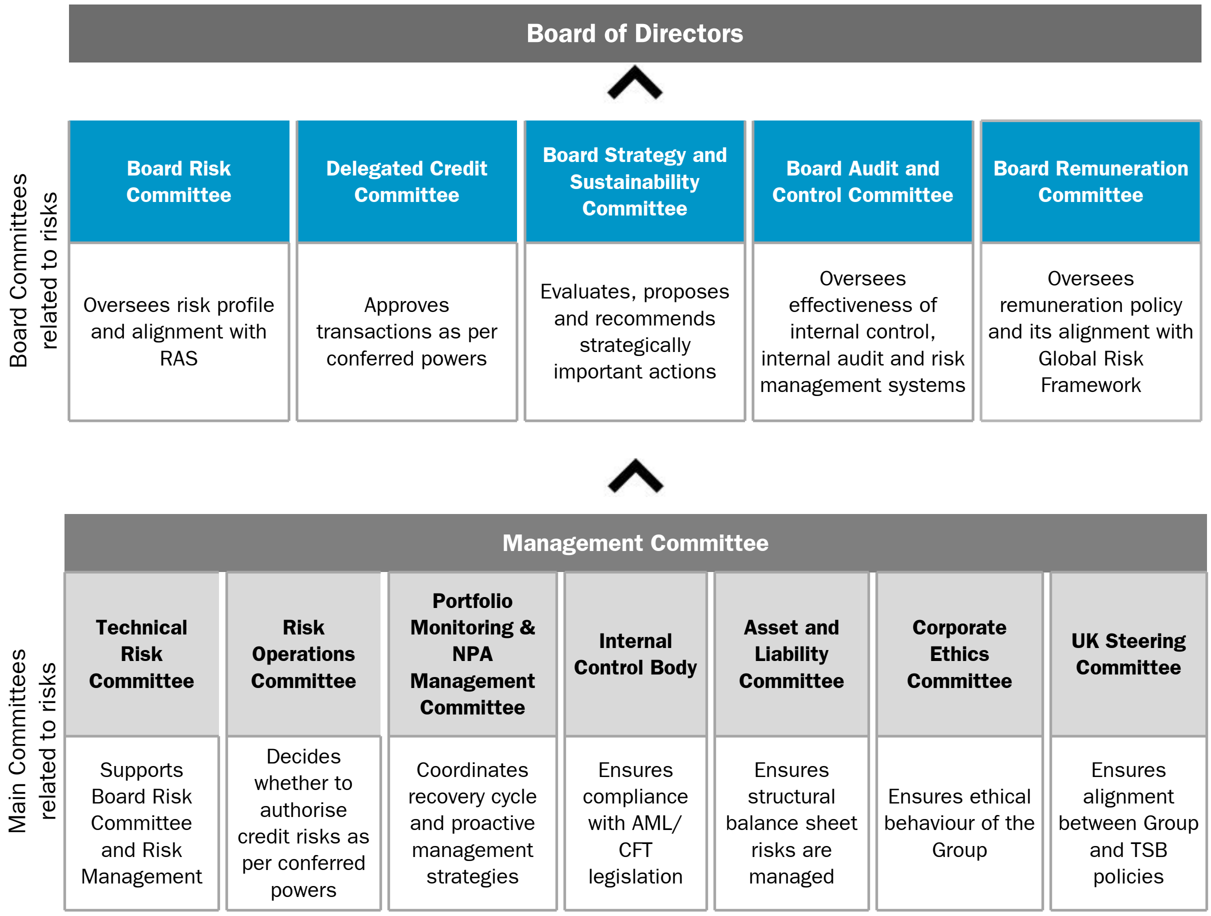
4.3.5 Risk governance

Governance structure

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

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

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



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

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

Organisation

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

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

- First line of defence: responsible for maintaining adequate and effective internal control and implementing corrective actions to rectify deficiencies in its processes and controls. The responsibilities attributed to this line under the Global Risk Framework are as follows:
    - Maintain effective internal controls and systematically execute the control framework.

- Identify, quantify, control and mitigate risks, complying with the established internal policies and procedures and ensuring that activities are consistent with the established goals and objectives.

- Implement suitable processes to manage and mitigate material risks.

- Participate in decision-making processes, identifying, assessing, controlling and mitigating the risks inherent in the implementation of significant changes and one-off transactions.

- Define the strategy for each risk.

– Second line of defence: broadly speaking, the second line of defence ensures that the first line of defence is well designed and performs its assigned duties. It also puts forward suggestions for its continuous improvement. The core duties attributed to this line are the following:

  - Propose the Global Risk Framework, for risk management and control.

  - Participate in the decision-making process where it concerns the implementation of significant changes and one-off transactions.

  - Monitor the risk strategy approved by the Board of Directors through its approval of the RAS.

  - Keep the risk inventory up to date, justifying those not considered to be material, and review the inventory of material risks.

  - Establish and maintain an equivalence between subsidiaries' local taxonomies and the Group taxonomy.

  - Conduct a risk assessment of the Group's risk profile on an annual basis.

  - Supervise the risk management and control activities carried out by the first line of defence to ensure they conform to the established policies and procedures, bearing in mind the tasks specifically assigned to it, and identify potential improvements within risk management.

  - The Validation division gives opinions regarding the suitability of new proposals, changes or adjustments to models, tools and processes with material methodological components. It also designs and rolls out the model risk management and control framework and monitors the Group's model risk profile.

  - The Compliance division identifies and periodically assesses compliance risks in the different areas of activity.

– Third line of defence: helps the Group to achieve its objectives, carrying out verification activities and providing independent and objective advice. Provides regular oversight of governance processes and of the established risk management and internal control activities.

4.4 Management and monitoring of the main material risks

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

4.4.1 Strategic risk

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

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

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

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

Strategic risk includes the management and control of four risks:

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

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

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

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

4.4.1.1 Solvency risk

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

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

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

4.4.1.2 Business risk

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

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

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

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

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

4.4.1.3 Reputational risk

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

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

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

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

4.4.1.4 Environmental risk

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

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

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

It is worth mentioning that the Group has incurred no material losses relating to environmental risk in 2024 or before then, except for the financial impact stemming from the DANA emergency that took place in October 2024, mainly on credit risk (for more information, see Notes 4.1 and 4.4.2.5 to these annual financial statements). Furthermore, it should be noted that following a review of the qualitative assessment of the materiality of environmental risk factors on risks that could be significantly impacted, it was concluded that the potential impacts were concentrated in credit portfolios. Specifically, transition risks were found to be the most material, from the point of view of regulatory factors and technological change. While the short-term impact was not very significant, the potential medium- and long-term impacts should continue to be monitored and assessed on an ongoing basis, depending on the sector.

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

4.4.2. Credit risk

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

4.4.2.1 Credit risk management framework

Acceptance and monitoring

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

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

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

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

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

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

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

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

Responsible lending

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

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

Management of non-performing exposures

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

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

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

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

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

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

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

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

Internal risk models

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

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

- Effective management of changes to internal models.

- Ongoing monitoring of the performance of internal models.

- Regular reporting, both internal and external.

- Management tools for internal models.

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

Real estate credit risk management

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

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

- New lending: real estate development business

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

  To this end, the Bank has:

  - The Real Estate Business division (a unit within the Business Banking division), with a team of real estate specialists who exclusively manage the Bank's developer customers. This unit has an acceptance and monitoring methodology that allows the Group to gain in-depth knowledge about all the projects analysed by the unit.

  - Two Real Estate Investment Analysis and Monitoring divisions (reporting to the RE Developer Risk division), whose role is to analyse all real estate projects from a technical and real estate point of view. They analyse both the location and suitability of the product, as well as the potential supply and demand. They also compare them against the figures of the business plan submitted by the customer (particularly costs, income, margin and timelines). This analysis process goes hand in hand with a model used to track real estate developments through monitoring reports, which validate the progress made in each development project in order to keep track of drawdowns and compliance with the business plan (income, costs and timelines).

  - The Real Estate Risk division, with specialised analysts at the Territorial Division. This makes it possible to ensure that newly accepted risks are in line with the policies and acceptance framework for this type of risk.

- Management of non-performing real estate credit

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

  - The customer.

  - The guarantees.

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

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

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

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

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

– Management of foreclosed assets

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

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

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

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

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

Environmental risk management associated with credit risk

Environmental risk is one of the three aspects assessed as part of Environmental, Social and Governance (ESG) risks and includes both climate risk, which is in turn subdivided into climate-related transition risk and climate-related physical risk, and environmental degradation risk (see Note 4.4.1.4 - Environmental risk).

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

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

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

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

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

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

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

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

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

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

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

4.4.2.2. Risk management models

Credit ratings

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

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

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

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

%

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

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

%

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

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

Credit scores

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

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

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

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

%

Distribution, by behavioural score, of Banco Sabadell's portfolio of individuals 2024										
9	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**0**	**TOTAL**
1.23%	8.38%	27.51%	38.6%	16.28%	4.6%	1.92%	0.87%	0.41%	0.20%	**100%**

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

%

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

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

Warning tools

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

This warnings system enables:

– Efficiency to be improved, as monitoring exercises focus on customers with the lowest credit rating or credit score (different cut-off points for each group).

– Proactive management in the event of any negative change in the situation of the customer (change in rating/score, new severe warnings, etc.).

– Customers whose situation remains unchanged and who have been assessed by the Basic Management Team to be regularly monitored.

4.4.2.3. Credit risk exposure

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

Thousand euro

Maximum credit risk exposure	Note	2024	2023
Financial assets held for trading		**1,420,956**	**142,495**
Equity instruments	9	541,005	—
Debt securities	8	879,951	142,495
Non-trading financial assets mandatorily at fair value through profit or loss		**168,267**	**153,178**
Equity instruments	9	67,049	52,336
Debt securities	8	60,705	65,744
Loans and advances	11	40,513	35,098
Financial assets at fair value through other comprehensive income		**6,492,101**	**6,387,869**
Equity instruments	9	315,768	302,510
Debt securities	8	6,176,333	6,085,359
Financial assets at amortised cost		**199,367,960**	**184,116,175**
Debt securities	8	24,876,300	21,501,203
Loans and advances	11	174,491,660	162,614,972
Derivatives	10, 12	**4,412,901**	**4,988,592**
Total credit risk due to financial assets		**211,862,185**	**195,788,309**
Loan commitments given	26	28,775,335	27,035,812
Financial guarantees given	26	1,979,622	2,064,396
Other commitments given	26	9,366,339	7,942,724
Total off-balance sheet exposures		**40,121,296**	**37,042,932**
Total maximum credit risk exposure		**251,983,481**	**232,831,241**

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

4.4.2.4. Credit risk mitigation

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

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

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

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

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

The Group has not received any significant guarantees which it is authorised to sell or pledge, irrespective of any non-payment by the owner of the referred guarantees, except for those intrinsic in treasury activities, which are mostly reverse repos (see Note 6). The fair value of the assets sold in connection with reverse repos is included under the heading “Financial liabilities held for trading” as part of the short positions of securities.

Assets assigned under the same transactions amount to 1,370,354 thousand euros as at 31 December 2024 (1,012,508 thousand euros as at 31 December 2023) and are included by type under the repos heading in Notes 18 and 19.

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

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

Thousand euro

	2024	**2023**
Value of collateral	96,057,447	94,323,862
Of which: securing stage 2 loans	*6,133,795*	*7,180,750*
Of which: securing stage 3 loans	*1,570,540*	*1,873,003*
Value of other guarantees	14,262,388	14,975,715
Of which: securing stage 2 loans	*1,653,150*	1,881,539
Of which: securing stage 3 loans	*683,329*	*1,054,019*
Total value of guarantees received	**110,319,835**	**109,299,577**

The main risk concentration in relation to all of these types of collateral and credit enhancements corresponds to the use of mortgage guarantees as a credit risk mitigation technique in exposures of loans intended for the financing or construction of housing or other types of real estate. On a like-for-like basis, as at 31 December 2024, the exposure to home equity loans and credit lines represented 56.8% of total gross performing lending items granted to customers (57.5% as at 31 December 2023).

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

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

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

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

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

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

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

These transactions are given preferential treatment for capital consumption purposes, in accordance with Article 26 of Regulation (EU) 2021/557, with the exception of the transaction carried out in December 2024 (see Note 5).

In the case of market transactions, counterparty credit risk is managed as explained in section 4.4.2.8 of these consolidated annual financial statements.

4.4.2.5. Calculation of credit loss allowances

The Group applies the criteria described below to calculate credit loss allowances.

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

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

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

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

12-month expected credit losses are defined as:

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

Where:

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

Lifetime expected credit losses are defined as:

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

Where:

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

During this estimation process, a calculation is made of the allowance necessary to cover, on one hand, the credit risk attributable to the borrower in question and, on the other hand, country risk.

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

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

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

Individual allowance estimates

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

The Group has developed a methodology to estimate these allowances, calculating the difference between the gross carrying amount of the transaction and the present value of the estimated cash flows it expects to receive, discounted using the effective interest rate. To this end, effective guarantees received are taken into account (see the section entitled “Guarantees” of Note 1.3.4.1.2).

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

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

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

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

Collective allowance estimates

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

When calculating collective impairment losses, the Group, in accordance with IFRS 9, mainly takes the following aspects into account:

– The impairment estimation process takes all credit exposures into account. The Group recognises an impairment loss equal to the best estimate available from internal models, taking into account all of the relevant information which it holds on the existing conditions at the end of the reported period. For some types of risk, including sovereign risk and exposures with credit institutions and general governments of countries in the European Union and other advanced economies, the Group does not use internal models. These exposures are considered to have negligible risk given that, based on the information available as at the date of signing off the consolidated annual financial statements, and considering past experience with these risks, the impairment allowance that these exposures are estimated to require is not significant as long as they are not reclassified into stage 3.

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

Segmentation of models

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

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

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

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

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

- By type of borrower: companies, developers and natural persons.
- By type of guarantee: mortgage, unsecured, monetary/financial, and guarantors.
- By type of product: credit cards, overdrafts, leases, credits and loans.

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

Risk drivers

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

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

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

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

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

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

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

%

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

%

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

%

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

%

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

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

Details of the PD and LGD parameters for exposures in the business of the subsidiary TSB as at 31 December 2024 and 2023 are shown below:

%

	31/12/2024							
	Average ECL parameters for on-balance sheet exposures							
	Stage 1		***Stage 2***		***Stage 3***		**Total portfolio**	
	PD	**LGD**	**PD**	**LGD**	**PD**	**LGD**	**PD**	**LGD**
Secured loans	0.21%	5.81%	8.47%	2.67%	100.00%	2.33%	1.95%	5.70%
Credit cards	0.81%	90.15%	10.48%	74.34%	100.00%	46.39%	4.53%	87.96%
Current accounts	0.46%	57.95%	5.80%	47.19%	100.00%	56.18%	3.57%	57.33%
Loans	2.30%	86.99%	17.89%	87.75%	100.00%	83.18%	6.15%	86.93%

%

	31/12/2024							
	Average ECL parameters for off-balance sheet exposures							
	Stage 1		***Stage 2***		***Stage 3***		**Total portfolio**	
	PD	**LGD**	**PD**	**LGD**	**PD**	**LGD**	**PD**	**LGD**
Secured loans	0.21%	5.81%	8.47%	2.67%	100.00%	2.33%	1.95%	5.70%
Credit cards	0.81%	90.15%	10.48%	74.34%	100.00%	46.39%	4.53%	87.96%
Current accounts	0.46%	57.95%	5.80%	47.19%	100.00%	56.18%	3.57%	57.33%
Loans	2.30%	86.99%	17.89%	87.75%	100.00%	83.18%	6.15%	86.93%

%

	31/12/2023							
	Average ECL parameters for on-balance sheet exposures							
	Stage 1		***Stage 2***		***Stage 3***		**Total portfolio**	
	PD	**LGD**	**PD**	**LGD**	**PD**	**LGD**	**PD**	**LGD**
Secured loans	0.26%	2.71%	7.88%	7.52%	100.00%	4.02%	1.53%	4.42%
Credit cards	1.38%	81.64%	9.19%	80.67%	100.00%	59.96%	5.01%	80.88%
Current accounts	0.46%	54.39%	8.71%	55.14%	100.00%	56.87%	3.56%	54.50%
Loans	3.89%	86.81%	12.75%	87.23%	100.00%	84.14%	7.63%	86.79%

%

	31/12/2023							
	Average ECL parameters for off-balance sheet exposures							
	Stage 1		***Stage 2***		***Stage 3***		**Total portfolio**	
	PD	**LGD**	**PD**	**LGD**	**PD**	**LGD**	**PD**	**LGD**
Secured loans	0.58%	4.49%	7.88%	7.52%	100.00%	4.02%	0.58%	4.49%
Credit cards	1.38%	81.64%	9.19%	80.67%	100.00%	59.96%	5.01%	80.88%
Current accounts	0.46%	54.39%	8.71%	55.14%	100.00%	56.87%	3.56%	54.50%
Loans	3.89%	86.81%	12.75%	87.23%	100.00%	84.14%	7.63%	86.79%

The PD of secured loans was calibrated in 2024, resulting in customers with a good credit record being reclassified from stage 2 to stage 1, which in turn led to an increase in the average PD for those in stage 2.

Inclusion of forward-looking information in expected loss models

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

Baseline scenario

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

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

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

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

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

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

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

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

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

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

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

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

Alternative scenario 1: productivity gains and non-existent inflation

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

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

- Artificial intelligence applications are deployed across multiple sectors of the economy and faster than envisaged in the baseline scenario. Additionally, this technology enhances the capabilities of previous innovations, such as robotisation. All of this results in productivity gains, with productivity growth at near record-high levels. Global economic growth is thus stronger and more synchronised than in the baseline scenario.

- Inflation falls faster than in the baseline scenario and remains at levels close to the monetary policy targets of the respective central banks. This is explained by a lack of disruptions in production chains and productivity gains, which makes cost absorption easier and results in more moderate second-round effects. In turn, this improves economic agents' expectations that the level of prices will remain close to central banks' targets.

- This environment allows central banks to ease their monetary policies in the near term.

- Global financing conditions remain lax, with no episodes of risk aversion.

- The macroeconomic and financial environment allows risk premiums on both peripheral debt and corporate bonds to remain contained.

- In Spain, the economy maintains significant growth momentum thanks to productivity gains, the resolution of the conflict in Ukraine, lower interest rates and the use of the NGEU funds.

Alternative scenario 2: financial instability and recession

- The scenario centres on the potential materialisation of risks to financial stability. The financial vulnerabilities in the current environment have the potential to trigger significant financial instability. The main vulnerabilities notably include (i) the systemic nature of non-bank financial institutions and their interconnections with the banking system, (ii) microstructure problems in core markets, such as treasuries, (iii) the situation in the Commercial Real Estate (CRE) sector, and (iv) vulnerabilities in China's real estate and financial sectors.

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

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

%

	31/12/2024									
	Spain					United Kingdom				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth										
Escenario base	2.2	1.8	1.8	1.8	1.8	1.1	1.1	1.4	1.4	1.4
Escenario alternativo 1	4.4	3.5	2.2	2.2	2.2	2.4	2.2	1.6	1.6	1.6
Escenario alternativo 2	-0.3	-0.7	1.2	1.6	1.6	-0.5	-0.9	1.2	1.4	1.2
Tasa de desempleo										
Escenario base	11.2	10.9	10.7	10.5	10.5	4.4	4.5	4.5	4.5	4.5
Escenario alternativo 1	9.9	8.6	8.0	7.7	7.6	3.9	3.5	3.5	3.5	3.5
Escenario alternativo 2	14.6	15.7	14.1	12.6	11.1	5.3	6.6	6.2	5.6	5.0
Crecimiento del precio de la vivienda (*)										
Escenario base	5.4	4.5	4.5	4.5	4.5	1.6	1.5	2.1	2.6	2.7
Escenario alternativo 1	6.9	7.1	6.5	5.5	5.5	2.6	5.0	5.0	5.0	5.0
Escenario alternativo 2	-3.7	-1.9	1.4	1.9	1.9	-4.0	-10.7	-1.7	0.0	1.6

(*) Para España se calcula la variación del precio a final de año y para el Reino Unido se calcula la variación promedio de año.

%

	31/12/2023									
	Spain					United Kingdom				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth										
Escenario base	1.6	1.9	1.8	1.6	1.6	0.6	1.2	1.3	1.4	1.4
Escenario alternativo 1	4.1	3.5	2.2	2.0	2.0	1.3	2.7	1.7	1.6	1.6
Escenario alternativo 2	-0.2	-1.0	1.0	1.2	1.2	-0.6	-1.1	1.2	1.4	1.2
Tasa de desempleo										
Escenario base	11.4	11.2	10.9	10.7	10.5	4.5	4.7	4.6	4.3	4.3
Escenario alternativo 1	10.3	9.0	8.4	8.1	8.0	4.0	3.6	3.5	3.5	3.5
Escenario alternativo 2	15.3	16.0	14.5	13.0	11.5	5.2	6.6	6.2	5.6	5.0
vivienda (*)										
Escenario base	0.5	1.7	1.8	1.9	1.9	-6.5	-2.4	1.9	2.5	2.5
Escenario alternativo 1	5.6	4.6	3.5	3.5	3.5	-2.5	0.5	1.0	1.6	3.4
Escenario alternativo 2	-3.6	-2.1	0.0	1.9	1.9	-7.8	-9.5	-0.4	0.0	1.6

(*) Para España se calcula la variación del precio a final de año y para el Reino Unido se calcula la variación promedio de año.

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

Further adjustments to expected losses

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

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

As at 31 December 2024, the overlays recorded in the consolidated balance sheet amount to 83 million euros. The change in the year corresponds to the specific allocation of the overlays in force as at 2023 year-end, following the annual model review process, and to the application of new overlays, in the amount of 25 million euros, estimated based on the results of the backtests carried out on PD models. Furthermore, due to the DANA emergency that took place last October, the potentially affected perimeter was identified and a reclassification was carried out, using collective overlays, reclassifying 255 million euros to stage 2 and 96 million euros to stage 3, corresponding to the most affected perimeter and on which an adjustment to the expected loss of 45 million euros was applied (see Note 4.1). Finally, the Group applied an overlay of 13 million euros to reflect environmental risks in the expected loss (see section "Environmental risk management associated with credit risk" in Note 4.4.2.1).

The Group has recorded the impact on the different stages stemming from the overlays described above through collective assessment PMAs. In that regard, overlays that entailed increasing exposures classified as stage 2 and stage 3 by 511 million euros and 135 million euros, respectively, have been applied. These overlays include the impacts of the DANA emergency mentioned above.

Sensitivity analysis of the key variables of macroeconomic scenarios

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

Group			
	Change in the variable (*)	Impact on expected loss	
		Corporates	Individuals
GDP growth deviation	-100 pb	6.6%	1.2%
	+100 pb	(5.5)%	(1.1)%
Unemployment rate deviation	+100 pb	2.0%	2.6%
	-100 pb	(2.0)%	(2.1)%
House price growth deviation	-100 pb	0.5%	0.8%
	+100 pb	(0.5)%	(0.8)%

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

United Kingdom		
	Change in the variable (*)	Impact on expected loss
		Individuals
Unemployment rate deviation (**)	+100 pb	6.6%
	-100 pb	(4.5)%
House price growth deviation	-100 pb	0.3%
	+100 pb	(0.3)%

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

(**) Changes to macroeconomic variables are applied in absolute terms. In the scenario of a change to the UK unemployment rate, a deviation of +/- 100 bp represents the relative value of a deviation from the macroeconomic variable more than two times greater than in Spain.

Overall comparison between financial asset and real estate asset impairment allowances

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

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

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

4.4.2.6. Credit quality of financial assets

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

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

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

Million euro

Breakdown of on-balance sheet exposure by rating	Note	Loans assigned rating/score				
		2024				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	**Total**
AAA/AA		21,204	241	—	*2*	21,446
A		17,691	37	11	—	17,739
BBB		99,768	235	—	—	100,004
BB		34,253	260	1	*1*	34,514
B		13,771	2,255	7	*35*	16,033
Resto		3,031	6,838	4,576	*63*	14,446
Sin rating / scoring asignado		2,725	277	—	—	3,002
Total importe bruto	**11**	**192,444**	**10,143**	**4,596**	**101**	**207,183**
Correcciones de valor por deterioro	**11**	**(309)**	**(371)**	**(2,168)**	***(1)***	**(2,848)**
Total importe neto		**192,135**	**9,772**	**2,428**	***100***	**204,336**

Million euro

Breakdown of on-balance sheet exposure by rating	Note	Loans assigned rating/score				
		2023				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	**Total**
AAA/AA		25,486	57	—	—	25,543
A		11,644	171	13	—	11,829
BBB		83,179	252	—	*1*	83,431
BB		31,376	522	3	*2*	31,902
B		17,102	3,105	6	*61*	20,212
Other		3,577	7,546	5,450	*45*	16,574
No rating/score assigned		1,675	19	—	—	1,694
Total importe bruto	**11**	**174,039**	**11,672**	**5,473**	**109**	**191,185**
Correcciones de valor por deterioro	**11**	**(373)**	**(471)**	**(2,359)**	***(1)***	**(3,202)**
Total importe neto		**173,666**	**11,202**	**3,114**	***108***	**187,982**

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

Million euro

Distribución de la exposición fuera de balance por nivel de calificación	Note	Loans assigned rating/score 2024				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
AAA/AA		1,830	36	—	—	1,867
A		3,865	4	—	—	3,869
BBB		16,302	17	2	—	16,321
BB		10,882	43	4	*1*	10,929
B		5,485	432	8	*32*	5,925
Resto		157	684	289	*134*	1,131
Sin rating / scoring asignado		80	—	—	—	80
Total importe bruto	**26**	**38,601**	**1,217**	**304**	***168***	**40,121**
Provisiones registradas en el pasivo del balance	**26**	**(36)**	**(30)**	**(77)**	**—**	**(142)**
Total importe neto		**38,565**	**1,187**	**226**	**168**	**39,979**

Million euro

Distribución de la exposición fuera de balance por nivel de calificación	Note	Loans assigned rating/score 2023				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
AAA/AA		1,442	44	—	—	1,485
A		3,034	—	—	—	3,035
BBB		13,533	34	2	—	13,568
BB		8,611	101	3	*1*	8,716
B		8,246	724	6	*23*	8,977
Other		159	620	355	*153*	1,133
No rating/score assigned		128	1	—	—	129
Total importe bruto	**26**	**35,154**	**1,524**	**365**	***178***	**37,043**
Provisiones registradas en el pasivo del balance	**26**	**(48)**	**(30)**	**(86)**	**—**	**(165)**
Total importe neto		**35,105**	**1,494**	**279**	**178**	**36,878**

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

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

%

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

(*) Corresponds to the ratio excluding TSB.

The NPL ratio, broken down by lending segment, as at 31 December 2024 and 2023 is set out below:

%	2024	Proforma 2024 (*)	2023	Proforma 2023 (*)
Group NPL ratio	**2.84**	**3.31**	**3.52**	**4.22**
Non-real estate construction	4.06	4.06	5.25	5.25
Corporates	2.00	2.00	2.47	2.47
SMEs and self-employed	6.70	6.74	8.52	8.58
Individuals with 1st mortgage guarantee	1.89	2.27	2.29	3.12
Real estate development and construction	5.66	5.69	6.44	6.48

(*) Corresponds to the NPL ratio excluding TSB.

A more detailed quantitative breakdown of allowances and assets classified as stage 3 can be found in Note 11, and a more detailed breakdown of refinancing and restructuring transactions is included in Schedule IV.

4.4.2.7. Concentration risk

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

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

Concentration risk can be caused by two risk subtypes:

- Individual concentration risk: this refers to the possibility of incurring significant credit losses as a result of maintaining large exposures to specific customers, either to a single customer or to an economic group.
- Sector concentration risk: imperfect diversification of systematic components of risk within the portfolio, which can be sector-based factors, geographical factors, etc.

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

- Quantitative metrics from the Risk Appetite Statement and their subsequent monitoring, including both first-tier (Board) metrics and second-tier (Executive) metrics.
- Individual limits for risks and customers considered to be significant, which are set by the Delegated Credit Committee.
- A structure of conferred powers which requires transactions with significant customers to be approved by the Risk Operations Committee, or even by the Delegated Credit Committee.

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

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

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

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

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

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

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

Risk control monitoring and regular reporting

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

Action plans and mitigation techniques

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

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

Exposure to customers or significant risks

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

Country risk: geographical exposure to credit risk

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

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

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

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

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

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

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

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

4.4.2.8. Counterparty credit risk

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

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

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

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

%

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

%

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

%

	2024	**2023**
Zona Euro	77.7%	77.3%
Resto de Europa	15.7%	16.9%
Estados Unidos y Canadá	2.7%	3.0%
Resto del mundo	3.8%	2.8%
Total	**100%**	**100%**

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

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

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

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

Thousand euro

	2024	**2023**
Operaciones con mercados organizados	506,105	1,505,736
Operaciones OTC	202,054,253	188,207,641
Liquidadas a través de cámaras de compensación	*126,969,629*	*113,467,997*
Total	**202,560,358**	**189,713,377**

There are currently no transactions that meet the accounting criteria for offsetting transactions involving financial assets and financial liabilities on the balance sheet. The netting of derivative and repo transactions is only material when calculating the amount pending collateralisation, and is not material in terms of their presentation on the balance sheet.

The following tables show the aggregate amount reflected on the balance sheet for the financial instruments subject to a master netting and collateral agreement for 2024 and 2023:

Thousand euro

	2024				
	Financial assets subject to collateral agreements				
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Guarantee received		Net amount
			Cash	Securities	
Financial assets	(a)	(b)	(c)	(d)	(a)-(b)-(c)-(d)
Derivados	4,268,483	2,262,755	688,855	1,353,869	(36,996)
Adquisición temporal de activos	10,725,012	—	31,590	10,720,991	(27,569)
Total	**14,993,495**	**2,262,755**	**720,445**	**12,074,860**	**(64,565)**

Thousand euro

	2024				
	Pasivos financieros sujetos a acuerdos de colateral				
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Guarantee given		Net amount
			Cash	Securities	
Financial liabilities	(a)	(b)	(c)	(d)	(a)-(b)-(c)-(d)
Derivados	2,664,520	2,262,755	517,133	374,681	(490,049)
Cesión temporal de activos	12,034,968	—	65,831	12,262,513	(293,376)
Total	**14,699,488**	**2,262,755**	**582,964**	**12,637,194**	**(783,425)**

Thousand euro

	2023				
	Financial assets subject to collateral agreements				
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Guarantee received		Net amount
			Cash	Securities	
Financial assets	(a)	(b)	(c)	(d)	(a)-(b)-(c)-(d)
Derivados	4,827,407	2,903,168	1,822,777	124,929	(23,467)
Adquisición temporal de activos	5,146,361	—	45,522	5,207,911	(107,072)
Total	**9,973,768**	**2,903,168**	**1,868,299**	**5,332,840**	**(130,539)**

Thousand euro

	2023				
	Pasivos financieros sujetos a acuerdos de colateral				
	Amount recognised on balance sheet	Amount offset (for collateral calculations only)	Guarantee given		Net amount
			Cash	Securities	
Financial liabilities	(a)	(b)	(c)	(d)	(a)-(b)-(c)-(d)
Derivados	3,206,489	2,903,168	457,090	358,000	(511,769)
Cesión temporal de activos	11,065,324	—	144,461	11,608,411	(687,548)
Total	**14,271,813**	**2,903,168**	**601,551**	**11,966,411**	**(1,199,317)**

The values of derivative financial instruments which are settled through a clearing house as at 31 December 2024 and 2023 are indicated here below:

Thousand euro

	2024	2023
Activos financieros derivados liquidados a través de una cámara de compensación	3,644,950	4,012,659
Pasivos financieros derivados liquidados a través de una cámara de compensación	1,877,174	2,498,128

The philosophy behind counterparty credit risk management is consistent with the business strategy, at all times seeking to ensure the creation of value whilst maintaining a balance between risk and return. To this end, criteria have been established for controlling and monitoring counterparty credit risk arising from activity in financial markets, which ensure that the Bank can carry out its business activity whilst adhering to the risk thresholds approved by the Board of Directors.

The approach for quantifying counterparty credit risk exposure takes into account current and future exposure. Current exposure represents the cost of replacing a transaction at the present time and at market value in the event that a counterparty defaults. To calculate it, the current or Mark to Market (MtM) value of the transaction is required. The future exposure represents the risk that a transaction could potentially represent over a certain period of time, given the characteristics of the transaction and the market variables on which it depends. In the case of transactions carried out under a collateral agreement, the future exposure represents the possible fluctuation of the MtM between the time of default and the replacement of such transactions in the market. If the transaction is not carried out under a collateral agreement, it represents the possible changes in MtM throughout the life of the transaction.

Each day at close of business, all of the exposures are recalculated in accordance with the transaction inflows and outflows, changes in market variables and risk mitigation mechanisms established by the Group. Exposures are thus subject to daily monitoring and they are controlled in accordance with the limits approved by the Board of Directors. This information is included in risk reports for disclosure to the departments and areas responsible for their management and monitoring.

With regard to counterparty credit risk, the Group has different mitigation techniques. The main techniques are:

- Netting agreements for derivatives (ISDA and Spain's Framework Agreement for Financial Transactions (*Contrato Marco de Operaciones Financieras*, or CMOF)).
- Variation margin collateral agreements for derivatives (CSA and Annex 3 - CMOF), repos (GMRA, EMA) and securities lending (GMSLA).
- Initial margin collateral agreements for derivatives (CTA and SA).

Netting agreements allow positive and negative MtM to be aggregated for transactions with a single counterparty, in such a way that in the event of default, a single payment or collection obligation is established in relation to all of the transactions closed with that counterparty.

By default, the Group has netting agreements with all counterparties wishing to trade in derivatives.

Variation margin collateral agreements, as well as including the netting effect, also include the regular exchange of guarantees which mitigate the current exposure with a counterparty in respect of the transactions subject to such agreements.

In order to trade in derivatives or repos with financial institutions, the Group requires variation margin collateral agreements to be in place. Furthermore, for derivative transactions with these institutions, the Group is required to exchange variation margin collateral with financial counterparties pursuant to Delegated Regulation (EU) 2016/2251. The Group’s standard variation margin collateral agreement, which complies with the aforesaid regulation, is bilateral (i.e. both parties are obliged to deposit collateral) and includes the daily exchange of guarantees in the form of cash and in euros.

Initial margin collateral agreements include the provision of guarantees to mitigate the potential future exposure with a counterparty in respect of the transactions subject to such agreements.

The Group has initial margin collateral agreements in place for derivative transactions with financial institutions pursuant to Delegated Regulation (EU) 2016/2251.

4.4.2.9 Assets pledged in financing activities

As at 31 December 2024 and 2023, there were certain financial assets pledged in funding operations, i.e. delivered as collateral or guarantees with respect to certain liabilities. These assets correspond mainly to loans linked to the issuance of mortgage covered bonds, public sector covered bonds, TSB covered bonds and long-term asset-backed securities (see Note 20 and Schedule II). The remaining pledged assets are debt securities which are submitted in transactions involving assets sold under repurchase agreements, pledged collateral (loans or debt instruments) to access certain funding operations with central banks and all types of collateral provided to secure derivative transactions.

The issuing entity Banco Sabadell did not issue any public sector covered bonds in either 2024 or 2023.

The Group has used part of its portfolio of loans and similar credit in fixed-income securities by transferring assets to various securitisation funds created for this purpose. Under current regulations, securitisations in which there is no significant risk transfer cannot be derecognised from the balance sheet.

The balance of the financial assets securitised under these programmes by the Group, as well as other financial assets transferred, depending on whether they have been derecognised or retained in full on the consolidated balance sheet, as at 31 December 2024 and 2023, is as follows:

Thousand euro

	2024	2023
Dados íntegramente de baja en el balance:	**833,458**	**568,975**
Activos hipotecarios titulizados	112,162	111,624
Otros activos titulizados	175,490	228,671
Otros activos financieros transferidos	545,806	228,680
Mantenidos íntegramente en el balance:	**7,808,968**	**7,446,823**
Activos hipotecarios titulizados	6,434,096	6,394,928
Otros activos titulizados	1,374,872	1,051,894
Total	**8,642,426**	**8,015,798**

The assets and liabilities associated with securitisation funds of assets originated after 1 January 2004, and for which inherent risks and rewards of ownership have not been transferred to third parties, have been retained on the consolidated balance sheet. As at 31 December 2024 and 2023, there was no significant financial support from the Group for unconsolidated securitisations.

Schedule II to these consolidated annual financial statements includes certain information regarding the securitisation funds originated by the Group.

4.4.3. Financial risks

Financial risk is defined as the possibility of obtaining inadequate returns or having insufficient levels of liquidity that prevent an institution from meeting future requirements and expectations.

4.4.3.1 Liquidity and funding risk

Liquidity risk refers to the possibility of losses being incurred as a result of the Institution being unable, albeit temporarily, to honour payment commitments due to a lack of liquid assets or due to its inability to access the markets to refinance debts at a reasonable cost. This risk may be associated with factors of a systemic nature or specific to the Institution itself.

In this regard, the Group aims to maintain a stock of liquid assets and a funding structure that, in line with its strategic objectives and based on its Risk Appetite Statement, allow it to honour its payment commitments as usual and at a reasonable cost, both under business-as-usual conditions and in a stress situation caused by systemic and/or idiosyncratic factors.

The fundamental pillars of Banco Sabadell's governance structure for liquidity management and control are the direct involvement of the governing body, Board committees and management bodies, following the model of three lines of defence, and a clear segregation of duties, as well as a clear-cut structure of responsibilities.

Liquidity management

Banco Sabadell's liquidity management seeks to ensure funding for its business activity at an appropriate cost and term while minimising liquidity risk. The Institution's funding policy focuses on maintaining a balanced funding structure, based mainly on customer deposits and supplemented with access to wholesale markets that allows the Group to maintain a comfortable liquidity position at all times.

The Group follows a structure based on Liquidity Management Units (LMUs) to manage its liquidity. Each LMU is responsible for managing its own liquidity and for setting its own metrics to control liquidity risk, working together with the Group's corporate functions. As at the end of December 2024, the LMUs are Banco Sabadell (includes Banco de Sabadell, S.A., which in turn includes activity in foreign branches, as well as the business in Mexico of Banco Sabadell S.A., I.B.M. (IBM) and SabCapital S.A. de C.V., SOFOM, E.R. (SOFOM)) and TSB.

In order to achieve these objectives, the Group's current liquidity risk management strategy is based on the following principles and pillars, in line with the LMUs' retail business model and the defined strategic objectives:

- Risk governance and involvement of the Board of Directors and Senior Management in managing and controlling liquidity risk. The Board of Directors has the highest level of responsibility for the oversight of liquidity risk, while the management bodies of the LMUs are in charge of transposing these strategies to their local areas of activity.
- Integration of the risk culture, based on prudent liquidity risk management and clear and consistent definitions of their terminology, and on its alignment with the Group's business strategy through the established risk appetite.
- Clear segregation of responsibilities and duties between the different areas and bodies within the organisation, with a clear-cut distinction between each of the three lines of defence, providing independence in the evaluation of positions and in risk assessment and control.
- Implementation of best practices in liquidity risk management and control, ensuring not only compliance with regulatory requirements but also, under a criterion of prudence, the availability of sufficient liquid assets to overcome possible stress events.
- Decentralised liquidity management system for the more significant units but with a centralised risk oversight and management system.
- Sound processes for the identification, measurement, management, control and disclosure of the different liquidity subrisks to which the Group is exposed.
- Holistic overview of risk, through first- and second-tier risk taxonomies, and complying with regulatory requirements, recommendations and guidelines.
- Existence of a transfer pricing system to transfer the cost of funding.
- Balanced funding structure with a predominance of customer deposits.
- Ample base of unencumbered liquid assets that can be used immediately to generate liquidity and which comprise the Group's first line of liquidity.
- Diversification of funding sources, with controlled use of short-term wholesale funding without having to depend on individual fund suppliers.
- Self-funding by the main banking subsidiaries outside Spain.
- Oversight of the balance sheet volume being used as collateral in funding operations.
- Maintenance of a second line of liquidity that includes the capacity to issue covered bonds.
- Alignment with the interests of stakeholders through regular public disclosure of liquidity risk information.
- Availability of a Liquidity Contingency Plan.

Tools/metrics for monitoring and controlling liquidity risk management

Banco Sabadell Group has a system of metrics and thresholds which are provided in the RAS and which define the appetite for liquidity risk, previously approved by the Board of Directors. This system enables liquidity risk to be assessed and monitored, ensuring the achievement of strategic objectives, adherence to the risk profile, as well as compliance with regulations and supervisory guidelines. Within the Group-level monitoring of liquidity metrics, there are metrics established at the Group level and calculated on a consolidated basis, metrics established at the Group level and rolled out to each Group LMU, as well as metrics established at the LMU level to reflect specific local characteristics.

Both the metrics defined in the Banco Sabadell Group RAS and those defined in the local RAS of subsidiaries are subject to governance arrangements relating to the approval, monitoring and reporting of threshold breaches, as well as remediation plans established in the RAF on the basis of the hierarchical level of each metric (these are classified into three tiers).

It should be mentioned that the Group has designed and implemented a system of Early Warning Indicators (EWIs) at the LMU level, which includes market and liquidity indicators adapted to the funding structure and business model of each LMU. The rollout of these indicators at the LMU level complements the RAS metrics and allows tensions in the local liquidity position and funding structure to be detected early, thereby facilitating the implementation of corrective measures and actions and reducing the risk of contagion between the different management units.

The risk of each LMU is also monitored on a daily basis through a report that measures daily changes in the funding needs of the balance sheet, daily changes in the outstanding balance of transactions in capital markets, as well as daily changes in the liquidity buffer maintained by each LMU.

The metrics reporting and control framework involves, among other things:

- Monitoring the RAS metrics and their thresholds on a consolidated basis, as well as those established for each LMU, in line with the established monitoring frequency.

- Reporting on the relevant set of metrics to the governing body, Board committees and management bodies, depending on the tiers into which those metrics have been classified.

- In the event a threshold breach is detected, activating the communication protocols and necessary plans for its resolution.

Within the Group's overall budgeting process, Banco Sabadell plans its liquidity and funding requirements over different time horizons, which it aligns with the Group's strategic objectives and risk appetite. Each LMU has a one-year and five-year funding plan in which they set out their potential funding needs and the strategy for their management, and they regularly analyse compliance with that plan, any deviations from the projected budget and the extent to which the plan is appropriate to the market environment.

In addition, Banco Sabadell regularly reviews the identification of liquidity risks and assesses their materiality. At least for all risks deemed material, there are specific management strategies and metrics in place that capture these risk components. It also conducts regular liquidity stress tests, which envisage a series of stress scenarios in the short and longer term, and it analyses their impact on the liquidity position and the main metrics in order to ensure that the existing exposures are consistent at all times with the established liquidity risk tolerance level.

The Institution also has an internal transfer pricing system to transfer the funding costs to business units.

Lastly, Banco Sabadell has a Liquidity Contingency Plan (LCP) in place, which sets forth the strategy for ensuring that the Institution has sufficient management capabilities and measures in place to minimise the negative impacts of a crisis situation on its liquidity position and to allow it to return to a business-as-usual situation. The LCP can be invoked in response to different crisis situations affecting either the markets or the Institution itself. The key components of the LCP include, among others: the definition of the strategy for its implementation, the inventory of measures available to generate liquidity in business-as-usual situations or in a crisis situation linked to the invocation of the LCP and a communication plan (both internal and external) for the LCP.

Residual maturity periods

The tables below show the breakdown, by contractual maturity, of certain pools of items on the consolidated balance sheet as at 31 December 2024 and 2023, under business-as-usual market conditions:

Thousand euro

					2024					
Time to maturity	**On demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
ASSETS										
Cash, balances at central banks and other demand deposits	2,903,589	14,565,334	904,529	291	1,542	67	—	40	6,721	**18,382,112**
Financial assets at fair value through other comprehensive income	—	593,078	77,044	275,548	486,307	566,862	1,161,580	51,072	2,964,841	**6,176,333**
Debt securities	—	593,078	77,044	275,548	486,307	566,862	1,161,580	51,072	2,964,841	**6,176,333**
Loans and advances	—	—	—	—	—	—	—	—	—	**—**
Customers	—	—	—	—	—	—	—	—	—	**—**
Financial assets at amortised cost	4,528,831	9,644,170	5,725,389	12,375,307	12,095,615	11,549,771	9,722,394	13,799,010	117,079,786	**196,520,273**
Debt securities	—	220,258	493,837	576,152	655,379	1,734,512	1,120,974	3,153,128	16,921,887	**24,876,126**
Loans and advances	4,528,831	9,423,912	5,231,552	11,799,155	11,440,236	9,815,259	8,601,420	10,645,883	100,157,899	**171,644,147**
Central banks	—	—	—	—	—	—	—	—	—	**—**
Credit institutions	1,635,317	4,323,451	1,774,734	2,691,877	2,019,243	200,241	7,368	4,606	114,849	**12,771,685**
Customers	2,893,513	5,100,460	3,456,818	9,107,279	9,420,993	9,615,018	8,594,053	10,641,277	100,043,050	**158,872,462**
Total assets	**7,432,420**	**24,802,582**	**6,706,962**	**12,651,146**	**12,583,464**	**12,116,700**	**10,883,974**	**13,850,122**	**120,051,348**	**221,078,718**
LIABILITIES										
Financial liabilities at amortised cost	146,175,007	6,813,797	7,856,577	24,703,466	9,897,518	5,391,327	5,238,029	6,614,424	7,538,104	**220,228,249**
Deposits	139,976,026	6,721,627	6,978,766	22,804,921	5,592,393	1,806,048	747,935	1,087,158	626,306	**186,341,181**
Central banks	26,409	—	—	961,191	—	709,134	—	—	—	**1,696,734**
Credit institutions	922,074	3,490,314	2,147,448	3,852,724	2,398,334	599,744	525,847	428,471	456,844	**14,821,800**
Customers	139,027,543	3,231,313	4,831,318	17,991,006	3,194,059	497,170	222,088	658,687	169,462	**169,822,647**
Debt securities issued	18,312	69,439	866,144	1,882,263	4,297,875	3,579,062	4,480,573	5,514,192	6,729,078	**27,436,938**
Other financial liabilities	6,180,670	22,730	11,667	16,282	7,250	6,217	9,521	13,074	182,720	**6,450,130**
Total liabilities	**146,175,007**	**6,813,797**	**7,856,577**	**24,703,466**	**9,897,518**	**5,391,327**	**5,238,029**	**6,614,424**	**7,538,104**	**220,228,249**
Trading and Hedging derivatives										
Receivable	—	44,995,897	7,837,360	26,135,974	17,079,237	9,514,491	10,227,723	9,803,529	37,218,249	**162,812,462**
Payable	—	42,509,276	8,560,630	27,816,215	24,155,085	13,635,105	10,190,986	9,283,604	40,814,400	**176,965,301**
Contingent risks										
Financial guarantees	640	53,084	115,909	481,218	185,154	87,913	43,746	39,348	972,610	**1,979,622**

(*) For details of maturities of issues aimed at institutional investors, see the section entitled “Funding strategy and evolution of liquidity in 2024” in this note.

Thousand euro

	2023									
Time to maturity	**On demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
ASSETS										
Cash, balances at central banks and other demand deposits	2,879,139	26,518,399	575,341	1,972	64	1,630	206	—	9,102	**29,985,853**
Financial assets at fair value through other comprehensive income	—	28,056	69,236	791,454	560,553	518,426	302,223	1,132,974	2,682,437	**6,085,359**
Debt securities	—	28,056	69,236	791,454	560,553	518,426	302,223	1,132,974	2,682,437	**6,085,359**
Loans and advances	—	—	—	—	—	—	—	—	—	**—**
Customers	—	—	—	—	—	—	—	—	—	**—**
Financial assets at amortised cost	4,062,743	5,493,867	3,858,019	12,168,889	11,057,059	10,776,821	10,537,660	10,184,113	112,774,622	**180,913,793**
Debt securities	—	4,833	315,660	1,204,916	1,123,028	479,039	1,743,646	1,187,212	15,442,593	**21,500,927**
Loans and advances	4,062,743	5,489,034	3,542,359	10,963,974	9,934,031	10,297,782	8,794,014	8,996,901	97,332,028	**159,412,866**
Central banks	—	156,516	—	—	—	—	—	—	—	**156,516**
Credit institutions	1,411,422	445,014	732,541	2,114,438	1,666,642	573,056	56	9,210	43,572	**6,995,951**
Customers	2,651,321	4,887,504	2,809,818	8,988,540	8,267,389	9,724,726	8,793,958	8,987,691	97,149,452	**152,260,399**
Total assets	**6,941,882**	**32,040,322**	**4,502,596**	**12,962,315**	**11,617,676**	**11,296,877**	**10,840,089**	**11,317,087**	**115,466,161**	**216,985,005**
LIABILITIES										
Financial liabilities at amortised cost	107,548,804	43,256,136	11,499,120	15,574,656	15,126,695	6,730,104	4,632,257	5,160,504	6,543,490	**216,071,766**
Deposits	101,442,894	42,529,331	9,538,402	13,218,907	12,300,947	2,453,941	1,103,014	750,550	609,211	**183,947,196**
Central banks	60,915	—	5,106,963	5,753	3,926,127	—	676,601	—	—	**9,776,360**
Credit institutions	1,039,225	4,678,234	816,081	2,817,579	2,263,510	1,306,692	254,561	171,991	492,311	**13,840,183**
Customers	100,342,754	37,851,097	3,615,358	10,395,575	6,111,309	1,147,249	171,852	578,559	116,900	**160,330,653**
Debt securities issued	16,214	693,854	1,951,456	2,340,622	2,816,403	4,270,058	3,525,049	4,406,209	5,771,418	**25,791,284**
Other financial liabilities	6,089,696	32,951	9,262	15,127	9,345	6,105	4,194	3,745	162,861	**6,333,286**
Total liabilities	**107,548,804**	**43,256,136**	**11,499,120**	**15,574,656**	**15,126,695**	**6,730,104**	**4,632,257**	**5,160,504**	**6,543,490**	**216,071,766**
Trading and Hedging derivatives										
Receivable	—	50,823,146	11,328,791	28,452,907	14,570,051	10,892,738	7,921,211	9,074,442	33,210,726	**166,274,013**
Payable	—	30,233,517	10,838,943	29,856,672	20,222,682	11,930,292	8,979,495	7,146,036	40,908,171	**160,115,808**
Contingent risks										
Financial guarantees	17,922	66,449	66,038	414,294	259,415	92,562	68,818	34,938	1,043,960	**2,064,396**

In this analysis, very short-term maturities traditionally represent funding requirements, as they include continuous maturities of short-term liabilities, which in typical banking activities see higher turnover rates than assets, but as they are continuously rolled over they actually end up satisfying these requirements and at times even result in the growth of outstanding balances.

Furthermore, the Group's funding programmes in capital markets are systematically checked to ensure they can meet its short-, medium- and long-term needs.

With regard to the information included in these tables, it is worth highlighting that they show the residual term to maturity of the asset and liability positions on the balance sheet, broken down into different time brackets.

The information provided is static and does not reflect foreseeable funding needs.

It should also be noted that cash flow breakdowns in the parent company have not been deducted.

In order to present the contractual maturities of financial liabilities with certain particular characteristics, the parent company has taken the following approach:

- Transactions are placed in different time brackets according to their contractual maturity date.
- Demand liabilities are included in the "on demand" tranche, without taking into account their type (stable vs unstable).
- There are also contingent commitments which could lead to changes in liquidity needs. These are fundamentally credit facilities with amounts undrawn by the borrowers as at the balance sheet date. The Board of Directors also establishes limits in this regard for control purposes.

– Balances related to financial guarantee contracts have been included for the parent company, allocating the maximum amount of the guarantee to the earliest period in which the guarantee can be called.

– Funding in capital markets obtained through instruments that include clauses which could lead to accelerated repayment (instruments with clauses linked to a credit rating downgrade or puttables) is reduced in line with the Group's financial liabilities. It is for this reason that the estimated impact on the parent company would not be significant.

– As at 31 December 2024 and 2023, the Group had no instruments in addition to those regulated by master agreements associated with the arrangement of derivatives and repos/reverse repos.

– The Group does not have any instruments that allow the Institution to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares as at 31 December 2024 and 2023.

Funding strategy and evolution of liquidity in 2024

The Group's primary source of funding is customer deposits (mainly demand deposits and term deposits acquired through the branch network), supplemented with funding raised through interbank and capital markets in which the Institution has and regularly renews various short-term and long-term funding programmes in order to achieve an adequate level of diversification by type of product, term and investor. The Institution maintains a diversified portfolio of liquid assets that are largely eligible as collateral in exchange for access to funding operations with the European Central Bank (ECB).

On-balance sheet customer funds

On-balance sheet customer funds as at 31 December 2024 and 2023 are shown below by maturity:

Million euro / %

	Note	2024	3 months	6 months	12 months	>12 months	No maturity
Total on-balance sheet customer funds (*)		**169,557**	**5.7 %**	**4.3 %**	**5.8 %**	**2.6 %**	**81.6 %**
Term deposits and others		30,690	30.9 %	22.9 %	32.1 %	14.1 %	— %
Demand deposits	19	138,347	— %	— %	— %	— %	100.0 %
Retail issues		520	41.9 %	57.5 %	0.6 %	— %	— %

(*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: straight bonds issued by Banco Sabadell, commercial paper and others.

Million euro / %

	Note	2023	3 months	6 months	12 months	>12 months	No maturity
Total on-balance sheet customer funds (*)		**160,888**	**5.6 %**	**2.4 %**	**4.3 %**	**4.3 %**	**83.4 %**
Term deposits and others		25,237	32.1 %	13.6 %	26.8 %	27.5 %	— %
Demand deposits	19	134,243	— %	— %	— %	— %	100.0 %
Retail issues		1,408	53.8 %	30.9 %	14.7 %	0.6 %	— %

(*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: straight bonds issued by Banco Sabadell, commercial paper and others.

Despite falling interest rates in the financial markets, the weight of term deposits and other deposits in the composition of on-balance sheet customer funds has increased.

Details of off-balance sheet customer funds managed by the Group and those sold but not under management are provided in Note 27 to these consolidated annual financial statements.

The Group's deposits are sold through the business units of the Group (Banking Business Spain, TSB and Mexico). Details of the volumes of these business units are included in section "4. Business" of the consolidated Directors' Report.

In 2024, the funding gap turned positive, with a sharper increase in on-balance sheet customer funds than in gross performing loans to customers (excluding reverse repos), thus placing the Group's Loan-to-Deposit (LtD) ratio at 93.2% as at 2024 year-end (94.0% as at 2023 year-end).

Capital markets

In 2024, the level of funding in capital markets, through debt issuance and securitisations, increased. In order to keep an adequate level of own funds and eligible liabilities above the applicable regulatory requirement (Minimum Requirement for own funds and Eligible Liabilities, or MREL), the balance of senior non-preferred debt and subordinated debt also increased. The outstanding nominal balance of funding in capital markets, by type of product, as at 31 December 2024 and 2023, is shown below:

Million euro

	2024	2023
Outstanding nominal balance	**27,076**	**24,596**
Covered bonds	11,523	10,975
Of which: TSB Bank	*3,817*	*3,164*
Commercial paper and ECP	—	6
Senior debt	4,273	4,215
Senior non-preferred debt	5,030	4,425
Subordinated debt and preferred securities	4,065	3,565
Asset-backed securities	2,185	1,410
Of which: TSB Bank	*597*	*—*
Of which: Sabadell Consumer Finance	*294*	*494*

Maturities of issues in capital markets, by type of product (excluding asset-backed securities and commercial paper), and considering their legal maturity, as at 31 December 2024 and 2023, are analysed below:

Million euro

	2025	2026	2027	2028	2029	2030	>2030	Balance outstanding
Mortgage bonds and covered bonds (*)	831	1,390	2,306	2,493	2,053	1250	1200	11,523
Senior debt (**)	980	—	500	750	1,293	750	—	4,273
Senior non-preferred debt (**)	500	1,317	18	500	1,500	500	695	5,030
Subordinated debt and preferred securities (**)	300	500	—	—	—	—	3,265	4,065
Total	**2,611**	**3,207**	**2,824**	**3,743**	**4,846**	**2,500**	**5,160**	**24,891**

(*) Secured issues.

(**) Unsecured issues.

Million euro

	2024	2025	2026	2027	2028	2029	>2029	Balance outstanding
Mortgage bonds and covered bonds (*)	2,425	836	1,390	2,251	2,423	950	700	10,975
Senior debt (**)	735	1,480	—	500	750	750	—	4,215
Senior non-preferred debt (**)	395	500	1,317	18	500	1,500	195	4,425
Subordinated debt and preferred securities (**)	—	—	500	—	—	—	3,065	3,565
Total	**3,555**	**2,816**	**3,207**	**2,769**	**3,673**	**3,200**	**3,960**	**23,180**

(*) Secured issues.

(**) Unsecured issues.

The Group has a number of funding programmes in operation in capital markets with a view to diversifying its different funding sources.

In terms of short-term funding, as at year-end there was one commercial paper programme in operation, which governs the issuance of such securities and is aimed at institutional and retail investors. The Banco Sabadell Commercial Paper Programme for 2024, registered with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), has an issuance limit of 7 billion euros, which can be extended to 9 billion euros. As at 31 December 2024, the outstanding balance of the programme was 511 million euros (net of commercial paper subscribed by Group companies), compared with 1,383 million euros as at 31 December 2023.

Regarding medium- and long-term funding, the Institution has the following programmes in operation:

- Base Prospectus of Non-Equity Securities ("Fixed Income Programme") registered with the CNMV on 18 July 2024, with an issuance limit of 10 billion euros, which permits the issuance of instruments under Spanish law through the CNMV aimed at institutional and retail investors, both domestic and foreign. More specifically, the programme regulates the issuance of straight, non-preferred or structured bonds and debentures, in addition to mortgage covered bonds and public sector covered bonds (European guaranteed bonds, also known as premium covered bonds). As at 31 December 2024, the limit available for new issues under the Banco Sabadell Programme for the issuance of non-equity securities for 2024 is 7.75 billion euros (as at 31 December 2023, the available limit under the Fixed Income Programme for 2023 was 9.8 billion euros).

  In 2024, Banco Sabadell carried out two public issues of mortgage covered bonds under the Fixed Income Programme in effect at the time amounting to a total of 1.75 billion euros.

Million euro

	ISIN code	Type of investor	Issue date	Amount	Term (years)
Mortgage Covered Bonds 2/2024	ES0413860851	Institutional	05/06/2024	1,000	10
Mortgage Covered Bonds 3/2024	ES0413860877	Institutional	15/10/2024	750	5.5

- Euro Medium Term Notes (EMTN) Programme, registered with the Irish Stock Exchange on 14 May 2024 and renewed on 24 July and 8 November 2024. This programme allows senior debt (preferred and non-preferred) and subordinated debt to be issued in various currencies, with a maximum limit of 20 billion euros.

  In 2024, Banco Sabadell carried out five issues under the EMTN Programme, amounting to a total of 2,793 million euros: two issues of senior preferred debt, one of them issued for the first time in GBP amounting to 450 million pounds, two issues of senior non-preferred debt and one subordinated debt issue. The issues executed by Banco Sabadell over the year are indicated here below (showing the legal maturity period in the case of issues with an early redemption option):

Million euro

	ISIN code	Type of investor	Issue date	Amount	Term (years)
Senior Debt 1/2024	XS2745719000	Institutional	15/01/2024	750	6
Green Senior Non-Preferred Debt 1/2024	XS2782109016	Institutional	13/03/2024	500	6.5
Subordinated Debt 1/2024	XS2791973642	Institutional	27/03/2024	500	10.25
Senior Debt 2/2024 (GBP)	XS2898158485	Institutional	13/09/2024	543	5
Green Senior Non-Preferred Debt 2/2024	XS2947089012	Institutional	27/11/2024	500	6.5

In 2024, having obtained the corresponding authorisation, Banco Sabadell exercised the early redemption option on the Senior Debt 2/2019 series amounting to 500 million euros on 7 November 2024. Furthermore, having obtained the corresponding authorisation, Banco Sabadell released an announcement to the market in November regarding the early redemption of the Subordinated Debt 1/2020 series in the amount of 300 million euros, which took place on 17 January 2025.

For its part, TSB Bank was active in the covered bonds market in 2024. On 5 March 2024, it carried out its inaugural issuance in EUR amounting to 500 million euros at a fixed rate of 3.32%, and on 11 September 2024, it carried out another issue amounting to 500 million pounds sterling with a floating coupon rate of SONIA + 53 bps, both maturing in five years.

In relation to traditional format asset securitisation:

- The Group is an active participant in this market and it takes part in various securitisation programmes, sometimes acting together with other institutions, granting mortgage loans, loans to small and medium-sized enterprises, consumer loans and loans for the purchase of vehicles.

– There are currently 19 outstanding traditional asset securitisation transactions fully recognised on the Group's balance sheet. A portion of the securities issued by securitisation funds have been placed in the capital markets and the remainder have been kept in the Group's portfolio. Of the latter, the eligible securities can be used as collateral for the central bank's funding operations. As at 31 December 2024, the nominal balance of asset-backed securities placed on the market was 2,185 million euros.

– On 23 May 2024, TSB Bank set up the securitisation fund of residential mortgage loans, Duncan Funding 2024-1 PLC, through which it securitised one portfolio of mortgage loans in the amount of 557.7 million pounds sterling. The entire senior tranche of 500 million pounds was placed on the market.

– On 26 September 2024, the traditional securitisation Sabadell Consumo 3, F.T. carried out by Banco Sabadell under its consumer loan securitisation programme was paid out. This is the third operation of the programme enabling the credit risk of a 750 million euro consumer loan portfolio to be financed and transferred. The issue consists of seven classes of bonds that were placed on the market, with the exception of the first loss tranche of 9.2 million euros to fund the reserve fund and initial expenses, and 76.3 million euros from the senior series which was subscribed by Banco de Sabadell, S.A.

Following the maturity in March 2024 of 5 billion euros corresponding to the TLTRO III facility, as at 2024 year-end the balance drawn from funding operations with the European Central Bank was nil.

For its part, TSB had outstanding borrowings from the Bank of England in the amount of 1,385 million pounds as at the end of 2024, corresponding to the Term Funding Scheme with additional incentives for SMEs (TFSME). This funding accrues interest daily at the Bank of England's base rate.

Liquid assets

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

Million euro

	2024	2023
Cash(*) + Net interbank position	12,668	25,036
Available in Bank of Spain facility	20,466	15,363
ECB eligible assets not pledged in facility	*20,812*	*11,419*
Other non-ECB eligible marketable assets (**)	*6,643*	*6,740*
Memorandum item:		
Balance drawn from Bank of Spain facility (***)	—	5,000
Balance drawn from Bank of England Term Funding Scheme (****)	1,670	4,608
Total Liquid Assets Available	**60,589**	**58,558**

(*) Surplus of reserves and Marginal Deposit Facility in central banks.

(**) At market value and after applying the Liquidity Coverage Ratio (LCR) haircut. Includes fixed income considered as a high-quality liquid asset in accordance with LCR (HQLA) and other marketable assets from various Group companies.

(***) Correspond to TLTRO-III facility.

(****) As at year-end 2024, includes 1,385 million pounds to support Small and Medium-sized Enterprises (TFSME). As at year-end 2023, included 4,000 million pounds from the TFSME and 5 million pounds from the ILTR.

In 2024, the balance of reserves and of the marginal deposit facility in central banks and the net interbank position showed a decline of 12,368 million euros, while the volume of ECB-eligible liquid assets increased by 14,496 million euros and the available non-ECB eligible assets decreased by 97 million euros, thus raising the first line of liquidity by 2,031 million euros in the year, with the positive funding gap and increased wholesale issues placed with institutional customers, as well as the repayment of central bank funding operations, standing out as positive factors.

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

In addition to the first line of liquidity, each LMU monitors its liquidity buffer using an internal conservative criterion called the counterbalancing capacity. In the case of the Banco Sabadell LMU (includes Banco de Sabadell, S.A., which in turn includes activity in foreign branches, as well as the business in Mexico of Banco de Sabadell, S.A.), this liquidity buffer comprises the first and second lines of liquidity. As at 31 December 2024, the second line of liquidity added a volume of 12,418 million euros to the liquidity buffer, including the covered bond issuing capacity, considering the average valuation applied by the central bank to own-use covered bonds to obtain funding, as well as the deposits held in other financial institutions and immediately available for the business in Mexico not included in the first line of liquidity.

In the TSB LMU, this metric is the sum of the first line of liquidity plus loans prepositioned with the Bank of England in order to obtain funding. As at 31 December 2024, the second line of liquidity, considering the amount of loans prepositioned with the Bank of England, amounts to 6,703 million euros (4,936 million euros as at 31 December 2023).

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

Compliance with regulatory ratios

As part of its liquidity management, Banco Sabadell Group monitors the short-term Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), reporting the necessary information to the regulator on a monthly and quarterly basis, respectively. The measurement of liquidity based on these metrics forms part of the liquidity risk oversight process in the set of LMUs.

In terms of the LCR, since 1 January 2018, the regulatory required minimum LCR has been 100%, a level amply surpassed by all of the Group's LMUs. At the Group level, throughout the year, the LCR has consistently been well above 100%. As at 31 December 2024, the LCR stood at 200% for the TSB LMU, 248% for Banco Sabadell Spain and 210% at the Group level.

In terms of the NSFR, the regulatory minimum requirement, effective from June 2021, is 100%, a level amply surpassed by all LMUs of the Institution given their funding structure, in which customer deposits are predominant and where the majority of market funding is in the medium/long term. As at 31 December 2024, the NSFR stood at 153% for the TSB LMU, 137% for Banco Sabadell Spain and 142% at the Group level.

As at 31 December 2024, Banco Sabadell had outstanding issues of mortgage covered bonds amounting to 15,776 million euros (15,876 million euros as at 31 December 2023), which are secured by eligible mortgage loans and credit in the amount of 24,567 million euros (24,677 million euros at 31 December 2023). As at 31 December 2024, the mortgage covered bonds therefore had an overcollateralisation ratio of 156% (161% as at 31 December 2023), with all their collateral denominated in euros. More information can be found on the Group's corporate website (www.grupbancsabadell.com), in section "Shareholders and Investors - Fixed income investors".

4.4.3.2. Market risk

Market risk is defined as the risk of financial instrument positions losing some or all of their market value due to changes in risk factors affecting their market price or quotations, their volatility, or the correlations between them.

Positions that generate market risk are usually held in connection with trading activity, which consists of the hedging transactions arranged by the Bank to provide services to its customers as well as discretionary proprietary positions.

Market risk can also arise from the mere maintenance of overall (also known as structural) balance sheet positions that in net terms are left open. This risk is addressed in the sections on structural risks.

The items of the consolidated balance sheet as at 31 December 2024 and 2023 are shown below, making a distinction between positions included in trading activity and other positions. In the case of items not included in trading activity, their main risk factor is indicated:

Thousand euro

31/12/2024				
	On-balance sheet balance	Trading activity	Other	Main market risk factor in "Other"
Assets subject to market risk	**239,597,927**	**2,615,848**	**236,982,079**	
Cash, cash balances at central banks and other demand deposits	18,382,112	—	18,382,112	Tipo de interés
Financial assets held for trading	3,438,955	2,615,848	823,107	Tipo de interés; Spread
Non-trading financial assets mandatorily at fair value through profit or loss	168,267	—	168,267	Interest rate; credit spread
Financial assets at fair value through other comprehensive income	6,369,913	—	6,369,913	Tipo de interés; Spread crediticio
Financial assets at amortised cost	196,520,273	—	196,520,273	Tipo de interés
Derivatives – Hedge accounting	2,394,902	—	2,394,902	Tipo de interés
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(412,346)	—	(412,346)	Tipo de interés
Investments in joint ventures and associates	524,562	—	524,562	Renta variable
Other assets	12,211,289	—	12,211,289	—
Liabilities subject to market risk	**224,565,372**	**1,292,292**	**223,273,080**	
Financial liabilities held for trading	2,381,434	1,292,292	1,089,142	Tipo de interés
Derivatives – Hedge accounting	803,999	—	803,999	Tipo de interés
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(227,209)	—	(227,209)	Tipo de interés
Financial liabilities at amortised cost	220,228,249	—	220,228,249	Tipo de interés
Other liabilities	1,378,899	—	1,378,899	—
Equity	**15,032,555**	**—**	**15,032,555**	

Thousand euro

31/12/2023				
	On-balance sheet balance	Trading activity	Other	Main market risk factor in "Other"
Assets subject to market risk	**235,172,955**	**1,731,724**	**233,441,231**	
Cash, cash balances at central banks and other demand deposits	29,985,853	—	29,985,853	Tipo de interés
Financial assets held for trading	2,706,489	1,731,724	974,765	Tipo de interés; Spread crediticio
Non-trading financial assets mandatorily at fair value through profit or loss	153,178	—	153,178	Tipo de interés; Spread crediticio
Financial assets at fair value through other comprehensive income	6,269,297	—	6,269,297	Tipo de interés; Spread crediticio
Financial assets at amortised cost	180,913,793	—	180,913,793	Tipo de interés
Derivatives – Hedge accounting	2,424,598	—	2,424,598	Tipo de interés
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(567,608)	—	(567,608)	Tipo de interés
Investments in joint ventures and associates	462,756	—	462,756	Renta variable
Other assets	12,824,599	—	12,824,599	—
Liabilities subject to market risk	**221,293,749**	**1,689,953**	**219,603,796**	
Financial liabilities held for trading	2,867,459	1,689,953	1,177,506	Tipo de interés
Derivatives – Hedge accounting	1,171,957	—	1,171,957	Tipo de interés
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(422,347)	—	(422,347)	Tipo de interés
Financial liabilities at amortised cost	216,071,766	—	216,071,766	Tipo de interés
Other liabilities	1,604,914	—	1,604,914	—
Equity	**13,879,206**	**—**	**13,879,206**	

The market risk acceptance, management and oversight system is based on managing positions expressly assigned to different trading desks and establishing limits for each one, in such a way that the different trading desks have the obligation to always manage their positions within the limits established by the Board of Directors and the Investments and Liquidity Committee. Market risk limits are aligned with the Group's targets and Risk Appetite Framework.

Trading activity

The main market risk factors considered by the Group in its trading activity are the following:

- Interest rate risk: risk associated with the possibility of interest rate fluctuations adversely affecting the value of a financial instrument. This is reflected, for example, in transactions involving interbank deposits, fixed income and interest rate derivatives.

- Credit spread risk: this risk arises from fluctuations in the credit spreads at which instruments are quoted with respect to other benchmark instruments, such as interbank interest rates. This risk occurs mainly in fixed-income instruments.

- Foreign exchange risk: risk associated with the fluctuation of exchange rates with respect to the functional currency. In the case of Banco Sabadell, the functional currency is the euro. This risk occurs mainly in currency exchange transactions and currency derivatives.

- Equity price risk: risk arising from fluctuations in the value of capital instruments (shares and quoted indices). This risk is reflected in the market prices of the securities and their derivatives.

Changes in commodities prices have not had an impact in the year, as the Group has residual (both direct and underlying) exposures.

Market risk incurred in trading activity is measured using the VaR and stressed VaR methodologies, which allows risks to be standardised across different types of financial market transactions.

VaR provides an estimate of the maximum potential loss associated with a position due to adverse, but normal, movements of one or more of the identified parameters generating market risk. This estimate is expressed in monetary terms and refers to a specific date, a particular level of confidence and a specified time horizon. A 99% confidence interval is used. Due to the low complexity of the instruments and the high level of liquidity of the positions, a time horizon of 1 day is used.

The methodology used to calculate VaR is historical simulation. The advantages of this methodology are that it is based on a full revaluation of transactions under recent historical scenarios, and that no assumptions need to be made as regards the distribution of market prices. The main limitation to this methodology is its reliance on historical data, given that, if a possible event has not materialised within the range of historical data used, it will not be reflected in the VaR data.

The reliability of the VaR methodology used can be verified using backtesting techniques, which serve to verify that the VaR estimates fall within the confidence level considered. Backtesting consists of comparing daily VaR against daily results. If losses exceed the VaR level, an exception occurs. No backtesting exceptions occurred in 2024 or 2023.

Stressed VaR is calculated in the same way as VaR but with a historical insight into variations of the risk factors in stressed market conditions. These stressed conditions are determined on the basis of currently outstanding transactions, and may vary if the portfolios' risk profile changes. The methodology used for this risk measurement is historical simulation.

Market risk monitoring is supplemented with additional measurements such as risk sensitivities, which refer to a change in the value of a position or portfolio in response to a change in a particular risk factor, and also with the calculation of management results, which are used to monitor stop-loss limits.

Furthermore, specific simulation exercises are carried out considering extreme market scenarios (stress testing). These exercises consist of revaluing the portfolios in scenarios to which different assumptions are applied. Broadly speaking there are two types of scenarios: on one hand, historical scenarios, developed based on historical events that have occurred in the markets in the past and which are relevant to the current position of the portfolios (e.g. the global financial crisis or the Covid-19 crisis) and, on the other hand, hypothetical scenarios, which consider theoretical shifts in risk factors, such as shifts in yield curves, credit spreads or exchange rates, as well as movements in these factors resulting from the application of different macroeconomic forecasts determined based on the current situation. As at the end of December 2024, the impact of the most adverse scenario considered was a loss of 16.4 million euros.

Market risk is monitored on a daily basis and reports are made to supervisory bodies on the existing risk levels and on the compliance with the limits set forth by the Investments and Liquidity Committee for each trading desk (limits based on nominal value, VaR and sensitivity, as applicable). This makes it possible to keep track of changes in exposure levels and measure the contribution of market risk factors.

The market risk incurred on trading activity in terms of 1-day VaR with a 99% confidence interval for 2024 and 2023 was as follows:

Million euro

	2024			2023		
	Medio	**Máximo**	**Mínimo**	**Medio**	**Máximo**	**Mínimo**
Por tipo de interés	1.75	5.29	0.87	1.98	3.96	1.00
Por tipo de cambio posición operativa	0.82	2.04	0.00	2.26	2.52	1.81
Renta variable	—	—	—	—	—	—
Spread crediticio	0.30	0.79	0.10	0.27	0.72	0.09
VaR agregado	**2.87**	**7.51**	**1.10**	**4.51**	**5.94**	**3.25**

In 2024, the overall VaR figures for trading activity decreased, mainly in exchange rates due to a lower exposure to this risk factor.

4.4.3.3. Structural interest rate risk and credit spread risk

Structural interest rate risk is defined as the current or future risk to both the income statement (revenues and expenses) and the economic value (present value of assets, liabilities and off-balance sheet positions) arising from adverse movements in interest rates that affect interest rate-sensitive instruments in non-trading activities (also known as Interest Rate Risk in the Banking Book, or IRRBB).

Credit Spread Risk in the Banking Book (CSRBB) refers to potential losses in the economic value of an institution's equity and earnings driven changes in the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which are not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk. In other words, it captures how the credit spread fluctuates within a certain credit rating/PD range.

The Group's management of these risks pursues two fundamental objectives:

– Stabilise and defend net interest income, preventing interest rate fluctuations and movements in credit spreads from causing excessive changes to the budgeted NII.

– Minimise the volatility of the economic value of equity, this perspective being complementary to that of NII.

Interest rate risk and credit spread risk are managed through a Group-wide approach on the basis of the RAS, approved by the Board of Directors. A decentralised model is followed based on Balance Sheet Management Units (BSMUs). In coordination with the Group's corporate functions, each BSMU has the autonomy and capability to carry out risk management and control duties.

The Group's current interest rate risk and credit spread risk management strategy is based on the following principles in particular, in line with the business model and the defined strategic objectives:

– Each BSMU has appropriate tools and robust processes and systems in place to adequately identify, measure, manage, control and report on IRRBB and CSRBB, following the main criteria defined by the Group's internal methodologies. This makes it possible to obtain information about all of the identified sources of IRRBB and CSRBB, assess their effect on the net interest income and the economic value of equity and measure the vulnerability of the Group/BSMU in the event of potential losses arising from IRRBB and CSRBB under different scenarios affecting the interest rate and credit spread curves.

– At the corporate level, a series of limits are established for overseeing and monitoring IRRBB and CSRBB exposure levels, which are aligned with internal risk tolerance policies. However, each BSMU has the autonomy and structure required to properly manage and control IRRBB and CSRBB. Specifically, each BSMU has sufficient autonomy to choose the management target that it will pursue, although all BSMUs should follow the principles and critical parameters set by the Group, adapting them to the specific characteristics of the region in which they operate.

– The existence of a transfer pricing system.

- The set of systems, processes, metrics, limits, reporting arrangements and governance arrangements included within the IRRBB and CSRBB strategy must comply with regulatory precepts at all times.

As defined in the IRRBB and CSRBB Management and Control Policy, the first line of defence is undertaken by the various BSMUs, which report to their respective local Asset and Liability Committees. Their main role is to manage interest rate risk and credit spread risk, ensuring they are assessed on a recurrent basis through management and regulatory metrics, taking into account the modelling of the various balance sheet totals and the level of risk taken.

The metrics developed to control and monitor the Group's structural interest rate risk and credit spread risk are aligned with best market practice, consistently implemented in all BSMUs, based on the results obtained from the exercise carried out to identify subrisks and assess their materiality, and monitored on an ongoing basis by each of the local Asset and Liability Committees. The diversification effect between currencies and BSMUs is taken into account when disclosing overall figures.

A) Interest rate risk

The Group identifies five subrisks when managing interest rate risk:

- Repricing risk arises from differences in the timing of rate changes of interest rate-sensitive instruments, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel shifts).

- Curve risk arises from differences in the timing of rate changes of interest rate-sensitive instruments, covering changes to the term structure of interest rates occurring differentially by period (non-parallel shifts).

- Basis risk includes the risk arising from the impact of relative changes in interest rates on instruments that have similar tenors but are re-priced using different interest rate indices.

- Automatic option risk comprises the risk arising from automatic options (e.g. lending floors and caps), both embedded and explicit, in which the Balance Sheet Management Unit (BSMU) or its customer can alter the level and timing of their cash flows and in which the holder will almost certainly exercise the option when it is in their financial interest to do so.

- Behavioural option risk arises from flexibility embedded implicitly within the terms of certain financial contracts, which allow changes in interest rates to effect a change in the behaviour of the customer.

The main calculations performed by the Group on a monthly basis are the following:

- Interest rate gap: static metric showing the breakdown of maturities and repricing of sensitive balance sheet items. This metric compares the values of assets that are due to be repriced or that mature in a given period and the liabilities that mature or are to be repriced in that same period.

- Duration analysis: a static metric based on the allocation of all flows of principal and interest of pools of interest rate-sensitive instruments into time buckets. The duration of each pool is calculated from the change of its net present value due to a 1 basis point parallel shift of the yield curve. This gives the duration of both assets and liabilities.

- Net Interest Income (NII) sensitivity: dynamic metric that measures the impact of changes in interest rates over different time horizons. It is obtained by comparing net interest income over a given time horizon in the baseline scenario, which is the one obtained from market-implied interest rates, against the one obtained in an instantaneous shock scenario, always considering the result obtained in the least favourable scenario. This metric supplements the economic value of equity sensitivity.

- Economic Value of Equity (EVE) sensitivity: static metric that measures the impact of changes in interest rates. It is obtained by comparing the economic value of the balance sheet in the baseline scenario against the one obtained in an instantaneous shock scenario, always considering the result obtained in the least favourable scenario. This is done by calculating the present value of interest rate-sensitive items as an updated risk-free interest rate curve, on the reference date, of future payments of principal and interest without taking into account commercial margins, in line with the Group's IRRBB management strategy. This metric supplements the NII sensitivity.

– A sensitivity metric that combines the two previous metrics: the effect of changes in value of instruments recognised directly through profit or loss or through equity is added to NII sensitivity.

In the quantitative interest rate estimations made by each BSMU, a series of interest rate scenarios are designed which allow the different sources of risk mentioned above to be identified. These scenarios include, for each significant currency, parallel shifts and non-parallel shifts of the interest rate curve. Based on these, sensitivity is calculated as the difference resulting from:

– Baseline scenario: movements in market interest rates based on implicit interest rates.

– Stressed scenario: a shift in interest rates in relation to the baseline scenario, with the extent of this shift varying depending on the scenario to be calculated. A post-shock interest rate floor is applied, starting at -150 basis points for immediate maturities and increasing by 3 basis point intervals, eventually reaching 0% after 50 years or more.

In addition, in the annual planning exercises, measurements are made that include assumptions regarding the balance sheet's evolution based on the scenarios used for the forecasts of the Group’s Financial Plan, which consider different interest rates, volumes and margins.

Furthermore, in accordance with the Group’s corporate principles, all BSMUs regularly carry out stress tests, which allow them to forecast high-impact situations with a low probability of occurrence that could place BSMUs in a position of extreme exposure to interest rate risk, and they also consider mitigating actions for such situations. The stress test is complemented with reverse stress tests which aim to identify the scenarios capable of producing a particular impact within a pre-established range of values.

The following table gives details of the Group’s interest rate gap based on maturities and interest rate revisions, excluding valuation adjustments, as at 31 December 2024 and 2023:

Thousand euro

				2024					
Time to maturity or repricing	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
Money Market	21,691,850	1,901,411	2,391,070	1,794,318	501,503	—	—	—	28,280,152
Loans and advances	23,296,410	19,367,084	37,662,507	22,787,454	16,736,970	7,703,007	6,878,001	23,866,583	158,298,016
Debt securities	2,198,962	1,208,027	890,700	1,815,732	2,909,413	2,532,602	3,743,718	16,849,120	32,148,274
Other assets									—
Total assets	**47,187,222**	**22,476,522**	**40,944,277**	**26,397,504**	**20,147,886**	**10,235,609**	**10,621,719**	**40,715,703**	**218,726,442**
Money Market	9,409,623	2,119,855	3,338,265	1,217,663	302,450	—	679	9,706	16,398,241
Customer deposits	51,630,795	7,580,106	25,659,920	15,426,823	12,800,712	12,563,300	12,001,116	30,378,861	168,041,633
Issues of marketable securities	6,307,008	2,456,805	2,412,664	3,457,000	3,118,100	4,235,000	3,242,705	2,460,025	27,689,307
Of which: Subordinated liabilities	300,000	—	—	1,500,000	750,000	1,000,000	500,000	15,025	4,065,025
Other liabilities	463,790	591,493	519,626	(230,649)	(27,136)	(12,381)	(437,615)	534,823	1,401,951
Total liabilities	**67,811,216**	**12,748,259**	**31,930,475**	**19,870,837**	**16,194,126**	**16,785,919**	**14,806,885**	**33,383,415**	**213,531,132**
Hedging derivatives	**13,272,841**	**(3,720,531)**	**4,957,997**	**(5,307,194)**	**(2,241,525)**	**3,190,397**	**2,619,712**	**(12,570,434)**	**201,263**
Interest rate gap	**(7,351,153)**	**6,007,732**	**13,971,799**	**1,219,473**	**1,712,235**	**(3,359,913)**	**(1,565,454)**	**(5,238,146)**	**5,396,573**

Thousand euro

2023									
Time to maturity or repricing	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
Money Market	29,298,908	664,785	1,818,033	1,648,692	571,125	287,671	—	—	34,289,214
Loans and advances	23,289,667	18,267,252	36,992,760	19,860,090	14,717,416	11,920,708	5,947,632	20,062,136	151,057,661
Debt securities	1,565,120	1,299,818	1,505,582	1,647,183	1,044,180	2,025,963	3,155,852	16,790,643	29,034,341
Other assets	—	—	—	—	—	—	—	—	—
Total assets	**54,153,695**	**20,231,855**	**40,316,375**	**23,155,965**	**16,332,721**	**14,234,342**	**9,103,484**	**36,852,779**	**214,381,216**
Money Market	17,450,615	1,108,877	2,058,721	1,726,558	445,470	287,671	679	9,706	23,088,297
Customer deposits	46,218,567	6,417,593	19,517,264	17,132,088	13,348,923	12,421,891	12,849,214	30,969,933	158,875,473
Issues of marketable securities	4,555,412	3,950,878	1,801,870	3,908,110	3,457,000	3,118,100	3,735,000	1,660,025	26,186,395
Of which: Subordinated liabilities	—	—	—	300,000	1,500,000	750,000	500,000	515,025	3,565,025
Other liabilities	48,661	133,257	232,342	152,773	138,920	121,899	110,203	615,072	1,553,127
Total liabilities	**68,273,255**	**11,610,605**	**23,610,197**	**22,919,529**	**17,390,313**	**15,949,561**	**16,695,096**	**33,254,736**	**209,703,292**
Hedging derivatives	**9,660,254**	**(2,755,498)**	**1,713,842**	**308,201**	**105,235**	**539,236**	**2,366,742**	**(11,938,012)**	**—**
Interest rate gap	**(4,459,305)**	**5,865,752**	**18,420,020**	**544,637**	**(952,357)**	**(1,175,983)**	**(5,224,870)**	**(8,339,969)**	**4,677,925**

The following tables show the interest rate risk levels in terms of the sensitivity of the Group's main currencies, as at 2024 year-end, to the most frequently used interest rate scenarios in the sector:

	Instant and parallel interest rate increase	
	100 pb	**200 pb**
Sensibilidad al tipo de interés	**Impacto Margen de Intereses (*)**	**Impacto Valor Económico (**)**
EUR	0.0%	(4.0)%
GBP	1.4%	(1.1)%
USD	0.4%	(0.2)%
MXN	0.1%	(0.1)%

(*) Percentage calculated on the basis of net interest income at 12 months.

(**) Percentage calculated on the basis of shareholders' equity.

	Instant and parallel interest rate decrease	
	100 pb	**200 pb**
Sensibilidad al tipo de interés	**Impacto Margen de Intereses (*)**	**Impacto Valor Económico (**)**
EUR	(0.8)%	2.2%
GBP	(1.0)%	0.6%
USD	(0.5)%	0.2%
MXN	(0.1)%	0.1%

(*) Percentage calculated on the basis of net interest income at 12 months.

(**) Percentage calculated on the basis of shareholders' equity.

In addition to the impact on the net interest income within the time horizon of one year shown in the previous table, the Group calculates the impact on NII over a time horizon of two and three years, the result of which is considerably more positive for all currencies in a scenario of interest rate hikes.

The metrics are calculated taking into account the behavioural assumptions concerning items with no contractual maturity and those whose expected maturity is different from the maturity established in the contracts, in order to obtain a view that is more realistic and, therefore, more effective for management purposes. The most significant of these include:

- Prepayment of the loan portfolio and early termination of term deposits (embedded optionality): in order to reflect customers' reactions to interest rate fluctuations, prepayment/early termination assumptions are defined, broken down by type of product. To that end, the Institution uses historical data to ensure alignment with best market practice. The evolution of market interest rates can prompt customers to pay off their loans or withdraw term deposits early, altering the future evolution of balances with respect to that envisaged according to the contractual schedule. Prepayment mainly affects fixed-rate mortgages when their contractual interest rates are high compared to market interest rates.

– Modelling of demand deposits and other liabilities with no contractual maturity: a model has been defined using historical monthly data to reproduce customer behaviour, establishing parameters concerning the deposits' stability, the percentage of interest rate movements that is passed through to the interest paid on the deposits and the delay with which this occurs, depending on the type of product (type of account/transactionality/interest paid) and the type of customer (retail/wholesale). The model captures the effect of low interest rates on the stability of deposits, as well as the potential migration to other deposits that earn more interest in different interest rate scenarios.

– Modelling of non-performing lending items: a model has been defined that enables the expected cash flows associated with non-performing positions (net of provisions, i.e. those expected to be recovered) to be included within pools of interest rate-sensitive items. To that end, both existing balances and estimated recovery periods have been included.

The process for approving and updating IRRBB models is part of the corporate governance arrangements for models, whereby these models are reviewed and validated by a division that is always separate from the division that created them. This process is described in the corresponding Model Risk Policy and establishes both the responsibilities of the different areas involved in the models and the internal validation framework to be followed, the monitoring requirements established on the basis of their materiality and the backtesting processes.

Regarding the measurement systems and tools used, all sensitive transactions are identified and recorded taking into account their interest rate characteristics, the sources of information being the official ones of the Institution. These transactions are aggregated according to predefined criteria, so that calculations can be made faster without undermining the quality or reliability of the data. The entire data process is subject to the requirements of information governance and data quality, to ensure compliance with the best practices in relation to information governance and data quality. Additionally, a regular process is carried out to reconcile the information uploaded onto the measurement tool against accounting information. The calculation tool includes sensitive transactions and its parameters are also configured to reflect the result of the behavioural models described above, the volumes and prices of the new business, defined according to the Financial Plan, and the interest rate curves on which the aforesaid scenarios are built.

Based on the balance sheet position and the market situation and outlooks, mitigation strategies are proposed and agreed upon to adapt this position to the one desired by the Group and to ensure it remains within the established risk appetite. Interest rate instruments additional to the natural hedges of balance sheet items are used as mitigation techniques, such as fixed-income bond portfolios or hedging derivatives that enable metrics to be placed at levels in keeping with the Institution's risk appetite. In addition, proposals can be put forward to redefine the interest rate characteristics of commercial products or the launch of new products.

Derivatives, mainly Interest Rate Swaps (IRS), which qualify as hedges for accounting purposes, are arranged in financial markets to be used as risk hedging instruments. Two separate types of macro-hedges are used:

– Cash flow macro-hedges of interest rate risk, the purpose of which is to reduce net interest income volatility due to changes in interest rates over a one-year time horizon.

– Fair value macro-hedges of interest rate risk, the purpose of which is to maintain the economic value of the hedged items, consisting of fixed-rate assets and liabilities.

For each type of macro-hedge, there is a framework document that includes the hedging strategy, defining it in terms of management and accounting and establishing its governance arrangements.

In Banco Sabadell, as part of the continuous improvement process, structural interest rate risk management and monitoring activities are implemented and regularly updated, aligning the Institution with best market practice and current regulations. In particular, throughout 2024 work has continued on the review and continuous improvement of the systems and behavioural models in accordance with the guidelines established by the EBA. Among other things, some of the improvements worth noting are the update of the key behavioural modelling assumptions for demand deposits, taking sufficiently large time series data to capture periods of both rising and falling interest rate stress, obtaining different results based on the different interest rate scenarios modelled, and their recurrent monitoring to ensure the appropriateness of those assumptions.

In 2024, the Bank's loan book has continued to trend towards a higher proportion of fixed-rate transactions (mainly mortgages and business loans), while on the liabilities side, balances of interest-bearing demand deposits and term deposits have increased whilst the balance of non-interest-bearing demand deposits has decreased, all while keeping costs at low levels relative to the trend of interest rates over the year. In addition, other balance sheet variations in 2024 included the increase of the fixed-income portfolio on the asset side, which acts as a balance sheet management and coverage lever, and the implementation of management actions to defend net interest income against a backdrop of interest rate cuts.

With regard to interest rates, in 2024 benchmark interest rates decreased in all currencies, affecting the euro in particular, with the 12-month Euribor standing at 2.46% as at 2024 year-end, 1.05% lower than as at 2023 year-end. The deposit facility rate of the European Central Bank (ECB) ended the year at 3% (decrease of 100 basis points over the year), while the base rate of the Bank of England (BoE) ended at 4.75% (decrease of 50 basis points over the year). The scenario envisaged in the short/medium term will likely involve a reduction in central bank rates as inflation continues to fall back gradually, and it is therefore expected that Euribor levels will remain slightly below those at 2024 year-end. In this respect, it is expected that the cost of customer funds will remain contained even though balances of interest-bearing products continue to grow.

Taking into account the balance sheet variations detailed above, as well as episodes of volatility and variations in the benchmark interest rates of all the Group's material currencies, the IRRBB metrics have been affected during the year, although the measures taken have allowed the Group's IRRBB metrics to be kept within the risk appetite and below the levels considered significant under current legislation.

Furthermore, the Group continues to monitor customer behaviour in reaction to interest rate cuts or variations of other economic variables (unemployment rates, gross domestic product, etc.), in order to anticipate possible changes and impacts on the behavioural assumptions used to measure and manage IRRBB. In particular, it analyses and monitors customer behaviour related to non-maturing items (changes in the stability of demand deposits and possible migration to other products that earn higher interest) and related to items with an expected maturity that may be different to the contractually established maturity (due to early repayment of loans, early termination of term deposits or recovery time and balance of non-performing exposures).

B) Credit spread risk

To identify credit spread risk, the Group has taken into account both the market credit spread component, which represents the credit risk premium required by market participants for a specific credit quality, and the market liquidity spread component, which represents the premium of the market's appetite for investments and the presence of buyers and sellers willing to trade. Furthermore, in general the generic idiosyncratic component has been isolated, using segmentation criteria by sector, geography and currency.

The Institution used current regulations when determining CSRBB-sensitive instruments. The instruments included by the Group in the CSRBB perimeter are those directly or indirectly indexed to market prices of liquid instruments.

In the quantitative credit spread risk estimations, a series of credit spread scenarios are designed which allow the different sources of risk to be identified. These scenarios include, for each significant currency, narrowing and widening shifts in credit spreads (stress scenarios). Based on these, the sensitivity is calculated as the difference resulting from the stressed scenario and the baseline scenario.

The main calculations performed by the Group on a monthly basis are the following:

- Net Interest Income (NII) sensitivity: dynamic metric that measures the impact of changes in credit spreads over a one-year time horizon. It is obtained by comparing net interest income in the baseline scenario, which is the one obtained from credit spreads on the analysis date and from market-implied interest rates, against the one obtained in a stress scenario, always considering the result obtained in the least favourable scenario. This metric supplements the economic value of equity sensitivity.

- Economic Value of Equity (EVE) sensitivity: static metric that measures the impact of changes in credit spreads. It is obtained by comparing the economic value of the balance sheet in the baseline scenario against the one obtained in a stress scenario, always considering the result obtained in the least favourable scenario. This is done by calculating the present value of items included in the perimeter as an updated risk-free interest rate curve on the reference date, to which credit spreads of future payments of principal and interest have been added. This metric supplements the NII sensitivity.

As for the measurement systems and tools used, the Institution employs the data uploaded and the tool already in place to measure IRRBB, to which credit spread curves are added, the impact of which is measured at the position level.

During 2024, the Institution has been negatively exposed to widening credit spreads, although this exposure is very limited due to fixed-income portfolio growth.

4.4.3.4. Structural foreign exchange risk

Structural foreign exchange risk occurs when changes in market exchange rates between different currencies generate losses on permanent investments in foreign branches and subsidiaries with functional currencies other than the euro.

The purpose of managing structural foreign exchange risk is to minimise the impact on the value of the Institution's portfolio/equity in the event of any adverse movements in currency markets. The foregoing takes into account the potential impacts on the capital (CET1) ratio and on the net interest margin, subject to the risk appetite defined in the RAS. Furthermore, the levels set for the established risk metrics must be complied with at all times.

Foreign exchange risk is monitored regularly and reports are sent to supervisory bodies on existing risk levels and on compliance with the limits set forth by the Board of Directors. The main monitoring metric is currency exposure, which measures the maximum potential loss that the open structural position could produce over a one-month time horizon, with a 99% confidence level and in stressed market conditions.

Compliance with, and the effectiveness of, the established limits and targets are monitored and reported on a monthly basis to the Board Risk Committee.

The Bank's Financial division, through the ALCO, designs and executes strategies to hedge structural FX positions in order to achieve its objectives in relation to the management of structural foreign exchange risk.

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

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

As regards permanent investments in US dollars, the overall position in this currency has gone from 1,413 million as at 31 December 2023 to 1,414 million as at 31 December 2024. In relation to this position, as at 31 December 2024, the buffer stood at 42% of total investment.

In terms of permanent investments in Mexican pesos, the capital buffer has gone from 8,553 million Mexican pesos as at 31 December 2023 (of a total exposure of 16,340 million Mexican pesos) to 8,853 million Mexican pesos as at 31 December 2024 (of a total exposure of 17,532 million Mexican pesos), representing 50% of the total investment made.

As regards permanent investments in pounds sterling, the capital buffer has increased from 393 million pounds sterling as at 31 December 2023 to 545 million pounds sterling as at 31 December 2024 (total exposure has gone from 2,105 million pounds sterling as at 31 December 2023 to 2,461 million pounds sterling as at 31 December 2024), representing 22% of the total investment made (excluding intangibles).

Currency hedges are continuously reviewed in light of market movements.

The exchange value in euros of assets and liabilities in foreign currencies maintained by the Group as at 31 December 2024 and 2023, classified in accordance with their nature, is as follows:

Thousand euro

	2024			
	USD	GBP	Other currencies	Total
Activos en moneda extranjera:	**13,114,897**	**56,256,038**	**4,487,972**	**73,858,907**
Cash, cash balances at central banks and other demand deposits	556,262	5,847,477	513,763	6,917,502
Debt securities	1,743,289	2,788,170	928,135	5,459,594
Préstamos y anticipos	10,531,529	45,367,799	2,819,964	58,719,292
Bancos centrales y entidades de crédito	21,946	430,708	574,118	1,026,772
Clientela	10,509,583	44,937,091	2,245,846	57,692,520
Resto de activos	283,817	2,252,592	226,110	2,762,519
Pasivos en moneda extranjera:	**6,613,257**	**51,622,906**	**3,286,238**	**61,522,401**
Depósitos	6,340,154	44,308,399	3,185,361	53,833,914
Bancos centrales y entidades de crédito	868,994	1,748,153	412,160	3,029,307
Clientela	5,471,160	42,560,246	2,773,201	50,804,607
Resto de pasivos	273,103	7,314,507	100,877	7,688,487

Thousand euro

	2023			
	USD	GBP	Other currencies	Total
Activos en moneda extranjera:	**11,265,090**	**56,117,680**	**4,600,172**	**71,982,942**
Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista	481,860	6,819,973	553,349	7,855,182
Valores representativos de deuda	1,559,704	2,855,459	680,098	5,095,261
Préstamos y anticipos	8,966,780	43,462,345	3,109,836	55,538,961
Bancos centrales y entidades de crédito	43,478	516,046	508,155	1,067,679
Clientela	8,923,302	42,946,299	2,601,681	54,471,282
Resto de activos	256,746	2,979,903	256,889	3,493,538
Pasivos en moneda extranjera:	**6,130,275**	**51,558,530**	**3,482,251**	**61,171,056**
Depósitos	5,891,369	45,112,710	3,374,404	54,378,483
Bancos centrales y entidades de crédito	717,213	4,720,896	562,911	6,001,020
Clientela	5,174,156	40,391,814	2,811,493	48,377,463
Resto de pasivos	238,906	6,445,820	107,847	6,792,573

The net position of foreign currency assets and liabilities includes the structural position of the Institution, valued as at 31 December 2024, which amounts to 3,549 million euros, of which 2,310 million euros correspond to permanent equity holdings in pounds sterling, 784 million euros correspond to permanent equity holdings in US dollars and 403 million euros to permanent equity holdings in Mexican pesos. Net assets and liabilities valued at historical exchange rates are hedged with currency forwards and currency options in line with the Group's policy.

As at 31 December 2024, the sensitivity of the equity exposure to a 2.5% exchange rate depreciation against the euro of the main currencies to which exposure exists, calculated based on quarterly exchange rate volatility over the past three years, amounts to 89 million euros, of which 65% corresponds to the pound sterling, 22% corresponds to the US dollar and 11% to the Mexican peso.

4.4.4. Operational risk

Operational risk is defined as the risk of incurring losses due to inadequate or failed internal processes, people and systems or due to external events. This definition includes but is not limited to compliance risk, model risk and Information and Communications Technology (ICT) risk and excludes strategic risk and reputational risk.

The Group has an operational risk management framework in place, which encompasses different types of subrisks defined within operational risk, establishing a common and unified framework for management and control, which can be expanded to include material risks with particular features or which require greater management and control. The management of operational risk is decentralised and devolved to process managers throughout the organisation. These processes are detailed in the corporate process map.

This framework establishes a first phase of identification, in which those responsible for each process must identify the operational risks associated with their processes, establish effective mitigating controls and systematically execute the control framework. The set of risks identified under their area, as well as their mitigating controls, form part of the map of operational risks.

The second phase of the framework consists of the management of operational loss events by those responsible for each process, ensuring that each loss event (and its recoveries) is logged including detailed information and linking each event to a risk.

There is a central operational risk unit that oversees the map of operational risks, providing support and giving advice to process managers to properly define the risks, ensuring the integrity and completeness of the loss event log and their correct entry against the corresponding risks and coordinating the map's ongoing assessment process.

The Board of Directors is directly involved in managing this risk, by (1) approving the Operational Risk Policy that defines the risk management framework, (2) defining the Group's appetite for operational risk, and (3) monitoring the Group's risk profile via the Board Risk Committee, through specific reports with information on the main operational risks (including, among others, ICT, conduct and fraud).

Within operational risk, the following risks are also managed and controlled:

- Conduct risk: broadly speaking, this is defined as the current or future possibility of incurring losses due to the inadequate provision of financial services or any other activity carried out by the Institution, due to misconduct with customers (existing or potential), employees (in relation to human rights, equality, well-being, inclusion, and health & safety in the workplace), shareholders and suppliers, markets, political parties or society in general, including cases of wilful misconduct or negligence.

- Information and Communications Technology (ICT) risk: defined as the current or future risk of incurring losses due to inadequacies or failures of technical infrastructures' hardware and software, which could compromise the availability, integrity, accessibility, confidentiality and traceability of those infrastructures, tools and data, or due to the inability to change IT platforms within a reasonable timeframe and at a reasonable cost when the environment or business requirements change. This also includes security risks resulting from inadequate or failed internal processes or external events, including cyberattacks, or inadequate physical security in data centres.

- Outsourcing risk: current or future risk of incurring losses as a result of using resources and/or media of a third party for the standard, ongoing and stable performance over time of certain processes of the outsourcing company, which in itself entails exposure to a series of underlying risks, such as operational risk, including conduct risk, ICT risk, reputational risk, concentration risk and lock-in risk.

- Model risk: current or potential future loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

- Tax risk: the possibility of failing to achieve the objectives set out in Banco Sabadell's tax strategy from a dual perspective due to either internal or external factors:

    - On one hand, the possibility of failing to fulfil tax obligations, potentially resulting in a failure to pay taxes that are due, or the occurrence of any other event that could potentially prevent the Bank from achieving its goals.

- On the other hand, the possibility of paying taxes not actually due under tax obligations, thus negatively affecting shareholders and other stakeholders.

– Compliance risk: defined as the possibility of incurring legal or regulatory sanctions, material financial loss or loss to reputation as a result of failing to comply with laws, regulations, internal rules and codes of conduct applicable to banking activities.

Detailed information on the following risks is given here below.

4.4.4.1 ICT risk

In recent years, the importance, complexity and use of technology and data have increased even further in banking processes, especially in remote channels (online banking) as a result of the impact of Covid-19 and the growing use of outsourced cloud services. Consequently, the reliance on information systems and their availability is a key factor, as the Group and its critical service suppliers are more exposed to cyberattacks just like the other operators in the sector. The ongoing geopolitical conflicts have brought with them the risk of becoming a target for cyberattacks, generating the need to introduce back-up measures. This risk has been stabilised but remains an ever-present threat.

Furthermore, the Group is currently undergoing a process of transformation, based on the digitalisation and automation of processes, which increases the reliance on systems and the exposure to risks associated with this change, including digital fraud. ICT risk therefore remains one of the key focus areas of Banco Sabadell Group's risk management.

It should be mentioned that this risk is not only applicable to the Group's own systems and processes, but it is also applicable to suppliers, given the widespread use of third parties for support in technological and business processes, and this therefore represents a material risk when it comes to managing outsourcing. On the topic of IT outsourcing, in 2022 a project was implemented in Spain, concentrating the number of application development, maintenance and testing providers in a small group of main industry-leading suppliers, thus requiring a greater level of supplier control and monitoring and the need for special oversight and adjustment throughout 2023 and 2024, reducing with this small number of leading providers the likelihood of experiencing cybersecurity incidents in this area.

In order to holistically and adequately manage all risks related to technology and data, the Institution classifies these risks into eight categories, in line with the Guidelines on ICT and security risk management (EBA/GL/2019/04):

– IT security (cybersecurity): risk of unauthorised access to IT systems, and of there being an impact on the confidentiality, availability, integrity and traceability of the information (data and metadata) that they contain (including cyberattacks and deliberate action), as well as the potential repudiation of digital operations.

– IT availability (technological resilience): risk of critical services provided to customers and employees becoming affected by systems failures.

– IT outsourcing: risk that engaging a third party, its management or related IT services produces a negative effect on the Institution's performance (including impacts on customers, as well as reputational, regulatory or financial impacts).

– IT change: risk arising from the inability of the organisation to manage IT system changes in a timely and controlled manner, in particular for large and complex change programmes that could potentially impact the availability and/or confidentiality of information or which could result in a failure to meet the business expectations that prompted those changes. In addition, the continued use of obsolete IT systems, without the required upgrades, could jeopardise the IT activities of the organisation or the execution of strategic programmes with a strong IT component (e.g. digital transformation programmes).

– IT data integrity: risk of the data stored and processed by IT systems being incomplete, inaccurate or inconsistent across different IT systems, for example as a result of weak or absent IT controls during the different phases of the IT data life cycle (i.e. designing the data architecture, building the data model and/or data dictionaries, verifying data inputs, controlling data extractions, transfers and processing, including rendered data outputs), impairing the ability to provide services and produce (risk) management and financial information in a correct and timely manner.

– IT governance: risk arising from inadequate or insufficient management and use of technology, as well as a poor alignment of these technologies and their intended uses with the business strategy.

- Technological transformation: risk associated with inappropriate adoption or inefficient use of technology within the organisation for the development of new value propositions.

- IT skills: risk arising from the insufficiency of adequate IT profiles (internal and/or external partners) to ensure effective and efficient coverage of technological activities, processes and services.

4.4.4.2 Tax risk

With regard to tax risk, Banco Sabadell Group's tax risk policies aim to establish the general guidelines for managing and controlling tax risk, specifying the applicable principles and critical parameters and covering all significant elements to systematically identify, assess and manage any risks that may affect the Group's tax strategy and fiscal objectives, meeting the requirements of the Spanish Capital Companies Act and of Banco Sabadell Group stakeholders.

In terms of tax risk, Banco Sabadell Group aims to fulfil its tax obligations at all times, adhering to the existing legal framework in this regard.

Banco Sabadell Group's tax strategy, approved by the Board of Directors, reflects its commitment to fostering responsible taxation, promoting preventive measures and developing key transparency schemes in order to gain the confidence and trust of its various stakeholders.

The tax strategy is governed by the principles of efficiency, prudence, transparency and mitigation of tax risk, and it is aligned with the business strategy of Banco Sabadell Group.

The Board of Directors of Banco Sabadell, under the mandate set out in the Spanish Capital Companies Act for the improvement of corporate governance, is responsible, and cannot delegate such responsibility, for the following:

- Setting the Institution's tax strategy.

- Approving investments and operations of all types which are considered to be strategic or to carry considerable tax risk due to their high monetary value or particular characteristics, except when such approval corresponds to the Annual General Meeting.

- Approving the creation and acquisition of shareholdings in special purpose entities or entities registered in countries or territories classified as tax havens.

- Approving any transaction which, due to its complexity, might undermine the transparency of the Institution and its Group.

Consequently, the duties of the Board of Directors of Banco Sabadell include the obligation to approve the corporate tax policy and ensure compliance therewith by implementing an appropriate control and oversight system, which is enshrined in the general risk management and control framework of the Group.

4.4.4.3 Compliance risk

As regards compliance risk, one of the core aspects of the Group's policy, and the foundation of its organisational culture, is strict compliance with all legal provisions, meaning that the achievement of business objectives must be compatible, at all times, with adherence to the law and the established legal system. To that end, the Group has a Compliance division, whose mission is to promote and strive to attain the highest levels of Group compliance and ethics, mitigating compliance risk, understood as the risk of legal or administrative sanctions, significant financial losses or loss of reputation due to a breach of laws, regulations, internal regulations and codes of conduct applicable to the Group's activity; minimising the possible occurrence of any regulatory breach and ensuring that any breaches that may occur are diligently identified, reported and resolved.

This division assesses and manages compliance risk through the following duties:

- Monitoring and overseeing the adaptation to new regulations through proactive management to ensure regular and systematic monitoring of legal updates, and ensuring the distribution of those which are deemed to have an impact on any area of the Institution's business, according to the scope established in the corresponding internal procedures.

- Identifying and periodically assessing compliance risks, in general, in the different areas of activity and contributing to their management in an efficient manner, setting and maintaining adequate procedures to prevent, detect and remediate any compliance risk.

- Establishing, in accordance with the above, an annual oversight and monitoring programme, with the appropriate tools and methodologies for control.

- With regard to Anti-Money Laundering, Countering the Financing of Terrorism (AML/CFT) and international sanctions, implementing, managing and updating policies and procedures on the topic of AML/CFT and international sanctions; carrying out the preliminary classification of the ML/TF risk of customers during the onboarding process; applying enhanced due diligence measures when onboarding high-risk customers so that they may be accepted and duly updated beforehand; managing tracking alerts; detecting matches in lists of designated persons and transactions of countries subject to international sanctions; performing special analyses of suspicious activities and reporting them as necessary; preparing training plans; approving new products, services, channels and business areas; and conducting a periodic risk assessment of internal control procedures in relation to AML/CFT and international sanctions.

- In terms of customer protection, advising the business units in the design of new products and services and changes in their scope, in accordance with MiFID, EBA and IDD regulations and any other applicable regulation, as well as supervising the correct advertising and marketing of products and services, in terms of conduct, transparency and vulnerable customers.

- With regard to market integrity, promoting compliance with the Internal Code of Conduct in relation to the securities market and the Market Abuse Regulation, as well as notifying the regulator of potential cases of misuse of information and/or market manipulation under investigation.

- In terms of customer data protection, through the Data Protection Officer (DPO), advising the business units in the adequate implementation of the General Data Protection Regulation in the design of products and services, as well as being the point of contact for the Spanish Data Protection Agency (Agencia Española de Protección de Datos).

- In the area of customer service, responding to customers' claims and complaints in a timely manner, in accordance with transparency criteria and supervisor's best practice, as well as detecting recurrent, systemic or potential problems of the Institution, promoting the adoption of corrective measures in that regard, and following up on their resolution.

- In the area of ethics and conduct, informing, reviewing or proposing corrective measures and/or responses to incidents detected in matters of the code of conduct or to consultations submitted to the Corporate Ethics Committee (CEC), whose mission is to promote the Group's ethical conduct to ensure compliance with the principles of action set forth in Banco Sabadell Group Code of Conduct, the Banco Sabadell Group General Policy on Conflicts of Interest and the Banco Sabadell Group Corporate Crime Prevention Policy, the Banco Sabadell Group Anti-Corruption Policy and the Banco Sabadell Group Policy on the Internal Reporting System and Protection of Reporting Persons. In addition, taking part in the process to formulate and review remuneration policies and practices.

- In relation to all compliance risks, monitoring the risk management activities carried out by the first line of defence to ensure they are in line with the established policies and procedures, in addition to coordinating inspections, responses to requirements from supervisors and regulators and overseeing compliance with their recommendations.

- With respect to the oversight of foreign and domestic subsidiaries and foreign branches, coordinating and liaising with them, with the aim of establishing a relationship of cooperation, regular exchange of information and support between Banco Sabadell's Compliance function and the compliance functions of these subsidiaries and foreign branches in order to prevent compliance risks at the local level.

- Promoting a culture of compliance and proper conduct within the Institution by adopting measures that guarantee the training and experience of employees to adequately perform their duties, as well as collaborating in the development of training programmes in order to advise and make employees aware of the importance of complying with established internal procedures.

- Submitting to the governing bodies regular or ad hoc reports on compliance as may be legally required at any given time and such material compliance information as may arise from all units and activities of the Institution. Assisting the Board of Directors or Senior Management in compliance matters.

- Taking on institutional responsibilities and interacting with supervisory authorities and institutions in relation to matters within its remit and where agreed by the Institution's management and administrative bodies.

The following compliance risks have been identified:

- Anti-money laundering and countering the financing of terrorism.
- Data protection.
- Market integrity.
- Customer protection (including the following risks: MiFID, EBA, other products and services, sustainability, misconduct with customers and advertising).
- New legislation.
- Ethics and conduct (includes risks related to corporate crime prevention, remuneration and the code of conduct and ethics).
- Customer Care Service (*Servicio de Atención al Cliente*, or SAC).

Note 5 – Minimum own funds and capital management

Minimum own funds requirements

The Group calculates minimum own funds requirements in accordance with the regulatory framework based on Regulation (EU) 575/2013 (CRR), which sets forth the capital and solvency requirements, and Directive 2013/36/EU (CRD IV), in relation to prudential supervision. These regulations were amended in 2019 by Regulation (EU) 2019/876 (CRR II) and by Directive (EU) 2019/878 (CRD V) to reflect the standards established by the Basel Committee on Banking Supervision, known as Basel III. However, to implement the pending items of the Basel III reform agreed in December 2017 by the Basel Committee on Banking Supervision (BCBS), the aforesaid regulations were subsequently amended in 2024 by Regulation (EU) 2024/1623 (CRR III) and by Directive (EU) 2024/1619 (CRD VI), respectively. The CRR III regulation is applicable in the European Union, as a general rule, as from 1 January 2025 and the CRD VI directive should be transposed into Spanish law no later than 10 January 2026 and shall be applicable, as a general rule, as from 11 January 2026.

The Covid-19 health crisis prompted competent institutions in Europe to temporarily lower the liquidity, capital and operational requirements applicable to banks, to ensure that they could continue carrying out their role of providing funding to the real economy. These transitional provisions ended in December 2024, as established in Regulation (EU) 2020/873, although they did not have any impact on the Institution as the phase-in ratios coincide with the fully-loaded ratios.

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

On 30 November 2023, Banco Sabadell received the decision of the European Central Bank concerning the minimum prudential requirements applicable as from 1 January 2024, as a result of the Supervisory Review and Evaluation Process (SREP). The requirement, on a consolidated basis, was that Banco Sabadell should keep a phase-in Common Equity Tier 1 (CET1) ratio of at least 8.93% and a phase-in Total Capital ratio of at least 13.42%. These ratios include the minimum required by Pillar 1 (8%, of which 4.50% corresponds to CET1), the Pillar 2 Requirement, or Pillar 2R (2.25%, of which 1.27% must be met with CET1), the capital conservation buffer (2.50%), the requirement applicable due to the Bank's status as an 'other systemically important institution' (0.25%), and the countercyclical buffer (0.42%) that stems from the Bank of England's Financial Policy Committee (FPC) decision to increase the countercyclical buffer from 1% to 2% from 5 July 2023.

On 1 October 2024, the Bank of Spain approved the new framework to calculate the countercyclical capital buffer and established that, for exposures located in Spain, the countercyclical buffer percentage shall be 0.5%, applicable as from 1 October 2025. Thereafter, and provided that cyclical systemic risks are maintained at a standard level, the buffer percentage will be raised to 1% as from the fourth quarter of 2025 (to be applicable as from 1 October 2026). This second increase of the countercyclical buffer will be confirmed at a later date by a new decision to be taken by the Bank of Spain.

On 11 December 2024, Banco Sabadell received the decision of the European Central Bank concerning the minimum prudential requirements applicable as from 1 January 2025 as a result of the Supervisory Review and Evaluation Process (SREP). The requirement, on a consolidated basis, is that Banco Sabadell should keep a phase-in Common Equity Tier 1 (CET1) ratio of at least 8.95% and a phase-in Total Capital ratio of at least 13.44%. These ratios include the minimum required by Pillar 1 (8%, of which 4.50% corresponds to CET1), the Pillar 2 Requirement, or Pillar 2R (2.25%, of which 1.27% must be met with CET1), the capital conservation buffer (2.50%), the requirement applicable due to the Bank's status as an 'other systemically important institution' (0.25%), and the countercyclical buffer (0.44%).

As at 31 December 2024, the Group's phase-in CET1 capital ratio stood at 13.02% (13.19% as at 31 December 2023) and its phase-in total capital ratio was 17.60% (17.76% as at 31 December 2023); therefore, the capital requirements indicated in the preceding points are being comfortably met.

The following table sets out the minimum prudential requirements applicable to Banco Sabadell Group following the Supervisory Review and Evaluation Process (SREP) for the years 2023-2025:

	2025	2024	2023
Pillar 1 CET1	4.50%	4.50%	4.50%
Pillar 2 Requirement	1.27%	1.27%	1.21%
Capital conservation buffer	2.50%	2.50%	2.50%
Systemic buffer	0.25%	0.25%	0.25%
Countercyclical buffer (*)	0.44%	0.42%	0.19%
Common Equity Tier 1 (CET1) ratio	**8.95%**	**8.93%**	**8.65%**
Dates of communication of the SREP outcome	11/12/2024	30/11/2023	14/12/2022

(*) As from 1 October 2025, the countercyclical buffer in Spain will rise to 0.5%, increasing the Group's overall countercyclical buffer.

On a standalone basis, the requisite Common Equity Tier 1 (CET1) ratio to be attained as at 31 December 2024 is 7.29% and the required Total Capital ratio is 10.79%. This requirement includes the minimum required by Pillar 1 (8%, of which 4.50% corresponds to CET1), the capital conservation buffer (2.50%) and the requirement stemming from the calculation of the specific countercyclical capital buffer which, as at 31 December 2024, was 0.29%.

As at 31 December 2024, Banco Sabadell had a CET1 capital ratio of 13.31% (13.65% as at 31 December 2023) and a phase-in Total Capital ratio of 17.79% (18.04% as at 31 December 2023), both also well above the standalone capital requirements.

Requirements related to the restructuring and resolution of credit institutions

On 15 May 2014, Directive 2014/59/EU was published in the Official Journal of the European Union, establishing a framework for the recovery and resolution of credit institutions and investment firms, known as the Bank Recovery and Resolution Directive (BRRD).

The BRRD was transposed into Spanish law through the publication of Royal Decree 1012/2015 of 6 November 2015, implementing Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms.

The BRRD arises from the need to establish a regime that provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the Institution's critical financial and economic functions, to avoid significant adverse repercussions for financial stability, and to adequately protect public funds by minimising reliance on extraordinary public financial support. Likewise, covered depositors enjoy special treatment.

The regime proposed by the BRRD is based on the principle that traditional insolvency proceedings are not, in many cases, the best option to achieve the aforementioned objectives. That is why the BRRD introduces the resolution procedure, whereby competent resolution authorities obtain administrative powers to manage a failing institution.

The preamble of Law 11/2015 defines a resolution process as a unique administrative process to address the failure of credit institutions and investment firms, when an insolvency proceeding is not appropriate for reasons of public interest and financial stability. In order to achieve the aforementioned objectives, the BRRD envisages a series of instruments available to the competent resolution authority, including a bail-in tool. The BRRD introduces for this purpose a minimum requirement for own funds and eligible liabilities (MREL) that institutions must comply with at all times in order to ensure their loss-absorbing capacity is sufficient to guarantee the effective implementation of the resolution tools and that, in the current regulatory environment, would be the amount of own funds and eligible liabilities expressed as a percentage of the Institution's total liabilities and own funds.

Similarly, in 2015 the FSB defined the Total Loss-Absorbing Capacity (TLAC) requirement, also designed to ensure that institutions have sufficient capacity to absorb losses and execute a bail-in in the event of resolution. It should be noted that this requirement only applies to Global Systemically Important Banks (G-SIBs); therefore, it does not apply to Banco Sabadell Group.

In June 2019, after more than two and a half years of negotiations, a reform of the bank resolution framework was agreed with the approval of the new resolution directive, BRRD II (Directive 2019/879), which implements the international TLAC standard in the EU. BRRD II was transposed into Spanish law by Royal Decree-Law 7/2021 of 27 April 2021.

Responsibility for determining MREL falls to the Single Resolution Board (SRB), pursuant to that set forth in Regulation (EU) No 806/2014, also revised in 2019 and replaced by Regulation (EU) 2019/877. Thus, the SRB, after consulting with the competent authorities, including the ECB, will establish the MREL for each bank, taking into consideration aspects such as the size, funding model, risk profile and the risk of contagion to the financial system, among others.

In May 2024, the SRB published the MREL Policy under the Banking Package, which integrates the regulatory changes of the aforesaid resolution framework reform.

On 17 December 2024, Banco Sabadell received a communication from the Bank of Spain regarding the decision made by the Single Resolution Board (SRB) concerning the minimum requirement for own funds and eligible liabilities (MREL) and of the subordination requirement applicable to the Institution on a consolidated basis. These new requirements are based on balance sheet data as at December 2023.

The new requirements that must be met as from 17 December 2024 are as follows:

- The MREL requirement is 22.14% of the Total Risk Exposure Amount (TREA) and 6.39% of the Leverage Ratio Exposure (LRE).

- The subordination requirement is 15.84% of the TREA and 6.39% of the LRE.

The own funds used by the Institution to meet the Combined Buffer Requirement (CBR) will not be eligible to meet the MREL and subordination requirements expressed in terms of the TREA.

In the calibration of the MREL requirement, the Group has obtained the maximum possible reduction of 20% of the Market Confidence Charge (MCC) taking into account the progress shown in its level of resolvability and based on the provisions of Article 12d(3) of Regulation (EU) 2019/877, which states that the SRB has the power to establish a lower amount of said component in the calibration process of the MREL requirement.

	Previous requirements (*)		**New requirements**	
	% TREA	**% LRE**	**% TREA**	**% LRE**
Requisito MREL (**)	22.52%	6.35%	22.14%	6.39%
Requisito de subordinación (**)	17.31%	6.35%	15.84%	6.39%

(*) Effective from 1 January 2024 to 16 December 2024.

(**) Los requisitos MREL y de subordinación como %TREA no incluyen el capital dedicado a cubrir el CBR.

In 2024, the Group issued 1 billion euros of MREL-eligible senior non-preferred debt and 750 million euros plus 450 million pounds sterling of senior preferred debt (see Note 4.4.3.1 - Liquidity and funding risk).

Banco Sabadell is compliant with the new MREL requirements, as shown below:

	MREL ratio		Subordination ratio	
	% TREA	**% LRE**	**% TREA**	**% LRE**
MREL 31 December 2024 (*)	24.66%	9.54%	20.49%	8.11%
MREL 31 December 2023 (*)	24.73%	9.34%	20.13%	7.80%

(*) Las ratios MREL y de subordinación como %TREA presentadas en esta tabla no incluyen el capital dedicado a cubrir el CBR.

Furthermore, the Institution’s Funding Plan anticipates that it will continue to comply, comfortably, with the current requirements in force.

Capital management

The management of capital resources is the result of an ongoing capital planning process This process considers the evolution of the economic, regulatory and sectoral environment. It takes into account the expected capital consumption of different activities, under the various envisaged scenarios, and the market conditions that could determine the effectiveness of the various actions being considered. The process is enshrined within the Group’s strategic objectives and aims to achieve an attractive return for shareholders, whilst also ensuring that its level of own funds is appropriate in terms of the risks inherent in banking activity.

As regards capital management, as a general policy, the Group aims to adjust its available capital to its overall level of risks incurred.

The Group follows the guidelines set out in CRD-V and associated regulations, as well as their successive updates, in order to establish own funds requirements that are inherent in the risks actually incurred by the Group, based on independently validated internal risk measurement models. To this end, the Group has been authorised by the supervisor to use the majority of its internal models to calculate regulatory capital requirements.

The Group carries out frequent backtesting exercises on its IRB models, at least once a year. These backtesting exercises are carried out independently by the Models and Internal Validation unit and reported for monitoring purposes to the established internal governing bodies, such as the Models Committee, the Technical Risk Committee and the Board Risk Committee (delegated Board committee). Additionally, the backtesting results that affect the risk parameters used to calculate regulatory capital and the main conclusions drawn from those results are included in the annual Pillar 3 Disclosures report, taking into account the criteria established by the EBA in its disclosure guidelines.

Banco Sabadell Group carries out an Internal Capital Adequacy Assessment Process (ICAAP) on a consolidated and ongoing basis throughout the year in order to generate a relevant, up-to-date, fully comprehensive and forward-looking appraisal of the adequacy of its levels of capital, considering the Group’s business model and the risks taken.

The ICAAP is carried out under a solid governance framework, with high levels of involvement from Senior Management. The ultimate responsibility for its review and approval lies with the Board of Directors.

The ICAAP is seen as a complementary tool to Basel Pillar 1 (regulatory capital), which first analyses the Group’s business model within its economic, financial and regulatory context, and its short- and medium-term sustainability and viability. The Group’s business model involves taking risks and a risk profile is therefore defined. As part of the ICAAP, an identification is made of the material risks and of the main threats and vulnerabilities derived from the Group’s activity and a self-assessment is carried out of the inherent and residual risk that they entail, after considering the risk governance, management and control systems.

Based on the inventory of the Group’s material risks and their management, a comprehensive quantitative assessment of the necessary capital based on internal approaches (economic capital) is established, the scope of which goes beyond the risks covered by Pillar 1, integrating the models used by the Group (for example, borrower rating systems: credit ratings and credit scores) and other internal estimates appropriate to each type of risk.

In addition, the ICAAP includes forward-looking analyses with a three-year time horizon (or even a 30-year time horizon in the case of scenarios designed to forecast climate risk). These analyses are carried out under a baseline economic scenario, but also under plausible albeit unlikely adverse scenarios (stress tests), which are relevant to the Group and, therefore, reflect adverse situations, both in the economic environment and those of an idiosyncratic nature, that could have a particular impact on the Group. The baseline forecast includes the Group's business and financial plans. These forecasting exercises are carried out to verify whether the business performance, risk and income statement in possible adverse scenarios could compromise the Group's solvency based on the available own funds, or affect the Group's compliance with its Risk Appetite Statement. As a result of these exercises, weaknesses can be detected and, if necessary, action plans can be proposed to mitigate the identified risks.

Forward-looking analyses under adverse scenarios are supplemented with reverse stress tests, which identify the Group's idiosyncratic characteristics that could entail a material vulnerability for its solvency if they were to materialise.

The combination of the different solvency measurements (static or dynamic and regulatory or economic), taking into account the inventory of risks affecting the Group and the main vulnerabilities detected, enables the Board of Directors, as the body ultimately responsible for the ICAAP, to draw a conclusion regarding the Group's solvency position.

The level and quality of capital are Group RAS metrics and their management and control are governed by the Group's Risk Appetite Framework (RAF).

The Group has implemented a Risk-adjusted Return on Capital (RaRoC) metric in segments where this is considered relevant. This metric is embedded in the pricing management system and is therefore subject to the Institution's policies and procedures. In addition to being used in the pricing process, this metric can measure the return obtained on each transaction and customer and even by each business unit, which makes it possible to make like-for-like comparisons.

Banco Sabadell has a Capital Contingency Plan (CCP) in place, which sets forth the strategy to ensure that the Group has sufficient management capabilities and measures in place to minimise the negative impacts of a capital contingency and return to a business-as-usual situation. The CCP is part of the Internal Crisis Management Framework (ICMF) and is intended to respond to potential contingencies (serious, but unlikely to occur) that could have an impact on capital in the short term; these would be less severe than a crisis, but might affect other areas, such as liquidity, thereby comprising the Group's continuity. The activation of the CCP may occur in response to systemic, idiosyncratic or combined contingencies. The CCP includes the governance process (preparation, approval and updating), the key processes involved in its implementation (identification, activation, management and closure) and the capital measures to be applied in different contingency situations or crises associated with its activation. No specific reporting process is defined for the CCP; instead, there is a general framework for action that is underpinned by protocols and by the reporting structure already in place.

Eligible capital and capital ratios

As at 31 December 2024, the Group's eligible capital amounts to 14,181 million euros (13,926 million euros as at 31 December 2023), representing a surplus above minimum capital requirements of 3,356 million euros (3,480 million euros as at 31 December 2023), as shown below:

Thousand euro

	2024	2023	Year-on-year change (%)
Capital	680,028	680,028	—
Reserves (includes profit attributable to the Group, net of dividends) (*)	13,158,609	13,198,328	(0.30)
Valuation adjustments	(361,206)	(471,695)	(23.42)
Deductions	(2,992,477)	(3,059,900)	(2.20)
CET1 capital	**10,484,954**	**10,346,761**	**1.34**
CET1 (%)	13.02	13.19	(1.33)
Preference shares, convertible bonds and deductions	1,750,000	1,750,000	—
Additional Tier 1 capital	**1,750,000**	**1,750,000**	**—**
AT1 (%)	2.17	2.23	(2.69)
Tier 1 capital	**12,234,954**	**12,096,761**	**1.14**
Tier 1 (%)	15.19	15.42	(1.49)
Tier 2 capital	**1,945,862**	**1,829,460**	**6.36**
Tier 2 (%)	2.42	2.33	3.86
Capital base	**14,180,816**	**13,926,221**	**1.83**
Minimum capital requirement (*)	10,825,305	10,445,833	3.63
Capital surplus	**3,355,511**	**3,480,388**	**(3.59)**
Total capital ratio (%)	**17.60**	**17.76**	**(0.90)**
Risk weighted assets (RWAs)	**80,559,227**	**78,427,616**	**2.72**

(*) 2024 reserves adjusted by the amount corresponding to the share buyback programme to be paid out of 2023 earnings, which was suspended on 9 May and of which 247 million euros remain pending execution, as well as the share buyback programme to be executed in 2025, which will amount to 755 million euros, corresponding to the CET1 in excess of the 13% fully-loaded ratio. As at the sign-off date of these consolidated annual financial statements, both programmes are pending approval by the Annual General Meeting, having obtained prior authorisation from the competent authority.

(**) Minimum capital requirements have been calculated taking into account capital requirements in effect as at 2024 year-end for Pillar 1 (8%) and Pillar 2R (2.25%), as well as the capital conservation buffer (2.50%), countercyclical buffer (0.44%) and the buffer for other systemically important institutions (0.25%).

Common Equity Tier 1 (CET1) capital accounts for 73.94% of eligible capital. Deductions mainly comprise intangible assets, goodwill and deferred tax assets.

Tier 1 comprises, in addition to CET1 funds, items that largely make up Additional Tier 1 capital (12.34% of own funds), which are capital items comprised of preferred securities.

Tier 2 capital provides 13.72% of the Total Capital ratio and is made up largely of subordinated debt. Regarding subordinated debt, it is worth noting the issue of Subordinated Debt 1/2024 for 500 million euros carried out on 27 March 2024, and the loss of eligibility of the Subordinated Debt issue 1/2020 in the amount of 300 million euros after it was announced, on 18 November 2024, that the early redemption option was to be exercised on 17 January 2025, in accordance with the issue's terms and conditions.

Risk-Weighted Assets (RWAs) changed by 2,132 million euros in the period. The change in credit RWAs is essentially due to the growth of lending and the implementation of new models, partially offset by improved portfolio density and by securitisations carried out in the year (one synthetic securitisation carried out in June 2024 on a 1.1 billion euro project finance portfolio, one traditional securitisation carried out in September 2024 on a 750 million euro consumer loan portfolio, and one synthetic securitisation carried out in December 2024 on a 1.23 billion US dollar portfolio of corporate loans and project finance). Lastly, the increase in operational RWAs is significant due to the increase of the relevant income indicator used in the annual update of the operational risk calculation.

CRR III and CRD VI entered into force on 1 January 2025 and introduce a number of changes in the calculation of capital requirements, in relation to all the different risks, as well as the entry into force of the so-called Output Floor. In the case of Banco Sabadell, CRR III entails a reduction of its RWAs, mainly arising from the changes applicable to the advanced measurement approach in the calculation of credit risk. These savings are partially offset mainly by the increase in RWAs due to the new calculation approach for operational risk.

In fully-loaded terms, the Common Equity Tier 1 (CET1) ratio stood at 13.02% and the Total Capital ratio stood at 17.60% as at 31 December 2024, both well above the regulatory minima.

The following table shows movements in the various regulatory capital components during 2024 and 2023:

Thousand euro

CET1 balance as at 31 December 2022	**10,082,751**
Reserves (includes profit attributable to the Group, net of dividends) (*)	359,427
Valuation adjustments	170,206
Deductions and transitory effects	(242,280)
CET1 balance as at 31 December 2023	**10,346,761**
Reserves (includes profit attributable to the Group, net of dividends) (**)	-39,720
Valuation adjustments	110,490
Deductions and transitory effects	67,423
CET1 balance as at 31 December 2024	**10,484,954**

(*) The movement in Reserves in 2023 includes -204 million euros corresponding to the share buyback carried out in 2023.
(**) En 2024, las reservas han sido ajustadas por el importe correspondiente al programa de recompra de acciones con cargo a los resultados de 2023, en suspension desde el pasado 9 de mayo del cual 247 millones de euros están pendientes de ejecución, así como por el programa de recompra de acciones que se llevará a cabo en 2025 y que ascenderá a 755 millones de euros, correspondientes al capital CET1 que excede del ratio 13% fully-loaded. A fecha de formulación de las presentes Cuentas anuales consolidadas ambos programas están pendientes de aprobación por la Junta General de Accionistas, tras haber obtenido la autorización previa de la autoridad competente

Thousand euro

Additional Tier 1 balance as at 31 December 2022	**1,650,000**
Eligible instruments	100,000
Additional Tier 1 balance as at 31 December 2023	**1,750,000**
Eligible instruments	—
Additional Tier 1 balance as at 31 December 2024	**1,750,000**

Thousand euro

Tier 2 balance as at 31 December 2022	**1,855,001**
Eligible instruments	(99,745)
Credit risk adjustments	17,874
Deductions and transitory effects	56,330
Tier 2 balance as at 31 December 2023	**1,829,460**
Eligible instruments	100,250
Credit risk adjustments	16,152
Deductions and transitory effects	—
Tier 2 balance as at 31 December 2024	**1,945,862**

The table below shows the reconciliation of equity and regulatory capital as at 31 December 2024 and 2023:

Thousand euro

	2024	2023
Shareholders' equity (*)	14,387,583	14,343,946
Accumulated other comprehensive income	(391,103)	(498,953)
Minority interests	34,416	34,213
Total equity	**14,030,897**	**13,879,206**
Goodwill and intangibles	(2,226,251)	(2,189,218)
Dividends (**)	(666,956)	(503,988)
TLCFs and thresholds for non-monetisable DTAs	(297,436)	(490,572)
Deductions	(289,626)	(257,415)
Other adjustments	(65,674)	(91,252)
Regulatory accounting adjustments	**(3,545,943)**	**(3,532,445)**
Common Equity Tier 1 capital	**10,484,954**	**10,346,761**
Additional Tier 1 capital	**1,750,000**	**1,750,000**
Tier 2 capital	**1,945,862**	**1,829,460**
Total capital regulatorio	**14,180,816**	**13,926,221**

(*) Los fondos propios de 2024 han sido ajustados por el importe correspondiente al programa de recompra de acciones con cargo a los resultados de 2023, en suspensión desde el pasado 9 de mayo del cual 247 millones de euros están pendientes de ejecución, así como por el programa de recompra de acciones que se llevará a cabo en 2025 y que ascenderá a 755 millones de euros, correspondientes al capital CET1 que excede del ratio 13% fully-loaded. A fecha de formulación de las presentes cuentas anuales consolidadas ambos programas están pendientes de aprobación por la Junta General de Accionistas, tras haber obtenido la autorización previa de la autoridad competente.

(**) Does not consider the interim dividend recognised in the accounts.

As at 31 December 2024 and 2023, there was no significant difference between the accounting scope of consolidation and the regulatory scope of consolidation.

Risk-weighted assets amount to 80,559 million euros as at 31 December 2024, representing a balance variation of 2.72% with respect to 31 December 2023.

The breakdown of risk-weighted assets by type of risk, as at 31 December 2024 and 2023, is shown below:

Thousand euro

	2024		2023	
	Amount	**%**	**Amount**	**%**
Credit risk (*)	69,841,795	86.70 %	68,970,951	87.94 %
Operational risk	10,063,260	12.49 %	9,008,555	11.49 %
Market risk	654,172	0.81 %	448,110	0.57 %
Total	**80,559,227**	**100.00 %**	**78,427,616**	**100.00 %**

(*) Includes counterparty credit risk, due to the contribution made to the default guarantee fund of CCPs and due to securitisation positions. Certain impacts linked mainly to the completion of the IRB Repair Programme, which the Institution has decided to frontload, are also included. Not including the aforementioned supplementary items, credit RWAs measured under the standardised approach and using advanced models (including deferred tax assets and the impact on RWAs after applying the prudential adjustments requested by the supervisor (SSM)) amount to 69,160 million euros.

The following table shows the reasons for the variation in credit RWAs occurring during 2024 and 2023:

Thousand euro

	RWAs	Capital requirements (*)
Balance as at 31 December 2022	**66,858,624**	**5,348,690**
Change in business volume	(989,535)	(79,163)
Asset quality	(1,284,349)	(102,748)
Changes in models	326,000	26,080
Methodology, parameters and policies	294,000	23,520
Acquisitions and disposals	(60,000)	(4,800)
Exchange rate	287,882	23,031
Other (**)	686,000	54,880
Balance as at 31 December 2023	**66,118,622**	**5,289,490**
Change in business volume	787,814	63,020
Asset quality	(1,084,000)	(86,720)
Changes in models	2,077,000	166,160
Methodology, parameters and policies	(496,000)	(39,680)
Acquisitions and disposals	200,144	16,012
Exchange rate	619,000	49,520
Balance as at 31 December 2024	**68,222,580**	**5,457,802**

Excludes Credit Valuation Adjustment (CVA) requirements and contributions to the default guarantee fund of CCPs. The impacts linked primarily to the completion of the IRB Repair Programme, which the Institution has decided to front-load, are not included either, nor is the movement in RWAs linked to the retained tranches of securitisation transactions.

(*) Calculated as 8% of RWAs.

(**) The increase in the "Other" category is essentially due to the assignment, at a granular level, of a series of add-ons at TSB, which as at December 2022 were reported as "Other risk exposure amounts".

Details of risk-weighted assets for the risk with the largest volume (credit risk), broken down by geographical area as at 31 December 2024 and 2023, are included here below:

%

	2024	2023
Spain	63.22 %	63.47 %
Rest of European Union	4.90 %	4.74 %
United Kingdom	19.90 %	19.60 %
Americas	11.18 %	11.36 %
Rest of the world	0.80 %	0.83 %
Total	**100 %**	**100 %**

Includes counterparty credit risk.

The leverage ratio aims to reinforce capital requirements by providing a supplementary measure that is not linked to the level of risk. Article 92 of the CRR II regulation establishes that a minimum leverage ratio of 3% is required as from June 2021; this percentage is comfortably exceeded by the Group as at 31 December 2024.

The phase-in leverage ratio as at 31 December 2024 and 2023 is shown below:

Thousand euro

	2024	2023
Tier 1 capital	12,234,954	12,096,761
Exposure	235,163,653	233,254,941
Leverage ratio	**5.20 %**	**5.19 %**

During 2024 the leverage ratio increased by 1 basis point with respect to the corresponding ratio as at 31 December 2023, due mainly to the increase in Tier 1 capital, partially offset by increased exposure due to lending growth. Tier 1 capital also improved during the period, mainly due to the positive evolution of Common Equity Tier 1 (CET1) capital due to the profit earned during the year.

For more information about capital management, capital ratios and the leverage ratio, their composition, details of parameters and their management, see the Pillar 3 Disclosures report, which is published annually and is available on the Group's website (www.grupbancsabadell.com), in the section "Shareholders and investors - Economic and financial information".

Note 6 – Fair value of assets and liabilities

Financial assets and financial liabilities

The fair value of a financial asset or financial liability at a given date is understood as the amount at which it could be sold or transferred, respectively, as at that date, between two independent and knowledgeable parties acting freely and prudently, under market conditions. The most objective and commonly used reference for the fair value of a financial asset or financial liability is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price").

When there is no market price for a particular financial asset or financial liability, the fair value is estimated based on the values established for similar instruments in recent transactions or, alternatively, by using mathematical valuation models that have been suitably tested by the international financial community. When using these models, the particular characteristics of the financial asset or financial liability to be valued are taken into account, particularly the different types of risks that may be associated therewith. Notwithstanding the foregoing, the limitations inherent in the valuation models that have been developed and possible inaccuracies in the assumptions and parameters required by these models may result in the estimated fair value of a financial asset or financial liability not exactly matching the price at which the asset or liability could be delivered or settled on the valuation date.

The fair value of financial derivatives quoted on an active market is the daily quoted price.

In the case of instruments for which quoted prices cannot be determined, prices are estimated using internal models developed by the Bank, most of which take data based on observable market parameters as significant inputs. In the remaining cases, the models make use of other inputs that rely on internal assumptions based on generally accepted practices within the financial community.

For financial instruments, the fair values disclosed in the financial statements are classified according to the following fair value levels:

- Level 1: fair values are obtained from the (unadjusted) prices quoted on active markets for that instrument.
- Level 2: fair values are obtained from the prices quoted on active markets for similar instruments, the prices of recent transactions, expected payment flows or other valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3: fair values are obtained through valuation techniques in which one or more significant inputs is not based on observable market data.

Set out below are the main valuation methods, assumptions and inputs used when estimating the fair value of financial instruments classified in Levels 2 and 3, according to the type of financial instrument concerned:

Level 2 financial instruments	Valuation techniques	Main assumptions	Main inputs used
Debt securities	Net present value method	Calculation of the present value of financial instruments as the present value of future cash flows (discounted at market interest rates), taking into account: - An estimate of pre-payment rates - Issuers' credit risk	- Issuer credit spreads - Observable market interest rates
Equity instruments	Sector multiples (P/BV)	Based on the NACE code that best represents the company's primary activity, the price-to-book value (P/BV) ratio obtained from peers is applied	- NACE codes - Quoted prices in organised markets
Simple derivatives (a)	Net present value method	Implicit curves calculated based on quoted market prices	- Observable yield curve - FX swaps curve and spot curve
Other derivatives (a)	Analytic/ semi-analytic formulae	- For equity derivatives, FX or commodities: Black-Scholes model: a lognormal distribution is assumed for the underlying asset with volatility depending on the term	- Forward structure of the underlying asset, given by market data (dividends, swap points, etc.). - Volatility surfaces of options
		- For interest rate derivatives: Normal model and shifted Libor Market Model: negative rates and forward rates in the term structure of the interest rate curve are fully correlated. For calculation of CVA and DVA adjustments: Normal model and Black-Scholes model	- Term structure of interest rates - Volatility surfaces of Libor rate options (caps) and swap rate options (swaptions) - Probability of default for calculation of CVA and DVA (b)
	Monte Carlo simulations	- For valuation of equity derivatives, FX or commodities: Black-Scholes model: a lognormal distribution is assumed for the underlying asset with volatility depending on the term	- Forward structure of the underlying asset, given by market data (dividends, swap points, etc.). - Volatility surfaces of options
	Hybrid local stochastic volatility models	- For FX derivatives: Tremor model: implicit volatility obtained through stochastic differential equations	- Forward structure of the underlying asset, given by market data (dividends, swap points, etc.). - Volatility surfaces of options
	For credit derivatives: - Intensity models	These models assume a default probability structure resulting from term-based default intensity rates	- Price listings of Credit Default Swaps (CDS) - Historic volatility of credit spreads

(a) Given the small net position of Banco Sabadell, the Funding Value Adjustment (FVA) is estimated to have a non-material impact on the valuation of derivatives.

(b) To calculate CVA and DVA, levels of severity fixed at 60% have been used, which corresponds to the market standard for senior debt. Average future, positive and negative exposures have been estimated using market models, Libor for interest rates and the Black-Scholes model for FX, using market inputs. The probability of default of customers with no quoted debt instruments or CDS have been obtained using the IRB model and for Banco Sabadell those obtained from the CDS market prices have been assigned.

Level 3 financial instruments	Valuation techniques	Main assumptions	Main non-observable inputs
Debt securities	Net present value method	Calculation of the present value of financial instruments as the present value of future cash flows (discounted at market interest rates), taking into account in each case: - An estimate of pre-payment rates - Issuers' credit risk - Other estimates of variables that affect future cash flows: claims, losses, redemptions	- Estimated credit spreads of the issuer or a similar issuer - Rates of claims, losses and/or redemptions
Loans and advances	Net present value method	Calculation of the present value of future cash flows discounted at market interest rates based on market scenarios	- Prepayment model
Equity instruments	Discounted cash flow method	Calculation of the present value of future cash flows discounted at market interest rates adjusted for risk (CAPM method), taking into account: - An estimate of the company's projected cash flows - Risk in the company's sector - Macroeconomic inputs	- The entity's business plans - Risk premiums of the company's sector - Adjustment for systemic risk (Beta Parameter)
Derivatives (a)	For credit derivatives: - Intensity models	These models assume a default probability structure resulting from term-based default intensity rates	For credit derivatives: - Estimated credit spreads of the issuer or a similar issuer - Historic volatility of credit spreads
	For commodity derivatives: - Net present value method	Forward curve calculated based on adjusted quoted market prices	Unquoted futures curves

(a) Given the small net position of Banco Sabadell, the Funding Value Adjustment (FVA) is estimated to have a non-material impact on the valuation of derivatives.

Determination of the fair value of financial instruments

A comparison between the value at which the Group's main financial assets and financial liabilities are recognised on the accompanying consolidated balance sheets and their corresponding fair values is shown below:

En miles de euros

		2024		2023	
	Nota	Importe en libros	Valor razonable	Importe en libros	Valor razonable
Activos:					
Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista	7	18,382,112	18,382,112	29,985,853	29,985,853
Activos financieros mantenidos para	8,9,10	3,438,955	3,438,955	2,706,489	2,706,489
Activos financieros no destinados a negociación valorados obligatoriamente a	8,9,11	168,267	168,267	153,178	153,178
Activos financieros designados a valor razonable con cambios en resultados		—	—	—	—
Activos financieros a valor razonable con cambios en otro resultado global	9	6,369,913	6,369,913	6,269,297	6,269,297
Activos financieros a coste amortizado	8	196,520,273	193,995,144	180,913,793	175,310,626
Derivados - contabilidad de coberturas	12	2,394,902	2,394,902	2,424,598	2,424,598
Total activos		**227,274,422**	**224,749,293**	**222,453,208**	**216,850,041**

En miles de euros

		2024		2023	
	Nota	Importe en libros	Valor razonable	Importe en libros	Valor razonable
Pasivos:					
Pasivos financieros mantenidos para	10	2,381,434	2,381,434	2,867,459	2,867,459
Pasivos financieros designados a valor razonable con cambios en resultados		—	—	—	—
Pasivos financieros a coste amortizado	18, 19, 20, 21	220,228,249	220,629,706	216,071,766	215,366,894
Derivados - contabilidad de coberturas	12	803,999	803,999	1,171,957	1,171,957
Total pasivos		**223,413,682**	**223,815,139**	**220,111,182**	**219,406,310**

As shown in the first table of this Note, as at 31 December 2024 the fair value of financial assets at amortised cost is approximately 2,525 million euros below their carrying amount. This difference is explained for the most part by the impact of interest rates on the fair value of fixed-rate mortgages granted by the Group to its customers in Spain and the United Kingdom in previous years.

Financial instruments at fair value

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

Thousand euro

	Note	2024 Level 1	Level 2	Level 3	Total
Activos:					
Financial assets held for trading		1,416,725	2,020,954	1,276	3,438,955
Derivatives	10	—	2,017,999	—	2,017,999
Equity instruments	9	541,005	—	—	541,005
Debt securities	8	875,720	2,955	1,276	879,951
Non-trading financial assets mandatorily at fair value through profit or loss		33,717	27,661	106,889	168,267
Equity instruments	9	20,088	27,243	19,718	67,049
Debt securities	8	13,629	418	46,658	60,705
Loans and advances	11	—	—	40,513	40,513
Financial assets at fair value through other comprehensive income		4,556,322	1,728,153	85,438	6,369,913
Equity instruments	9	434	136,668	56,478	193,580
Debt securities	8	4,555,888	1,591,485	28,960	6,176,333
Derivatives – Hedge accounting	12	—	2,394,902	—	2,394,902
Total assets		**6,006,764**	**6,171,670**	**193,603**	**12,372,037**

Thousand euro

	Note	2024 Level 1	Level 2	Level 3	Total
Pasivos:					
Financial liabilities held for trading		82,671	2,298,763	—	2,381,434
Derivatives	10	—	2,298,763	—	2,298,763
Short positions		82,671	—	—	82,671
Derivatives – Hedge accounting	12	—	803,999	—	803,999
Total liabilities		**82,671**	**3,102,762**	**—**	**3,185,433**

Thousand euro

	Note	2023 Level 1	Level 2	Level 3	Total
Activos:					
Financial assets held for trading		142,495	2,563,994	—	2,706,489
Derivatives	10	—	2,563,994	—	2,563,994
Debt securities	8	142,495	—	—	142,495
Non-trading financial assets mandatorily at fair value through profit or loss		31,255	15,974	105,949	153,178
Equity instruments	9	18,398	14,840	19,098	52,336
Debt securities	8	12,857	1,134	51,753	65,744
Loans and advances		—	—	35,098	35,098
Financial assets at fair value through other comprehensive income		4,656,989	1,522,988	89,320	6,269,297
Equity instruments	9	582	130,441	52,915	183,938
Debt securities	8	4,656,407	1,392,547	36,405	6,085,359
Derivatives – Hedge accounting	12	—	2,424,598	—	2,424,598
Total assets		**4,830,739**	**6,527,554**	**195,269**	**11,553,562**

Thousand euro

	Note	2023 Level 1	Level 2	Level 3	Total
Pasivos:					
Financial liabilities held for trading		337,373	2,530,086	—	2,867,459
Derivatives	10	—	2,530,086	—	2,530,086
Short positions		337,373	—	—	337,373
Derivatives – Hedge accounting	12	—	1,171,957	—	1,171,957
Total liabilities		**337,373**	**3,702,043**	**—**	**4,039,416**

Derivatives with no Credit Support Annexes (CSAs) include the Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA), respectively, in their fair value. The fair value of these derivatives represents 5.41 % of the total, and their adjustment for credit and debit risks represents 1.45 % of their fair value as at 31 December 2024 (5.87 % and 4.12%, respectively, as at 31 December 2023).

Movements in the balances of financial assets and financial liabilities recognised at fair value and classified as Level 3, disclosed in the accompanying consolidated balance sheets, are shown below:

Thousand euro

	Assets	Pasivo
Saldo a 31 de diciembre de 2022	**167,264**	**—**
Valuation adjustments recognised in profit or loss (*)	7,104	—
Valuation adjustments not recognised in profit or loss	(11,318)	—
Purchases, sales and write-offs	(1,184)	—
Net additions/(removals) in Level 3	(980)	—
Exchange differences and other	34,383	—
Saldo a 31 de diciembre de 2023	**195,269**	**—**
Valuation adjustments recognised in profit or loss (*)	12,703	—
Valuation adjustments not recognised in profit or loss	4,597	—
Purchases, sales and write-offs	(21,196)	—
Net additions/(removals) in Level 3	(5,101)	—
Exchange differences and other	7,331	—
Saldo a 31 de diciembre de 2024	**193,603**	**—**

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

Details of financial instruments that were transferred to different valuation levels in 2024 are as follows:

Thousand euro

	2024					
From:	**Level 1**		**Level 2**		**Level 3**	
To:	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Activos:						
Financial assets held for trading	—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	—	—	—	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	—	—	—	5,101
Derivatives	—	—	—	—	—	—
Pasivos:						
Financial liabilities held for trading	—	—	—	—	—	—
Financial liabilities designated at fair value through profit or loss	—	—	—	—	—	—
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**5,101**

Details of financial instruments that were transferred to different valuation levels in 2023 are as follows:

En miles de euros

	2023					
De:	Nivel 1		Nivel 2		Nivel 3	
A:	Nivel 2	Nivel 3	Nivel 1	Nivel 3	Nivel 1	Nivel 2
Activos:						
Activos financieros mantenidos para negociar	—	—	—	—	—	—
Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados	—	—	—	—	—	—
Activos financieros designados a valor razonable con cambios en resultados	—	—	—	—	5,500	—
Activos financieros a valor razonable con cambios en otro resultado global	687,365	4,520	—	—	—	—
Derivados	—	—	—	—	—	—
Pasivos:						
Pasivos financieros mantenidos para negociar	—	—	—	—	—	—
Pasivos financieros designados a valor razonable con cambios en resultados	—	—	—	—	—	—
Derivados - contabilidad de coberturas	—	—	—	—	—	—
Total	**687,365**	**4,520**	**—**	**—**	**5,500**	**—**

Transfers from Level 1 to Level 2 in 2023 corresponded mainly to bonds issued by US government agencies for which, given their characteristics, it was determined that their market value should be obtained primarily using directly or indirectly observable market data.

As at 31 December 2024 and 2023, the effect of replacing the main assumptions used in the valuation of Level 3 financial instruments with other reasonably possible assumptions, taking the highest value (most favourable assumption) or lowest value (least favourable assumption) of the range that is considered likely, is not significant.

Financial instruments at amortised cost

The following tables show the fair value of the main financial instruments recognised at amortised cost in the accompanying consolidated balance sheets:

Thousand euro

	2024			
	Level 1	Level 2	Level 3	Total
Activos:				
Financial assets at amortised cost:				
Debt securities	22,176,932	1,453,316	507,648	24,137,896
Loans and advances	—	23,391,089	146,466,159	169,857,248
Total assets	**22,176,932**	**24,844,405**	**146,973,807**	**193,995,144**

Thousand euro

	2024			
	Level 1	Level 2	Level 3	Total
Pasivos:				
Financial liabilities at amortised cost (*):				
Deposits (**)	—	186,444,247	—	186,444,247
Debt securities issued	24,684,793	1,980,924	1,069,612	27,735,329
Total liabilities	**24,684,793**	**188,425,171**	**1,069,612**	**214,179,576**

(*) As at 31 December 2024, the Group had other financial liabilities amounting to 6,450,130 thousand euros.

(**) The fair value of demand deposits has been likened to their carrying amount as they are mainly short-term balances.

Thousand euro

	2023			
	Level 1	Level 2	Level 3	Total
Activos:				
Financial assets at amortised cost				
Debt securities	18,563,516	1,575,850	303,590	20,442,956
Loans and advances	—	20,952,925	133,914,744	154,867,669
Total assets	**18,563,516**	**22,528,775**	**134,218,334**	**175,310,625**

Thousand euro

	2023			
	Level 1	Level 2	Level 3	Total
Pasivos:				
Financial liabilities at amortised cost (*)				
Deposits (**)	—	183,661,142	—	183,661,142
Debt securities issued	20,405,507	4,966,959	—	25,372,466
Total liabilities	**20,405,507**	**188,628,101**	**—**	**209,033,608**

(*) As at 31 December 2023, the Group had other financial liabilities amounting to 6,333,286 thousand euros.

(**) The fair value of demand deposits has been likened to their carrying amount as they are mainly short-term balances.

In general, the fair value of “Financial assets at amortised cost” and “Financial liabilities at amortised cost” has been estimated using the discounted cash flow method, applying market interest rates as at the end of each year adjusted for the credit spread and incorporating any behavioural assumptions deemed relevant, with the exception of debt securities with active markets, for which it has been estimated using year-end quoted prices.

The fair value of the heading “Cash, cash balances at central banks and other demand deposits” has been likened to its carrying amount, as these are mainly short-term balances.

Financial instruments at cost

As at the end of 2024 and 2023, there were no equity instruments valued at their acquisition cost that could be considered significant.

Non-financial assets

Real estate assets

As at 31 December 2024 and 2023, the net carrying amounts of real estate assets did not differ significantly from the fair values of these assets (see Notes 13, 15 and 17).

The selection criteria for appraisers and the update of appraisals are defined in the section on “Guarantees”, in Note 1.3.4. to these consolidated annual financial statements.

Valuation techniques are generally used by all appraisal companies based on the type of each real estate asset.

As per regulatory requirements, in the valuation techniques used, appraisal companies maximise the use of observable market data and other factors which would be taken into account by market operators when setting prices, endeavouring to keep the use of subjective considerations and unobservable or non-verifiable data to a minimum.

The main valuation methods used fall into the following measurement levels:

Level 2

– Comparison method: applicable to all kinds of properties provided that there is a representative market of comparable properties and that sufficient data is available relating to transactions that reflect the current market situation.

– Rental update method: applicable when the valued property generates or may generate rental income and there is a representative market of comparable data.

– Statistical model: this model adjusts the value of the assets based on the acquisition date and their location, updating the value in accordance with price trends in the area concerned as from the date of purchase. To that end, it includes statistical information on price trends in all provinces, as provided by external appraisal companies, as well as demographic data from the Spanish Office for National Statistics (INE) to calculate sensitivity at a municipality level. The value obtained is in turn adjusted based on the construction status (finished product, development in progress, plots or land under management) and use (residential, industrial, etc.) of the asset.

Level 3

– Cost method: applicable to determine the value of buildings being planned, under construction or undergoing renovations.

– Residual method: in the present macroeconomic climate, the dynamic calculation procedure is being used preferentially in new land valuations to the detriment of the static procedure, which is reserved for specific cases in which the envisaged timeframes for project completion are in line with the relevant regulations.

Depending on the type of asset, the methods used for the valuation of the Group's portfolio are the following:

– Completed buildings: valued using the comparison method, the rental update method or the statistical model (Level 2).

– Buildings under construction: valued using the cost method as a sum of the land value and the value of the work carried out (Level 3).

– Land: valued using the residual method (Level 3).

Determination of the fair value of real estate assets

The following tables show the main real estate assets broken down by the valuation method used to estimate their fair value as at 31 December 2024 and 2023:

Thousand euro

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Housing	—	490,675	—	490,675
Branches and offices, retail establishments and other real estate	—	778,903	—	778,903
Land and building plots	—	—	22,754	22,754
Work in progress	—	—	347	347
Total assets	**—**	**1,269,578**	**23,101**	**1,292,679**

Thousand euro

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Housing	—	567,229	—	567,229
Branches and offices, retail establishments and other real estate	—	879,689	—	879,689
Land and building plots	—	—	26,128	26,128
Work in progress	—	—	1,225	1,225
Total assets	**—**	**1,446,918**	**27,353**	**1,474,271**

Significant unobservable variables used in valuations classed as Level 3 have not been developed by the Group but by the independent third party companies that performed the appraisals. Given the widespread use of the appraisals, whose valuation techniques are clearly set out in the regulation governing the valuation of properties, the unobservable variables used reflect the assumptions frequently used by all appraisal companies. In terms of proportional weight, unobservable variables account for almost all of the value of these appraisals.

The main unobservable variables used in the valuation of assets in accordance with the dynamic residual method are the future selling price, the estimated construction costs, the costs of development, the time required for land planning and development, and the discount rate. The main unobservable variables used in accordance with the static residual method are construction costs, the costs of development and the profit for the developer.

The number of plots in the Group's possession is very fragmented, and they are very diverse, both in terms of location and in terms of the stage of development of the urban infrastructure and the possibility of future development. For this reason, no quantitative information can be provided regarding the unobservable variables affecting the fair value of these types of assets.

Movements in the balances of real estate assets classified as Level 3 in 2024 and 2023 are shown below:

Thousand euro

	Housing	Branches and offices, retail establishments and other real estate	Land, building plots and work in progress
Saldo a 31 de diciembre de 2022	**—**	**—**	**27,616**
Purchases	—	—	1,474
Sales	—	—	(3,951)
Impairments recognised on income statement (*)	—	—	(2,496)
Net additions/(removals) in Level 3	—	—	4,710
Saldo a 31 de diciembre de 2023	**—**	**—**	**27,353**
Purchases	—	—	3,461
Sales	—	—	(4,026)
Impairments recognised on income statement (*)	—	—	(3,575)
Net additions/(removals) in Level 3	—	—	(112)
Saldo a 31 de diciembre de 2024	**—**	**—**	**23,101**

(*) Relates to assets retained on the balance sheet as at 31 December 2024 and 2023.

The following table shows a comparison between the value at which real estate assets are recognised under the headings "Investment properties", "Inventories" and "Non-current assets and disposal groups classified as held for sale" and their appraisal value, as at the end of 2024 and 2023:

Thousand euro

		2024				2023			
	Nota	Importe en libros (*)	Deterioro	Importe en libros neto	Valor de tasación	Importe en libros (*)	Deterioro	Importe en libros neto	Valor de tasación
Inversiones inmobiliarias	15	218,107	(60,966)	157,141	197,774	307,074	(77,476)	229,598	282,727
Existencias	17	101,588	(57,812)	43,776	71,803	130,437	(68,093)	62,344	100,962
Activos no corrientes en venta	13	636,146	(174,722)	461,424	718,344	708,051	(180,911)	527,140	814,946
Total		**955,841**	**(293,500)**	**662,341**	**987,921**	**1,145,562**	**(326,480)**	**819,082**	**1,198,635**

(*) Cost less accumulated depreciation.

The fair values of real estate assets valued by appraisal companies and included in the headings “Investment properties”, “Inventories” and “Non-current assets and disposal groups classified as held for sale”, as at 31 December 2024, are as follows:

Thousand euro

Appraisal firm	Inversiones inmobiliarias	Existencias	Activos no corrientes en venta
Afes Técnicas de Tasación, S.A.	96	—	2,005
Alia Tasaciones, S.A.	8,613	4,760	47,028
Arco Valoraciones, S.A.	—	—	639
CBRE Valuation Advisory, S.A.	43,400	6,144	48,049
Col.lectiu d'Arquitectes Taxadors	—	—	260
Cushman & Wakefield	—	—	271
Eurovaloraciones, S.A.	2,793	869	13,705
Gestión de Valoraciones y Tasaciones, S.A.	14	—	207
Gloval Valuation, S.A.U.	24,027	7,811	82,094
Sociedad de Tasación, S.A.	15,532	7,868	87,974
Tasalia Sociedad de Tasación, S.A.	—	—	105
Tecnitasa Técnicos en Tasación, S.A	13,551	963	19,840
Tinsa Tasaciones Inmobiliarias, S.A.	11,560	2,792	29,405
UVE Valoraciones, S.A.	8,906	6,081	39,626
Valoraciones Mediterráneo, S.A.	26,353	6,488	73,776
Resto	2,296	—	16,440
Total	**157,141**	**43,776**	**461,424**

The fair value of property, plant and equipment for own use does not differ significantly from its net carrying amount.

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

The composition of this asset heading on the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By nature:		
Efectivo	710,780	726,122
Saldos en efectivo en bancos centrales	17,105,586	28,566,694
Otros depósitos a la vista	565,746	693,037
Total	**18,382,112**	**29,985,853**
By currency:		
En euros	11,464,610	22,130,671
En moneda extranjera	6,917,502	7,855,182
Total	**18,382,112**	**29,985,853**

Cash balances at central banks include balances held to comply with the central bank’s mandatory Minimum Required Reserves (MRR) ratio. Throughout 2024 and 2023, Banco Sabadell has complied with minimum requirements set out in applicable regulations regarding that ratio.

Note 8 – Debt securities

Debt securities reported in the consolidated balance sheets as at 31 December 2024 and 2023 are broken down below:

En miles de euros

	2024	2023
Por epígrafes:		
Activos financieros mantenidos para negociar	879,951	142,495
Activos financieros no destinados a negociación valorados obligatoriamente a valor	60,705	65,744
Activos financieros a valor razonable con cambios en otro resultado global	6,176,333	6,085,359
Activos financieros a coste amortizado	24,876,126	21,500,927
Total	**31,993,115**	**27,794,525**
Por naturaleza:		
Administraciones Públicas	28,927,064	26,250,576
Entidades crédito	3,488,865	2,072,205
Otros sectores	499,234	424,261
Activos clasificados en el stage 3	899	899
Correcciones de valor por deterioro de activos	(174)	(276)
Otros ajustes de valoración (intereses, comisiones y otros)	(922,773)	(953,140)
Total	**31,993,115**	**27,794,525**
Por moneda:		
En euros	26,533,521	22,699,264
En moneda extranjera	5,459,594	5,095,261
Total	**31,993,115**	**27,794,525**

The breakdown of debt securities classified according to their credit risk and movements of impairment allowances associated with these instruments are included, together with those of other financial assets, in Note 11.

Details of debt instruments included under the "Financial assets at fair value through other comprehensive income" heading, as at 31 December 2024 and 2023, are shown below:

En miles de euros

	2024	2023
Coste amortizado	6,380,063	6,282,291
Valor razonable (*)	6,176,333	6,085,359
Minusvalías acumuladas registradas en el patrimonio neto	(267,077)	(269,215)
Plusvalías acumuladas registradas en el patrimonio neto	63,595	72,777
Ajustes de valor por riesgo de crédito	(248)	(494)

(*) Incluye los resultados netos por deterioro en la cuenta de pérdidas y ganancias consolidada de los ejercicios 2024 y 2023 por 236 y 852 miles de euros, de los que corresponden -5 y -192 miles de euros a dotaciones, y 241 y 1.044 miles de euros a reversiones, respectivamente (véase nota 34).

Details of exposures held in public debt instruments included under the "Financial assets at fair value through other comprehensive income" heading, as at 31 December 2024 and 2023, are as follows:

Thousand euro

	2024	2023
Amortised cost	5,422,183	5,470,805
Fair value	5,193,625	5,242,996
Accumulated losses recognised in equity	(265,453)	(266,112)
Accumulated capital gains recognised in equity	37,009	38,433
Value adjustments made for credit risk	(114)	(130)

Details of the “Financial assets at amortised cost” portfolio as at 31 December 2024 and 2023 are shown below:

Thousand euro

	2024	2023
General governments	21,972,126	19,950,179
Credit institutions	2,689,216	1,380,685
Other sectors	214,958	170,340
Impairment allowances	(174)	(277)
Total	**24,876,126**	**21,500,927**

Note 9 – Equity instruments

The balance of equity instruments on the consolidated balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	2024	2023
By heading:		
Activos financieros mantenidos para negociar	541,005	—
Activos financieros no destinados a negociación valorados obligatoriamente a valor	67,049	52,336
Activos financieros a valor razonable con cambios en otro resultado global	193,580	183,938
Total	**801,634**	**236,274**
By nature:		
Sector residente	611,980	200,584
Credit institutions	11,386	9,408
Other	600,594	191,176
Sector no residente	168,780	18,007
Other	168,780	18,007
Participaciones en vehículos de inversión	20,874	17,683
Total	**801,634**	**236,274**
Por moneda:		
En euros	800,902	235,549
In foreign currency	732	725
Total	**801,634**	**236,274**

The equity instruments included under the heading “Financial assets held for trading” all correspond to shares of companies listed on European stock markets.

As at 31 December 2024 and 2023, there were no investments in listed equity instruments for which their quoted price was not considered as a reference of their fair value.

In addition, as at the aforesaid dates, there were no Group investments in equity instruments included in the portfolio of “Financial assets at fair value through other comprehensive income” considered to be individually significant.

Details of equity instruments included under the “Financial assets at fair value through other comprehensive income” heading are as follows:

Thousand euro

	2024	2023
Acquisition cost	239,849	243,197
Fair value	193,580	183,938
Accumulated capital losses recognised in equity at reporting date	(145,576)	(146,586)
Accumulated capital gains recognised in equity at reporting date	99,307	87,327
Transfers of gains or losses within equity during the year	3,968	(925)
Recognised dividends from investments held at the end of the year	6,356	8,413

Note 10 – Derivatives held for trading

The breakdown by type of risk of derivatives held for trading as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024		2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Securities risk	27,762	2,449	3,472	3,472
Interest rate risk	1,721,585	1,897,131	2,063,411	2,167,508
Foreign exchange risk	147,623	277,975	367,282	229,322
Other types of risk	121,029	121,208	129,829	129,784
Total	**2,017,999**	**2,298,763**	**2,563,994**	**2,530,086**
By currency:				
In euro	997,904	1,115,267	1,417,104	1,214,618
In foreign currency	1,020,095	1,183,496	1,146,890	1,315,468
Total	**2,017,999**	**2,298,763**	**2,563,994**	**2,530,086**

The fair values of derivatives held for trading, broken down by type of derivative instrument as at 31 December 2024 and 2023, are shown below:

Thousand euro

	2024	**2023**
Activo		
Swaps, CCIRS, Call Money Swap	1,834,535	2,138,207
Opciones sobre tipo de cambio	41,285	62,626
Opciones sobre tipo de interés	33,392	55,012
Opciones sobre índices y valores	2,449	3,472
Forward divisa	106,338	304,656
Forward de bonos de renta fija	—	21
Total de derivados en el activo mantenidos para negociar	**2,017,999**	**2,563,994**
Pasivo		
Swaps, CCIRS, Call Money Swap	1,927,155	2,262,684
Opciones sobre tipo de cambio	41,341	62,745
Opciones sobre tipo de interés	91,184	34,586
Opciones sobre índices y valores	2,449	3,472
Forward divisa	236,634	166,578
Forward de bonos de renta fija	—	21
Total de derivados en el pasivo mantenidos para negociar	**2,298,763**	**2,530,086**

As at 31 December 2024, the Group holds embedded derivatives that have been separated from their host contracts and recognised under the heading “Financial liabilities held for trading – Derivatives” of the consolidated balance sheet in the amount of 82,443 thousand euros (18,483 thousand euros as at 31 December 2023). The host contracts of those embedded derivatives correspond to customer deposits and they have been allocated to the portfolio of financial liabilities at amortised cost.

Note 11 – Loans and advances

Central banks and Credit institutions

The breakdown of the headings “Loans and advances – Central banks” and “Loans and advances – Credit institutions” of the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
Activos financieros a coste amortizado	12,771,685	7,152,467
Total	**12,771,685**	**7,152,467**
By nature:		
Deposits with agreed maturity	1,050,331	974,533
Adquisición temporal de activos	11,247,844	5,601,564
Otros	420,185	537,709
Corrección de valor por deterioro de activos	(3,264)	(3,135)
Otros ajustes de valoración (intereses, comisiones y otros)	56,589	41,796
Total	**12,771,685**	**7,152,467**
Por moneda:		
En euros	11,744,913	6,084,788
En moneda extranjera	1,026,772	1,067,679
Total	**12,771,685**	**7,152,467**

Customers

The breakdown of the heading “Loans and advances – Customers” (General governments and Other sectors) of the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
razonable con cambios en resultados	40,513	35,098
Activos financieros a coste amortizado	158,872,462	152,260,399
Total	**158,912,975**	**152,295,497**
By nature:		
Bank overdrafts and other short-term borrowings	2,913,506	2,769,073
Crédito comercial	8,356,196	7,465,119
Arrendamientos financieros	2,376,311	2,236,140
Deudores con garantía real	95,109,136	91,226,348
Adquisición temporal de activos	—	17,413
Otros deudores a plazo	48,198,503	46,136,443
Activos clasificados en el stage 3	4,595,299	5,472,296
Corrección de valor por deterioro de activos	(2,844,248)	(3,198,969)
Otros ajustes de valoración (intereses, comisiones y otros) (*)	208,272	171,634
Total	**158,912,975**	**152,295,497**
By sector:		
General governments	9,090,137	8,957,524
Otros sectores	147,863,515	140,893,012
Activos clasificados en el stage 3	4,595,299	5,472,296
Corrección de valor por deterioro de activos	(2,844,248)	(3,198,969)
Otros ajustes de valoración (intereses, comisiones y otros) (*)	208,272	171,634
Total	**158,912,975**	**152,295,497**
Por moneda:		
En euros	101,220,455	97,824,215
En moneda extranjera	57,692,520	54,471,282
Total	**158,912,975**	**152,295,497**
By geographical area:		
Spain	96,625,614	93,868,665
Rest of European Union	5,613,593	5,045,047
Reino Unido	46,089,359	44,254,530
América	12,061,967	10,991,155
Resto del mundo	1,366,690	1,335,069
Correcciones de valor por deterioro de activos	(2,844,248)	(3,198,969)
Total	**158,912,975**	**152,295,497**

(*) Other valuation adjustments of financial assets classed as stage 3 amount to 41,764 thousand euros as at 31 December 2024 and 37,236 thousand euros as at 31 December 2023.

The “Loans and advances” heading on the consolidated balance sheets includes certain assets pledged in funding operations, i.e. assets pledged as collateral or guarantees with respect to certain liabilities. For further information, see Note 4.4.2 - Credit risk.

Finance leases

Certain information concerning finance leases carried out by the Group in which it acts as lessor is set out below:

Thousand euro

	2024	2023
Finance leases		
Inversión bruta total	2,618,517	2,477,207
Correcciones de valor por deterioro	(94,395)	(96,444)
Ingresos por intereses	93,189	71,932

As at 31 December 2024 and 2023, the reconciliation of undiscounted lease payments received against the net investment in the leases is as follows:

Thousand euro

	2024	2023
Cobros por arrendamiento no descontados	2,410,464	2,318,548
Valor residual	208,053	158,659
Inversión bruta en los arrendamientos	**2,618,517**	**2,477,207**
Ingresos financieros no devengados	(242,206)	(241,067)
Inversión neta en los arrendamientos	**2,376,311**	**2,236,140**

The table below shows a breakdown, by term, of the minimum undiscounted future amounts receivable by the Group during the mandatory term (assuming that no extensions or existing purchase options will be exercised) as set out in the finance lease contracts:

Thousand euro

	2024	2023
Hasta 1 año	776,898	596,371
Entre 1-2 años	598,183	549,969
Entre 2-3 años	292,046	388,839
Entre 3-4 años	266,013	258,360
Entre 4-5 años	164,050	168,571
Más de 5 años	313,274	356,438
Total	**2,410,464**	**2,318,548**

Past-due financial assets

The balance of customer loans past-due and pending collection not classified as stage 3, as at 31 December 2024, amounts to 232,305 thousand euros (343,472 thousand euros as at 31 December 2023). Of this total, over 73% of the balance as at 31 December 2024 (81% of the balance as at 31 December 2023) was no more than one month past-due.

Financial assets classified on the basis of their credit risk

The breakdown of financial assets, not considering valuation adjustments, classified on the basis of their credit risk as at 31 December 2024 and 2023 is as follows:

Thousand euro

Stage 1	**31/12/2024**	**31/12/2023**
Debt securities	32,915,162	28,747,042
Loans and advances	159,529,262	145,291,906
Customers	146,810,939	138,178,496
Central banks and Credit institutions	12,718,323	7,113,410
Total stage 1	**192,444,425**	**174,038,948**
By sector:		
General governments	38,007,669	35,196,900
Central banks and Credit institutions	16,207,189	9,185,616
Otros sectores privados	138,229,567	129,656,433
Total stage 1	**192,444,425**	**174,038,948**
Stage 2		
Debt securities	—	—
Loans and advances	10,142,749	11,672,436
Customers	10,142,713	11,672,041
Central banks and Credit institutions	36	396
Total stage 2	**10,142,749**	**11,672,436**
By sector:		
General governments	9,533	11,200
Central banks and Credit institutions	36	396
Otros sectores privados	10,133,180	11,660,840
Total stage 2	**10,142,749**	**11,672,436**
Stage 3		
Debt securities	899	899
Loans and advances	4,595,299	5,472,297
Customers	4,595,299	5,472,296
Central banks and Credit institutions	—	—
Total stage 3	**4,596,198**	**5,473,196**
By sector:		
General governments	165	802
Central banks and Credit institutions	—	—
Otros sectores privados	4,596,032	5,472,394
Total stage 3	**4,596,198**	**5,473,196**
Total stages	**207,183,372**	**191,184,580**

Movements of gross values, not considering valuation adjustments, of assets subject to impairment by the Group during the years ended 31 December 2024 and 2023 were as follows:

Thousand euro

	Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
Saldo a 31 de diciembre de 2022	**176,143,133**	**13,702,021**	**5,460,738**	***123,184***	**195,305,892**
Transfers between stages	(1,511,186)	191,372	1,319,814	—	—
Stage 1	9,046,690	(8,772,531)	(274,159)	—	—
Stage 2	(10,249,989)	10,797,954	(547,965)	—	—
Stage 3	(307,887)	(1,834,051)	2,141,938	—	—
Increases	50,604,996	1,489,365	448,084	*5,389*	52,542,445
Decreases	(52,266,707)	(3,814,228)	(1,387,800)	*(21,945)*	(57,468,735)
Transfers to write-offs	—	—	(386,109)	—	(386,109)
Adjustments for exchange differences	1,068,712	103,906	18,469	*2,505*	1,191,087
Saldo a 31 de diciembre de 2023	**174,038,948**	**11,672,436**	**5,473,196**	***109,133***	**191,184,580**
Transfers between stages	(936,504)	(146,102)	1,082,606	—	—
Stage 1	5,795,926	(5,673,128)	(122,798)	—	—
Stage 2	(6,443,648)	6,985,269	(541,621)	—	—
Stage 3	(288,782)	(1,458,243)	1,747,025	—	—
Increases	62,575,346	1,723,706	670,681	*6,058*	64,969,733
Decreases	(44,830,051)	(3,297,424)	(2,191,200)	*(18,761)*	(50,318,675)
Transfers to write-offs	—	—	(456,545)	—	(456,545)
Adjustments for exchange differences	1,596,686	190,133	17,460	*4,985*	1,804,279
Saldo a 31 de diciembre de 2024	**192,444,425**	**10,142,749**	**4,596,198**	***101,415***	**207,183,372**

The breakdown of assets classified as stage 3 by type of guarantee as at 31 December 2024 and 2023 is as follows:

Thousand euro

	31/12/2024	**31/12/2023**
Secured with a mortgage (*)	1,846,940	2,215,559
Of which: Stage 3 financial assets with guarantees covering all of the risk	*1,069,940*	*1,429,856*
Otras garantías reales (**)	263,582	276,082
Of which: Stage 3 financial assets with guarantees covering all of the risk	*88,524*	*114,222*
Resto	2,485,676	2,981,555
Total	**4,596,198**	**5,473,196**

(*) Assets secured with a mortgage with an outstanding exposure below 100% of their valuation amount.

(**) Includes the rest of assets secured with collateral.

The breakdown by geographical area of the balance of assets classified as stage 3 as at 31 December 2024 and 2023 is as follows:

Thousand euro

	31/12/2024	**31/12/2023**
Spain	3,541,299	4,141,559
Rest of European Union	80,157	450,006
Reino Unido	734,480	656,821
América	222,088	199,622
Resto del mundo	18,174	25,188
Total	**4,596,198**	**5,473,196**

Movements of impaired financial assets derecognised from the asset side of the balance sheet as the likelihood of them being recovered during 2024 and 2023 was deemed to be remote were as follows:

Thousand euro	
Balance as at 31 December 2022	**5,847,949**
Additions	**552,439**
Use of accumulated impairment balance	362,984
Directly recognised on income statement	23,125
Contractually payable interest	166,330
Other items	—
Disposals	**(193,768)**
Collections of principal in cash from counterparties	(47,446)
Collections of interest in cash from counterparties	(1,079)
Debt forgiveness	(55,234)
Expiry of statute-of-limitations period	—
Forbearance	—
Sales	(25,394)
Foreclosure of tangible assets	(694)
Other items	(63,921)
Exchange differences	**13,698**
Balance as at 31 December 2023	**6,220,318**
Additions	**648,880**
Use of accumulated impairment balance	427,737
Directly recognised on income statement	28,808
Contractually payable interest	191,974
Other items	361
Disposals	**(411,775)**
Collections of principal in cash from counterparties	(48,159)
Collections of interest in cash from counterparties	(3,011)
Debt forgiveness	(22,850)
Expiry of statute-of-limitations period	—
Forbearance	—
Sales	(294,528)
Foreclosure of tangible assets	—
Other items	(43,227)
Exchange differences	**14,197**
Balance as at 31 December 2024	**6,471,620**

Allowances

Financial asset impairment allowances, broken down by consolidated balance sheet heading, classified according to their credit risk as at 31 December 2024 and 2023 were as follows:

Thousand euro

Stage 1	**2024**	**2023**
Debt securities	174	276
Loans and advances	308,764	372,373
Central banks and Credit institutions	3,264	2,752
Customers	305,500	369,621
Total stage 1	**308,938**	**372,649**
Stage 2		
Debt securities	—	—
Loans and advances	370,969	470,529
Central banks and Credit institutions	—	383
Customers	370,969	470,146
Total stage 2	**370,969**	**470,529**
Stage 3		
Debt securities	—	—
Loans and advances	2,167,778	2,359,203
Central banks and Credit institutions	—	—
Customers	2,167,778	2,359,202
Total stage 3	**2,167,778**	**2,359,203**
Total stages	**2,847,685**	**3,202,381**

The movement of impairment allowances allocated by the Group to cover credit risk during 2024 and 2023 was as follows:

Thousand euro

	Individually measured		Collectively measured			Total
	Stage 2	*Stage 3*	*Stage 1*	*Stage 2*	*Stage 3*	
Saldo a 31 de diciembre de 2022	**9,710**	**554,998**	**347,480**	**470,232**	**1,640,846**	**3,023,266**
Movements reflected in impairment gains/(losses) (*)	**(1,840)**	**68,586**	**69,867**	**124,296**	**459,570**	**720,479**
Increases due to origination	—	—	358,591	—	—	358,591
Changes due to credit risk variance	(2,301)	70,273	(61,521)	118,121	407,292	531,864
Changes in calculation approach	—	—	—	—	—	—
Other movements	462	(1,686)	(227,202)	6,175	52,278	(169,976)
Movements not reflected in impairment gains/(losses)	**3,901**	**(124,279)**	**(48,729)**	**(139,818)**	**(244,663)**	**(553,588)**
Transfers between stages	3,901	4,850	(48,109)	(137,732)	177,087	—
Stage 1	(530)	158	71,895	(69,050)	(2,474)	—
Stage 2	9,255	(10,993)	(111,887)	173,776	(60,152)	—
Stage 3	(4,824)	15,685	(8,117)	(242,458)	239,713	—
Utilisation of allocated provisions	—	(113,894)	(81)	(1,845)	(397,770)	(513,590)
Other movements (**)	—	(15,235)	(539)	(241)	(23,980)	(39,995)
Adjustments for exchange differences	**15**	**778**	**4,032**	**4,033**	**3,366**	**12,224**
Saldo a 31 de diciembre de 2023	**11,786**	**500,083**	**372,650**	**458,743**	**1,859,119**	**3,202,381**
Movements reflected in impairment gains/(losses) (*)	**(2,974)**	**(82,440)**	**(7,143)**	**28,819**	**514,160**	**450,422**
Increases due to origination	—	—	282,758	—	—	282,758
Changes due to credit risk variance	(2,057)	(16,168)	(117,486)	63,231	515,322	442,842
Changes in calculation approach	—	—	—	—	—	—
Other movements	(917)	(66,272)	(172,415)	(34,412)	(1,162)	(275,178)
Movements not reflected in impairment gains/(losses)	**(5,799)**	**(87,279)**	**(55,275)**	**(119,343)**	**(529,994)**	**(797,690)**
Transfers between stages	(5,799)	6,590	(54,828)	(110,623)	164,660	—
Stage 1	18	347	67,065	(65,236)	(2,194)	—
Stage 2	(1,785)	(5,954)	(114,221)	194,595	(72,635)	—
Stage 3	(4,032)	12,197	(7,672)	(239,982)	239,489	—
Utilisation of allocated provisions	—	(93,869)	(325)	(8,974)	(690,581)	(793,749)
Other movements (**)	—	—	(122)	254	(4,073)	(3,941)
Adjustments for exchange differences	**(4)**	**(1,506)**	**(1,292)**	**(263)**	**(4,363)**	**(7,428)**
Saldo a 31 de diciembre de 2024	**3,009**	**328,858**	**308,940**	**367,956**	**1,838,922**	**2,847,685**

(*) Esta cifra incluye la amortización con cargo a resultados de activos financieros deteriorados dados de baja del activo y la recuperación de fallidos, las cuales se han registrado con contrapartida en el epígrafe de "Deterioro del valor o (-) reversión del deterioro del valor de activos financieros no valorados a valor razonable con cambios en resultados y pérdidas o (-) ganancias netas por modificación" (véase nota 34).

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

The breakdown by geographical area of the balance of impairment allowances as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	**2023**
Spain	2,380,069	2,566,179
Rest of European Union	65,472	171,176
Reino Unido	258,361	283,907
América	131,775	167,230
Resto del mundo	12,008	13,889
Total	**2,847,685**	**3,202,381**

Note 12 – Derivatives - hedge accounting

Hedging management

The main hedges arranged by the Group are described below:

Interest rate risk hedge

Based on the balance sheet position and the market situation and outlook, interest rate risk mitigation strategies are proposed and agreed upon to adapt that position to the one desired by the Group. With this aim in mind, the Group establishes interest rate risk hedging strategies for positions that are not included in the trading book and, to that end, derivative instruments are used, whether fair value or cash flow hedging instruments, and a distinction is made between them depending on the items hedged:

– Macro-hedges: hedges intended to mitigate the risk of balance sheet components.

– Micro-hedges: hedges intended to mitigate the risk of a particular asset or liability.

When a transaction is designated as a hedging operation, it is classified as such from the inception of the transaction or of the instruments included in the hedge, and a document is prepared which covers the hedging strategy, defining it in management and accounting terms and setting out its governance arrangements. The aforesaid document clearly identifies the hedged item(s) and the hedging instrument(s), the risk that it seeks to hedge and the criteria or methodologies followed by the Group to evaluate its effectiveness.

The Group operates with the following types of hedges intended to mitigate structural interest rate risk:

– Fair value hedges: hedges against the exposure to changes in the fair value of assets and liabilities recognised on the balance sheet, or against the analogous exposure of a specific selection of such assets and liabilities, that can be attributed to interest rate risk. These are used to keep a stable economic value of equity.

  The main types of balance sheet items hedged are:

  • Fixed-rate loans included in the lending portfolio.

  • Debt securities included in the portfolio of “Financial assets at fair value through other comprehensive income” and the portfolio of “Financial assets at amortised cost”.

  • Fixed-rate liabilities, including fixed-term deposits and the Institution’s funding operations in capital markets.

  Banco Sabadell generally uses macro-hedging for balance sheet items, both assets and liabilities, while TSB uses macro-hedging for fixed-rate loans or deposits and micro-hedging for debt securities or the Institution’s funding operations in capital markets, for which derivative contracts are arranged, typically for a nominal amount identical to that of the hedged item and with the same financial characteristics.

  If the hedge relates to assets, the Group enters into a fixed-for-floating swap, whereas if the hedge relates to liabilities, it enters into a floating-to-fixed interest rate swap. These derivatives can be traded in cash or as forwards. The hedged risk is the interest rate risk deriving from a potential change in the risk-free interest rate that gives rise to changes in the value of the hedged balance sheet items. As such, the hedge will not cover any risk inherent in the hedged items other than the risk of a change in the risk-free interest rate.

  In order to assess the effectiveness of the hedge from the beginning, a backtesting exercise is carried out which compares the accumulated monthly variance in the fair value of the hedged item against the accumulated monthly variance in the fair value of the hedging derivative. Hedge effectiveness is also assessed on a forward-looking basis, verifying that future changes in the fair value of the hedged balance sheet items are offset by future changes in the fair value of the derivative in the event of any changes in the market interest rate curve.

– Cash flows: hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss. They are used to reduce net interest income volatility.

The main type of balance sheet items that are hedged correspond to floating-rate mortgage loans indexed to the mortgage Euribor and the 3-month Euribor.

Banco Sabadell generally uses macro-hedging for balance sheet items, both assets and liabilities, while TSB also uses micro-hedging for floating-rate issues of its own-name securities, for which derivative contracts are arranged, typically for a nominal amount identical to that of the hedged item and with the same financial characteristics.

If the hedge relates to assets, the Group enters into a floating-to-fixed interest rate swap, whereas if the hedge relates to liabilities, it enters into a fixed-for-floating swap. These derivatives can be traded in cash or as forwards. The hedged risk is the interest rate risk deriving from a potential change in the benchmark interest rate that affects the future interest accrued on hedged balance sheet items. The credit risk spread or credit risk premium which, together with the benchmark index, makes up the contractual interest rate applicable to the hedged balance sheet items is expressly excluded from the hedge.

In order to assess the effectiveness of the hedge from the beginning, a backtesting exercise is carried out which compares the accumulated variance in the fair value of the hedged item against the accumulated variance in the fair value of the hedging derivative. Hedge effectiveness is also assessed on a forward-looking basis, verifying that the expected cash flows of the hedged items are still highly probable.

Possible causes of partial or total ineffectiveness include changes in the sufficiency of the portfolio of hedged balance sheet items or differences in their contractual characteristics in relation to hedging derivatives.

Every month the Group calculates the interest rate risk metrics and establishes hedging strategies in accordance with the established Risk Appetite Framework. Hedges are therefore managed, establishing hedges or discontinuing them, as required, on the basis of the evolution of the balance sheet items described previously within the management and control framework defined by the Group through its policies and procedures.

Hedges of net investment in foreign operations

The positions of subsidiaries and foreign branches implicitly entail exposure to foreign exchange risk, which is managed by creating hedges through the use of forward contracts and options.

The maturities of these instruments are periodically renewed on the basis of prudential and forward-looking criteria.

Hedging disclosures for the year 2024

The nominal values and the fair values of hedging instruments as at 31 December 2024 and 2023, broken down by risk category and type of hedge, are as follows:

Thousand euro

	2024			2023		
	Nominal	**Assets**	**Liabilities**	**Nominal**	**Assets**	**Liabilities**
Microhedges:						
Fair value hedges	**9,519,561**	**1,005,242**	**157,192**	**11,305,664**	**812,117**	**246,705**
Interest rate risk	4,371,722	947,008	33,117	3,131,379	764,450	27,988
Of liability-side transactions (A)	*1,726,000*	*1,460*	*32,701*	*686,434*	*912*	*23,990*
Of asset-side transactions (B)	*2,645,722*	*945,548*	*416*	*2,444,945*	*763,538*	*3,998*
Equity risk	5,147,839	58,234	124,075	8,174,285	47,667	218,717
Of liability-side transactions (A)	*5,147,839*	*58,234*	*124,075*	*8,174,285*	*47,667*	*218,717*
Cash flow hedges	**4,987,829**	**75,615**	**25,990**	**2,749,498**	**104,510**	**24,886**
Foreign exchange risk	500,000	2,286	—	—	—	—
Of liability-side transactions (A)	*500,000*	*2,286*	—	—	—	—
Interest rate risk	2,566,326	39,651	13,280	1,993,010	99,229	4,091
Of future transactions (C)	*870,505*	*3,638*	*13,230*	—	—	—
Of liability-side transactions (A)	*294,399*	*33,692*	—	*875,071*	*97,768*	*4,088*
Of securitisation transactions (D)	*1,401,422*	*2,321*	*50*	*1,117,939*	*1,461*	*3*
Equity risk	3,461	23	11	31,380	258	9
Of liability-side transactions (E)	*3,461*	*23*	*11*	*31,380*	*258*	*9*
Other risks	1,918,042	33,655	12,699	725,108	5,023	20,786
Of inflation-linked bonds (F)	*1,917,960*	*33,655*	*12,699*	*725,000*	*5,023*	*20,786*
Of future transactions (C)	*82*	—	—	*108*	—	—
Hedge of net investment in foreign operations	**1,645,617**	**2,451**	**23,112**	**1,343,425**	**16,867**	**4,910**
Foreign exchange risk (G)	*1,645,617*	*2,451*	*23,112*	*1,343,425*	*16,867*	*4,910*
Macrohedges:						
Fair value hedges	**63,622,718**	**1,289,070**	**585,736**	**48,904,105**	**1,484,180**	**864,880**
Interest rate risk	63,622,718	1,289,070	585,736	48,904,105	1,484,180	864,880
Of liability-side transactions (H)	*27,160,377*	*176,702*	*310,050*	*19,619,340*	*138,287*	*581,242*
Of asset-side transactions (I)	*36,462,341*	*1,112,368*	*275,686*	*29,284,765*	*1,345,893*	*283,638*
Cash flow hedges	**10,375,000**	**22,524**	**11,969**	**9,800,000**	**6,924**	**30,576**
Interest rate risk	10,375,000	22,524	11,969	9,800,000	6,924	30,576
Of liability-side transactions	—	—	—	—	—	—
Of asset-side transactions (J)	*10,375,000*	*22,524*	*11,969*	*9,800,000*	*6,924*	*30,576*
Total	**90,150,725**	**2,394,902**	**803,999**	**74,102,692**	**2,424,598**	**1,171,957**
By currency:						
In euro	*49,746,004*	*1,393,299*	*632,616*	40,869,593	872,897	831,600
In foreign currency	*40,404,721*	*1,001,603*	*171,383*	33,233,099	1,551,701	340,357
Total	**90,150,725**	**2,394,902**	**803,999**	**74,102,692**	**2,424,598**	**1,171,957**

The types of hedges according to their composition that are identified in the table are as follows:

A. Micro-hedges of interest rate risk on the Institution's funding operations in capital markets and transactions involving structured term deposits opened by customers, recognised under the heading "Financial liabilities at amortised cost".

B. Micro-hedges of debt securities classified under the headings "Financial assets at fair value through other comprehensive income" and "Financial assets at amortised cost".

C. Micro-hedges of future transactions. The Institution designates as a hedging item those derivative contracts that will be settled at their gross amount through the transfer of the underlying asset (generally fixed-income securities) according to the contract price.

D. Micro-hedging operations carried out by the Group's securitisation funds.

E. Micro-hedges of transactions involving structured term deposits arranged with customers and which are currently being sold.

F. Micro-hedges of interest rates on inflation-linked bonds, recognised under the heading “Financial assets at amortised cost”. The Group has arranged financial swaps to hedge future changes in cash flows that will be settled by inflation-linked bonds.

G. Hedges against foreign exchange risk on permanent investments currently cover 545 million pounds sterling and 8,853 million Mexican pesos corresponding to interests held in Group entities (393 million pounds sterling and 8,553 million Mexican pesos as at 31 December 2023) and 600 million US dollars corresponding to interests held in foreign branches (480 million US dollars as at 31 December 2023). All of these hedges are arranged through currency forwards.

H. Macro-hedges of the Institution’s funding operations in capital markets and transactions involving term deposits and demand deposits arranged by customers recognised under the heading “Financial liabilities at amortised cost”.

I. Macro-hedges of debt securities classified under the headings “Financial assets at fair value through other comprehensive income” and “Financial assets at amortised cost”, and of fixed-rate mortgage loans granted to customers recognised under the heading “Financial assets at amortised cost”.

J. Macro-hedges of floating-rate mortgage loans granted to customers recognised under the heading “Financial assets at amortised cost”. As at 31 December 2024, the average rate of financial interest rate swaps used for these hedges was 3.30%, for hedges of loans indexed to the 12-month Euribor (3.87% as at 31 December 2023), and 2.22% for hedges of loans indexed to the 3-month Euribor. As at 31 December 2023, there were no hedges of loans indexed to the 3-month Euribor in force.

The maturity profiles of the hedging instruments used by the Group as at 31 December 2024 and 2023 are shown below:

Thousand euro

	2024					
	Nominal					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange risk	752,075	874,050	19,492	500,000	—	**2,145,617**
Interest rate risk	3,017,865	4,279,802	19,997,332	34,860,179	18,780,588	**80,935,766**
Equity risk	666,977	668,821	1,915,814	1,896,227	3,461	**5,151,300**
Other risks	—	—	—	525,000	1,393,042	**1,918,042**
Total	**4,436,917**	**5,822,673**	**21,932,638**	**37,781,406**	**20,177,091**	**90,150,725**

Thousand euro

	2023					
	Nominal					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange risk	675,264	645,726	22,435	—	—	**1,343,425**
Interest rate risk	586,848	3,898,997	14,262,726	28,693,797	16,386,126	**63,828,494**
Equity risk	49,073	229,858	2,809,004	5,106,350	11,380	**8,205,665**
Other risks	—	—	—	525,000	200,108	**725,108**
Total	**1,311,185**	**4,774,581**	**17,094,165**	**34,325,147**	**16,597,614**	**74,102,692**

In 2024 and 2023 there were no reclassifications from equity to the consolidated income statement due to cash flow hedges and hedges of net investments in foreign operations for transactions that were ultimately not executed.

The following table shows the accounting information of items covered by the fair value micro-hedges arranged by the Group:

Thousand euro

	2024				
	Carrying amount of hedged item		Accumulated fair value adjustments in the hedged item		Accumulated amount of adjustments in hedged items for which hedge accounting no longer applies
	Assets	Liabilities	Assets	Liabilities	
Microhedges:					
Fair value hedges					
Foreign exchange risk	—	—	—	—	—
Interest rate risk	2,287,159	554,377	(1,050,010)	(8,717)	(678)
Equity risk	—	3,432,140	—	3,170	—
Total	**2,287,159**	**3,986,517**	**(1,050,010)**	**(5,547)**	**(678)**

Thousand euro

	2023				
	Carrying amount of hedged item		Accumulated fair value adjustments in the hedged item		Accumulated amount of adjustments in hedged items for which hedge accounting no longer applies
	Assets	Liabilities	Assets	Liabilities	
Microhedges:					
Fair value hedges					
Foreign exchange risk	—	—	—	—	—
Interest rate risk	2,277,611	344,500	(834,132)	(26,400)	(620)
Equity risk	—	4,052,256	—	(17,108)	—
Total	**2,277,611**	**4,396,756**	**(834,132)**	**(43,508)**	**(620)**

In terms of fair value macro-hedges, the carrying amount of the hedged items recognised in assets and liabilities as at 31 December 2024 amounts to 88,073,619 thousand euros and 46,480,320 thousand euros, respectively (66,138,396 thousand euros and 44,657,503 thousand euros as at 31 December 2023, respectively). Similarly, fair value adjustments of the hedged asset and liability items in the portfolio hedge of interest rate risk amount to -412,346 thousand euros and -227,209 thousand euros as at 31 December 2024, respectively (-567,608 thousand euros and -422,347 thousand euros as at 31 December 2023).

In relation to fair value hedges, the losses and gains recognised in 2024 and 2023 arising from both hedging instruments and hedged items are detailed hereafter:

Thousand euro

	2024		2023	
	Hedging instruments	Hedged items	Hedging instruments	Hedged items
Micro-hedges	**192,578**	**(193,060)**	**(331,922)**	**64,566**
Fixed-rate assets	142,844	(141,757)	(352,997)	85,530
Capital markets and fixed-rate liabilities	10,790	(12,337)	76,055	(75,866)
Assets denominated in foreign currency	38,944	(38,966)	(54,980)	54,902
Macro-hedges	**(40,465)**	**7,332**	**(289,542)**	**575,855**
Capital markets and fixed-rate liabilities	151,019	(197,170)	535,919	(548,298)
Fixed-rate assets	(191,484)	204,502	(825,461)	1,124,153
Total	**152,113**	**(185,728)**	**(621,464)**	**640,421**

In cash flow hedges, the amounts recognised in the consolidated statement of equity during the year and the amounts derecognised from consolidated equity and included in profit or loss during the year are indicated in the consolidated statement of total changes in equity.

The ineffectiveness of cash flow hedges recognised in profit or loss for 2024 amounted to losses of 229 thousand euros (losses of 6,763 thousand euros in 2023).

As at 31 December 2024, the Group holds embedded derivatives that have been separated from their host contracts and recognised under the headings "Derivatives – Hedge accounting" on the asset side and on the liabilities side of the consolidated balance sheet in the amount of 19,282 thousand euros and 101,642 thousand euros, respectively (18,322 thousand euros and 173,828 thousand euros, respectively, as at 31 December 2023). The host contracts of those embedded derivatives correspond to customer deposits and debt securities issued and they have been allocated to the portfolio of financial liabilities at amortised cost.

Note 13 – Non-current assets and disposal groups classified as held for sale

The composition of this heading on the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Assets	**930,919**	**991,045**
Loans and advances	3,839	6,328
Customers	3,839	6,328
Equity instruments	159,748	159,748
Real estate exposure	636,146	708,051
Tangible assets for own use	48,096	49,432
Foreclosed assets	588,050	658,619
Other tangible assets	114,237	103,864
Rest of other assets	16,949	13,054
Impairment allowances	**(212,587)**	**(220,167)**
Non-current assets and disposal groups classified as held for sale	**718,332**	**770,878**
Liabilities	**30,093**	**13,347**
Financial liabilities at amortised cost	26,416	12,682
Tax liabilities	3,676	665
Other	1	—
Liabilities included in disposal groups classified as held for sale	**30,093**	**13,347**

Tangible assets for own use relate mainly to commercial premises.

Regarding real estate assets obtained through foreclosures, 95.37% of the balance corresponds to residential properties, 4.12% to industrial properties and 0.51% to agricultural properties.

The average term during which assets remained within the category of "Non-current assets and assets and liabilities included in disposal groups classified as held for sale – Foreclosed assets" was 71 months in 2024 (62 months in 2023). The policies on the sale or disposal by other means of these assets are described in Note 4.4.2.1.

The percentage of foreclosed assets sold with financing granted to the buyer in 2024 was 3.3% (3.3% in 2023). On the date of sale, these properties had a gross asset value of 3.8 million euros in 2024 (4.6 million euros in 2023).

This heading includes the amounts of assets and liabilities linked to the strategic agreement signed with Nexi S.p.A. in relation to the merchant acquiring business. These assets and liabilities have been reclassified as "Non-current assets and disposal groups classified as held for sale" and will remain so until the transaction is fully closed (see Note 2).

This heading also includes the 20% stake held in the associate company Promontoria Challenger I, S.A., an entity controlled by Cerberus, to which the Group transferred a large portion of its real estate exposure in 2019.

Movements in "Non-current assets and disposal groups classified as held for sale" during 2024 and 2023 were as follows:

Thousand euro

	Note	Non-current assets held for sale
Cost:		
Saldos a 31 de diciembre de 2022		**951,792**
Altas		171,503
Bajas		(302,164)
Traspasos de insolvencias (*)		(11,620)
Otros traspasos/reclasificaciones		181,534
Saldos a 31 de diciembre de 2023		**991,045**
Altas		48,362
Bajas		(125,140)
Traspasos de insolvencias (*)		(4,692)
Otros traspasos/reclasificaciones		21,344
Saldos a 31 de diciembre de 2024		**930,919**
Correcciones de valor por deterioro:		
Saldos a 31 de diciembre de 2022		**213,479**
Dotación con impacto en resultados	37	56,629
Reversión con impacto en resultados	37	(22,317)
Utilizaciones		(56,997)
Otros traspasos/reclasificaciones		29,373
Saldos a 31 de diciembre de 2023		**220,167**
Dotación con impacto en resultados	37	59,251
Reversión con impacto en resultados	37	(28,271)
Utilizaciones		(38,793)
Otros traspasos/reclasificaciones		233
Saldos a 31 de diciembre de 2024		**212,587**
Saldos netos a 31 de diciembre de 2023		**770,878**
Saldos netos a 31 de diciembre de 2024		**718,332**

(*) Allowance arising from provisions allocated to cover credit risk.

Details of the net carrying amount of transfers shown in the table above are as follows:

Thousand euro

	Note	2024	2023
Préstamos y anticipos		(2,487)	5,667
Activos tangibles	15	19,772	136,614
Activos intangibles	16	—	8,499
Resto		3,826	1,381
Total		**21,111**	**152,161**

Note 14 – Investments in joint ventures and associates

Movements in this heading of the consolidated balance sheets during the financial years 2024 and 2023 were as follows:

Thousand euro

Saldo a 31 de diciembre de 2022	**376,940**
Por resultados del ejercicio	122,807
Por adquisición o ampliación de capital (*)	1,356
Por dividendos (*)	(28,669)
Por deterioros, ajustes de valoración, diferencias de conversión y otros	(9,678)
Saldo a 31 de diciembre de 2023	**462,756**
Por resultados del ejercicio	159,634
Por adquisición o ampliación de capital (*)	1,692
Por dividendos (*)	(102,196)
Por deterioros, ajustes de valoración, diferencias de conversión y otros	2,676
Saldo a 31 de diciembre de 2024	**524,562**

(*) See consolidated cash flow statement.

The main investee companies included in the accounts for the first time and those no longer included in 2024 and 2023 are indicated in Schedule I.

As at 31 December 2024 and 2023, no support agreements or other type of significant contractual commitment had been provided by the Bank or its subsidiaries to associates.

The reconciliation between the Group's investment in investees and the balance recorded under the heading "Investments in joint ventures and associates" is as follows:

Thousand euro

	2024	**2023**
Group investment in associates (Schedule I)	217,298	219,544
Aportaciones por resultados acumulados	304,004	239,000
Ajustes de valor y otros	3,260	4,212
Total	**524,562**	**462,756**

Set out below are the most relevant financial data of the associate BanSabadell Vida, S.A. as at 31 December 2024 and 2023, through which the Bank extends its customer offer via the distribution of insurance products through its branch network:

Thousand euro

	BanSabadell Vida (*)	
	2024	**2023**
Total assets	9,722,196	9,556,627
Of which: financial investments	*8,763,140*	*8,510,475*
Total liabilities	9,027,272	8,837,988
Of which: technical provisions	*9,074,430*	*9,037,426*
Profit/(loss) of Vida's technical account	141,488	136,313
Of which: premiums earned during the year	*1,801,982*	*2,511,257*
Of which: claims paid during the year	*(1,564,928)*	*(1,963,876)*
Of which: technical financial yield	*224,722*	*211,763*

(*) Figures taken from BanSabadell Vida accounts without taking into consideration consolidation adjustments or the Group's percentage holding.

As at 31 December 2024 and 2023, the carrying amount of the investment in BanSabadell Vida, S.A. amounted to 251,428 thousand euros and 210,941 thousand euros, respectively. Furthermore, as at these dates, the aggregate carrying amount of investments in associates not considered individually significant was 273,134 thousand euros and 251,815 thousand euros, respectively.

Note 15 – Tangible assets

The composition of this heading on the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024				2023			
	Coste	**Amortización**	**Deterioro**	**Valor neto**	**Coste**	**Amortización**	**Deterioro**	**Valor neto**
Inmovilizado material	**3,980,806**	**(1,985,566)**	**(74,753)**	**1,920,487**	**3,930,317**	**(1,818,023)**	**(45,188)**	**2,067,106**
De uso propio:	3,965,427	(1,973,804)	(74,753)	1,916,870	3,907,505	(1,804,259)	(45,188)	2,058,058
Computer equipment and related facilities	634,501	(468,849)	—	165,652	587,570	(415,704)	—	171,866
Furniture, vehicles and other facilities	926,915	(607,969)	(30,537)	288,409	935,347	(590,146)	—	345,201
Buildings	2,316,395	(884,097)	(44,216)	1,388,082	2,329,727	(789,168)	(45,188)	1,495,371
Work in progress	47,235	—	—	47,235	19,011	—	—	19,011
Other	40,381	(12,889)	—	27,492	35,850	(9,241)	—	26,609
Cedido en arrendamiento operativo	15,379	(11,762)	—	3,617	22,812	(13,764)	—	9,048
Inversiones inmobiliarias	**272,910**	**(54,803)**	**(60,966)**	**157,141**	**369,376**	**(62,302)**	**(77,476)**	**229,598**
Buildings	272,910	(54,803)	(60,966)	157,141	369,376	(62,302)	(77,476)	229,598
Rural property, plots and sites	—	—	—	—	—	—	—	—
Total	**4,253,716**	**(2,040,369)**	**(135,719)**	**2,077,628**	**4,299,693**	**(1,880,325)**	**(122,664)**	**2,296,704**

Movements in the balance under this heading during 2024 and 2023 were as follows:

Thousand euro

	Note	Own use - Buildings, work in progress and other	Own use - Computer equipment, furniture and related facilities	Investment properties	Leased out under operating leases	Total
Cost:						
Saldos a 31 de diciembre de 2022		**2,377,363**	**1,683,747**	**438,400**	**20,949**	**4,520,456**
Altas		113,393	121,534	62	1,431	236,420
Bajas		(86,630)	(61,866)	(61,062)	—	(209,558)
Traspasos		(29,137)	(223,188)	(8,024)	—	(260,349)
Tipo de cambio		9,599	2,693	—	432	12,724
Saldos a 31 de diciembre de 2023		**2,384,588**	**1,522,920**	**369,376**	**22,812**	**4,299,693**
Altas		117,755	66,324	71	—	184,150
Bajas		(102,506)	(31,182)	(91,257)	(8,531)	(233,476)
Traspasos		(17,146)	1,205	(5,280)	—	(21,221)
Tipo de cambio		21,320	2,151	—	1,098	24,569
Saldos a 31 de diciembre de 2024		**2,404,011**	**1,561,418**	**272,910**	**15,379**	**4,253,715**
Amortización acumulada:						
Saldos a 31 de diciembre de 2022		**686,786**	**1,056,369**	**54,423**	**11,605**	**1,809,183**
Altas		137,953	113,267	9,366	1,916	262,502
Bajas		(22,813)	(42,028)	(5,411)	—	(70,252)
Traspasos		(7,075)	(123,090)	3,924	—	(126,241)
Tipo de cambio		3,558	1,332	—	243	5,133
Saldos a 31 de diciembre de 2023		**798,409**	**1,005,850**	**62,302**	**13,764**	**1,880,325**
Altas		145,760	101,305	6,063	—	253,128
Bajas		(55,392)	(32,047)	(13,332)	(2,611)	(103,382)
Traspasos		(1,279)	(121)	(230)	—	(1,630)
Tipo de cambio		9,489	1,830	—	609	11,928
Saldos a 31 de diciembre de 2024		**896,987**	**1,076,817**	**54,803**	**11,762**	**2,040,369**
Pérdidas por deterioro:						
Saldos a 31 de diciembre de 2022		**45,249**	**—**	**84,234**	**—**	**129,482**
Dotación con impacto en resultados	35	3,319	—	17,053	—	20,372
Reversión con impacto en resultados	35	(1,389)	—	(7,457)	—	(8,846)
Utilizaciones		—	—	(20,271)	—	(20,271)
Traspasos		(1,990)	—	3,918	—	1,928
Saldos a 31 de diciembre de 2023		**45,189**	**—**	**77,477**	**—**	**122,665**
Dotación con impacto en resultados	35	6,393	30,537	3,709	—	40,639
Reversión con impacto en resultados	35	(268)	—	(2,553)	—	(2,821)
Utilizaciones		(7,097)	—	(17,616)	—	(24,713)
Traspasos		(1)	—	(51)	—	(52)
Saldos a 31 de diciembre de 2024		**44,216**	**30,537**	**60,966**	**—**	**135,719**
Saldos netos a 31 de diciembre de 2023		**1,540,991**	**517,070**	**229,597**	**9,048**	**2,296,704**
Saldos netos a 31 de diciembre de 2024		**1,462,808**	**454,064**	**157,141**	**3,617**	**2,077,628**

The net carrying amount of “Transfers” in 2024 was -19,539 thousand euros (-136,035 thousand euros in 2023), of which 233 thousand euros (579 thousand euros in 2023) correspond to reclassifications from the heading “Inventories” (see Note 17) and -19,772 thousand euros (-136,614 thousand euros in 2023), to reclassifications of assets from or to the heading “Non-current assets and disposal groups classified as held for sale” (see Note 13).

Specific information relating to tangible assets as at 31 December 2024 and 2023 is shown here below:

Thousand euro

	2024	**2023**
Valor bruto de los elementos del activo material de uso propio en uso y totalmente amortizados	675,605	572,004
Valor neto en libros de los activos materiales de negocios en el extranjero	300,760	302,192

Lease contracts in which the Group acts as lessee

As at 31 December 2024, the cost of property, plant and equipment for own use includes right-of-use assets corresponding to leased tangible assets in which the Group acts as lessee, in the amount of 1,394,121 thousand euros, which have accumulated depreciation of 575,576 thousand euros and are impaired in the amount of 39,201 thousand euros as at the aforesaid date (1,359,188 thousand euros as at 31 December 2023, which had accumulated depreciation of 486,883 thousand euros and were impaired in the amount of 40,026 thousand euros as at that date).

The expense recognised in the consolidated income statement for 2024 for the depreciation and impairment of right-of-use assets corresponding to leased tangible assets in which the Group acts as lessee amounted to 104,569 thousand euros and 1,496 thousand euros, respectively (94,454 thousand euros and 1,369 thousand euros, respectively, in 2023).

Information is set out below concerning the lease contracts in which the Group acts as lessee:

Thousand euro

	2024	2023
Gasto por intereses por los pasivos por arrendamiento	(18,833)	(16,910)
Gasto relacionado con arrendamientos a corto plazo y de escaso valor (*)	(3,641)	(11,793)
Salidas de efectivo totales por arrendamientos (**)	114,443	106,577

(*) Reconocidos en el epígrafe de "Gastos de administración", en la partida "De inmuebles, instalaciones y material" (véase nota 33).

(**) Los pagos correspondientes a la parte de principal e intereses del pasivo por arrendamiento se registran como flujos de efectivo de las actividades de financiación en el estado de flujos de efectivo consolidado del grupo.

The future cash outflows to which the Group may potentially be exposed as lessee and which are not included under lease liabilities are not significant.

Minimum future payments over the non-cancellable period for lease contracts in effect as at 31 December 2024 and 2023 are indicated below:

Thousand euro

	2024	2023
Pagos futuros por arrendamiento sin descontar		
Hasta 1 mes	8,026	8,205
Entre 1 y 3 meses	19,461	20,352
Entre 3 meses y 1 año	82,413	82,703
Entre 1 y 5 años	391,507	387,761
Más de 5 años	513,147	581,964

<u>Sale and leaseback transactions</u>

Between 2009 and 2012, the Group completed transactions for the sale of properties and simultaneously entered into a lease contract, for the same properties, with the buyers (maintenance, insurance and taxes to be borne by the Bank). The main characteristics of the most significant lease contracts in effect as at the end of 2024 are as follows:

Operating lease contracts	No. properties	No. contracts with purchase option	No. contracts without purchase option	Mandatory term
Ejercicio 2009	57	20	37	10 a 20 años
Ejercicio 2010	379	378	1	10 a 25 años
Ejercicio 2011 (integración Banco Guipuzcoano)	33	25	8	8 a 20 años
Ejercicio 2012 (integración Banco CAM)	12	12	—	10 a 25 años
Ejercicio 2012	4	4	—	15 años

Specific information in connection with this set of lease contracts as at 31 December 2024 and 2023 is given below:

Thousand euro

	2024	2023
Pagos futuros por arrendamiento sin descontar		
Hasta 1 mes	4,748	4,733
Entre 1 y 3 meses	9,025	9,157
Entre 3 meses y 1 año	41,893	41,916
Entre 1 y 5 años	222,441	221,302
Más de 5 años	346,911	405,052

In 2024 and 2023, no significant profit or loss was recorded for sale and leaseback transactions.

Contracts in which the Group acts as lessor

The lease contracts entered into by the Group in which it acts as lessor are mainly operating leases.

The Group implements strategies to reduce risks related to the rights held over the underlying assets. For example, the lease contracts include clauses which stipulate a minimum non-cancellable lease term, a deposit which the lessor may retain as compensation if the asset sustains excessive wear during the lease term, and additional guarantees or sureties to limit losses in the event of non-payment.

As regards the investment properties item, the rental income from these investment properties and the direct costs associated with the investment properties that produced rental income during 2024 amount to 20,137 thousand euros and 3,528 thousand euros, respectively (22,850 thousand euros and 9,908 thousand euros in 2023). Direct costs associated with investment properties that did not produce rental income were not significant in the context of the consolidated annual financial statements.

Note 16 – Intangible assets

The composition of this heading on the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Fondo de comercio:	**1,018,311**	**1,018,311**
Banco Urquijo	473,837	473,837
Grupo Banco Guipuzcoano	285,345	285,345
Procedente de la adquisición de activos de Banco BMN Penedés	245,364	245,364
Other	13,765	13,765
Otro activo intangible:	**1,531,147**	**1,464,763**
Con vida útil definida:	1,531,147	1,464,763
Negocio Banca Privada Miami	1,276	1,825
Marca TSB	13,107	17,509
Aplicaciones informáticas	1,515,821	1,444,408
Otros	943	1,021
Total	**2,549,458**	**2,483,074**

Goodwill

As set forth in the regulatory framework of reference, Banco Sabadell carried out an analysis in 2024 to evaluate the existence of any potential impairment of its goodwill.

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

Banco Sabadell Group monitors the Group’s total goodwill across the ensemble of Cash-Generating Units (CGUs) that make up the Banking Business Spain operating segment. In addition, the Group considers that the United Kingdom operating segment is a CGU.

The value in use of the Banking Business Spain operating segment is used to determine its recoverable amount. The valuation method used in this analysis was that of discounting future distributable net profit associated with the activity carried out by the Banking Business Spain operating segment until 2029, plus an estimated terminal value.

The projections used to determine the recoverable amount are those set out in the financial projections approved by the Board of Directors. Those projections are based on sound and well-founded assumptions, which represent Management's best estimates of overall upcoming economic conditions. To determine the key variables (basically net interest income, fees and commissions, expenses, cost of risk and solvency levels) that underpin the financial projections, Management has used microeconomic variables, such as the existing balance sheet structure, market positioning and strategic decisions made, as well as macroeconomic variables, such as the expected evolution of GDP and the forecast evolution of interest rates and unemployment. The macroeconomic variables used for the baseline macroeconomic scenario, described in Note 4.4.2.5, were estimated by the Group's Research Service.

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

In 2024, to calculate the terminal value, Spain's real GDP in 2029 was taken as reference, using a growth rate in perpetuity of 2.1% (1.8% in 2023), which does not exceed the long-term average growth rate of the market in which the operating segment is active. The discount rate used was 9.8% (11.2% in 2023), determined using the Capital Asset Pricing Model (CAPM); it therefore comprises a risk-free rate (10-year Spanish bond) plus a risk premium which reflects the inherent risk of the operating segment being evaluated.

The recoverable amount obtained is higher than the carrying amount; therefore, there is no evidence of impairment. The individual recoverable amount for each CGU as at the end of 2024 and 2023, before allocating goodwill to the CGUs as a group, was above its carrying amount; therefore, the Group did not recognise any impairment at the CGU level during the aforesaid years.

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

This test consisted of adjusting, individually, the following assumptions:

- Discount rate +/- 0.5%.
- Growth rate in perpetuity +/- 0.5%.
- Minimum capital requirement +/-0.75%.
- NIM/ATAs in perpetuity +/- 5bps.
- Cost of risk in perpetuity +/- 10bps.

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

In accordance with the specifications of the restated text of the Corporation Tax Law, the goodwill generated is not tax-deductible.

Other intangible assets

TSB brand

The intangible assets associated with the acquisition of TSB correspond to the value of the exclusive right of use of the TSB brand, initially estimated at 73,328 thousand euros. The value attributable to this asset was determined through the replacement cost method, consisting of establishing the cost of rebuilding or acquiring an exact replica of the asset in question. This asset is amortised over a period of 12 years. The assessment of the recoverable amount of the TSB CGU included an implicit valuation of the brand, concluding that there was no impairment.

Computer software

Computer software costs include mainly the capitalised costs of developing the Group's computer software and the cost of purchasing software licences.

R&D expenditure in 2024 and 2023 was not significant.

Movements

Movements in goodwill in 2024 and 2023 were as follows:

Thousand euro

	Fondo de comercio	Deterioro	Total
Saldo a 31 de diciembre de 2022	**1,026,810**	**—**	**1,026,810**
Altas	—	—	—
Bajas	—	—	—
Transfers	(8,499)	—	(8,499)
Saldo a 31 de diciembre de 2023	**1,018,311**	**—**	**1,018,311**
Altas	—	—	—
Bajas	—	—	—
Traspasos	—	—	—
Saldo a 31 de diciembre de 2024	**1,018,311**	**—**	**1,018,311**

Movements in other intangible assets in 2024 and 2023 were as follows:

Thousand euro

	Coste			Amortización			Deterioro			Total
	Desarrollado internamente	Resto	Total	Desarrollado internamente	Resto	Total	Desarrollado internamente	Resto	Total	
Saldo a 31 de diciembre de 2022	**2,573,805**	**774,552**	**3,348,357**	**(1,266,318)**	**(624,687)**	**(1,891,005)**	**—**	**—**	**—**	**1,457,352**
Altas	235,489	60,596	296,085	(221,636)	(34,827)	(256,463)	—	—	—	39,622
Bajas	(103,691)	(5,612)	(109,303)	60,722	2,464	63,186	—	—	—	(46,117)
Otros	438	(2,759)	(2,321)	(1,529)	3,536	2,007	—	—	—	(314)
Diferencias de cambio	12,214	7,572	19,786	848	(6,414)	(5,566)	—	—	—	14,220
Saldo a 31 de diciembre de 2023	**2,718,255**	**834,349**	**3,552,604**	**(1,427,913)**	**(659,928)**	**(2,087,841)**	**—**	**—**	**—**	**1,464,763**
Altas	296,861	49,332	346,193	(217,887)	(30,025)	(247,912)	—	—	—	98,281
Bajas	(39,722)	(335)	(40,057)	18,053	172	18,225	—	—	—	(21,832)
Otros	—	3,941	3,941	—	(3,975)	(3,975)	—	—	—	(34)
Diferencias de cambio	(8,612)	17,959	9,347	(2,914)	(16,464)	(19,378)	—	—	—	(10,031)
Saldo a 31 de diciembre de 2024	**2,966,782**	**905,246**	**3,872,028**	**(1,630,661)**	**(710,220)**	**(2,340,881)**	**—**	**—**	**—**	**1,531,147**

The gross value of other intangible assets that were in use and had been fully amortised as at 31 December 2024 and 2023 amounted to 1,408,002 thousand euros and 1,367,070 thousand euros, respectively.

In 2024, the Group recognised a loss of 21,292 thousand euros (50,750 thousand euros in 2023) under the heading "Gains or (-) losses on derecognition of non-financial assets, net" of the consolidated income statement, corresponding to the impact of the withdrawal of certain IT applications due to obsolescence.

Note 17 – Other assets and liabilities

The "Other assets" heading on the consolidated balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	Note	2024	2023
Contratos de seguros vinculados a pensiones	22	80,888	80,693
Existencias		43,776	62,344
Resto de los otros activos		300,066	293,086
Total		**424,730**	**436,123**

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

Movements in inventories in 2024 and 2023 were as follows:

Thousand euro

	Nota	Suelo	Edificios en construcción	Edificios terminados	Total
Saldo a 31 de diciembre de 2022		**5,469**	**872**	**87,493**	**93,835**
Altas		422	39	4,978	5,439
Bajas		(1,268)	(50)	(20,714)	(22,032)
Dotación del deterioro con impacto en resultados	35	(1,711)	(4,505)	(13,060)	(19,276)
Reversión del deterioro con impacto en resultados	35	710	4,210	37	4,957
Otros traspasos	15	—	—	(579)	(579)
Saldo a 31 de diciembre de 2023		**3,622**	**566**	**58,155**	**62,344**
Altas		3,014	1	967	3,982
Bajas		(1,478)	(135)	(13,065)	(14,678)
Dotación del deterioro con impacto en resultados	35	(3,613)	(80)	(7,852)	(11,545)
Reversión del deterioro con impacto en resultados	35	984	33	2,889	3,906
Otros traspasos	15	—	—	(233)	(233)
Saldo a 31 de diciembre de 2024		**2,529**	**385**	**40,861**	**43,776**

As at 31 December 2024 and 2023, the amount of inventories associated with debt secured with mortgages was 8,542 thousand euros and 10,292 thousand euros, respectively.

The composition of the “Other liabilities” heading as at 31 December 2024 and 2023 is as follows:

Thousand euro

	31/12/2024	31/12/2023
Other accrual/deferral	481,674	574,997
Rest of other liabilities	169,990	147,527
Total	**651,664**	**722,524**

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

Note 18 – Deposits in central banks and credit institutions

The breakdown of the balance of deposits in central banks and credit institutions in the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

En miles de euros

	2024	2023
Por epígrafes:		
Pasivos financieros a coste amortizado	16,518,534	23,616,543
Total	**16,518,534**	**23,616,543**
Por naturaleza:		
Depósitos a la vista	200,690	222,195
Depósitos a plazo	4,162,902	12,274,576
Pactos de recompra	11,998,233	10,821,129
Otras cuentas	81,595	74,163
Ajustes por valoración	75,114	224,480
Total	**16,518,534**	**23,616,543**
Por moneda:		
En euros	13,489,227	17,615,523
En moneda extranjera	3,029,307	6,001,020
Total	**16,518,534**	**23,616,543**

The last tranche of TLTRO III matured in March 2024 (see Note 4.4.3.1 - Liquidity and funding risk) while, as at the end of 2024, the balance of funds drawn from funding operations with the European Central Bank was zero (5 billion euros as at the end of 2023).

Note 19 – Customer deposits

The balance of customer deposits on the consolidated balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	2024	2023
By heading:		
Pasivos financieros a coste amortizado	169,822,647	160,330,653
Total	**169,822,647**	**160,330,653**
By nature:		
Depósitos a la vista	138,347,152	134,242,908
Depósitos a plazo	25,554,778	21,081,166
Plazo fijo	24,508,542	20,244,357
Cédulas y bonos emitidos no negociables	332,094	323,010
Resto	714,142	513,799
Pasivos financieros híbridos (véanse notas 10 y 12)	5,491,959	4,507,056
Pactos de recompra	—	200,336
Otros ajustes de valoración (intereses, comisiones y otros)	428,758	299,187
Total	**169,822,647**	**160,330,653**
By sector:		
Administraciones públicas	9,568,545	7,869,390
Otros sectores	159,825,344	152,162,076
Otros ajustes de valoración (intereses, comisiones y otros)	428,758	299,187
Total	**169,822,647**	**160,330,653**
Por moneda:		
En euros	119,018,040	111,953,190
En moneda extranjera	50,804,607	48,377,463
Total	**169,822,647**	**160,330,653**

Note 20 – Debt securities in issue

The composition of this heading in the consolidated balance sheets as at 31 December 2024 and 2023, by type of issuance, is as follows:

Thousand euro

	2024	2023
Straight bonds/debentures	9,311,305	8,671,400
Straight bonds	9,293,205	8,630,100
Structured bonds	18,100	41,300
Commercial paper	511,347	1,382,828
Mortgage covered bonds	7,375,000	7,475,000
TSB covered bonds	3,816,529	3,164,376
Asset-backed securities	2,150,865	1,370,573
Subordinated marketable debt securities	4,050,000	3,550,000
Subordinated bonds	2,300,000	1,800,000
Preferred securities	1,750,000	1,750,000
Valuation and other adjustments	221,892	177,107
Total	**27,436,938**	**25,791,284**

Schedule III shows details of the outstanding issues as at 2024 and 2023 year-end.

The remuneration for preferred securities contingently convertible into ordinary shares amounts to 98,155 thousand euros in 2024 (115,391 thousand euros in 2023) and is recognised under the "Other reserves" heading in the consolidated statement of equity (see Note 1.3.3).

Note 21 – Other financial liabilities

The composition of this heading on the consolidated balance sheets as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
By heading:		
Pasivos financieros a coste amortizado	6,450,130	6,333,286
Total	**6,450,130**	**6,333,286**
By nature:		
Obligaciones a pagar	259,184	293,380
Fianzas recibidas	8,050	8,688
Cámaras de compensación	786,525	1,138,627
Cuentas de recaudación	3,897,375	3,379,742
Pasivos por arrendamientos	928,901	947,469
Otros pasivos financieros	570,095	565,380
Total	**6,450,130**	**6,333,286**
Por moneda:		
En euros	4,783,749	4,694,730
En moneda extranjera	1,666,381	1,638,556
Total	**6,450,130**	**6,333,286**

The following table shows information relating to the average time taken to pay suppliers (days payable outstanding), as required by Additional Provision Three of Law 15/2010, taking into consideration the amendments introduced by Law 18/2022 of 28 September on the creation and growth of companies:

	2024	2023
Average payment period and supplier payment ratios (in days)		
Days payable outstanding	24.51	25.49
Ratio of transactions paid (*)	24.57	25.49
Ratio of transactions pending payment (**)	15.64	38.81
Payments made and pending at year-end (in thousand euro)		
Total payments made	1,190,762	1,194,239
Total payments outstanding	7,933	369
Payments made in < 60 days (in thousand euro) (***)		
Monetary volume of paid invoices	1,122,990	1,110,490
Percentage of total amount of payments to suppliers	94	93
Number of invoices paid in < 60 days (***)		
Number of invoices paid	134,569	133,690
Percentage of total number of invoices	93	92

The calculations above only take into account transactions undertaken by the Group's main Spanish entities, which represent 99.15% of total invoicing.

(*) The ratio of transactions paid is equal to the amount of each transaction paid multiplied by the number of days elapsed since the date of receipt of the invoice until its payment, divided by the total amount of payments made.

(**) The ratio of transactions pending payment is equal to the amount of each transaction pending payment multiplied by the number of days elapsed since the date of receipt of the invoice until the last day of the period, divided by the total amount of pending payments.

(***) Corresponds to invoices paid within the maximum period established in regulations on late payment.

Note 22 – Provisions and contingent liabilities

Movements during 2024 and 2023 under the "Provisions" heading are shown below:

Thousand euro

	Pensions and other post employment defined benefit obligations	Other long term employee benefits	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Saldo a 31 de diciembre de 2022	**63,384**	**170**	**89,850**	**176,823**	**314,282**	**644,509**
Adiciones/Retiros en el perímetro	**—**	**—**	**—**	**—**	**—**	**—**
A intereses y cargas asimiladas - compromisos pensiones	**1,755**	**4**	**—**	**—**	**—**	**1,759**
A dotaciones con cargo a resultados - gastos de personal (*)	**3,171**	**4**	**—**	**—**	**26,595**	**29,770**
A dotaciones sin cargo a resultados	**—**	**—**	**—**	**—**	**—**	**—**
A dotaciones con cargo a resultados - provisiones	**1,260**	**(4)**	**(4,560)**	**(11,403)**	**20,997**	**6,290**
Dotaciones a provisiones	1,260	—	1,209	211,347	26,872	240,688
Reversiones de provisiones	—	—	(5,769)	(222,750)	(5,875)	(234,394)
Pérdidas (Ganancias) actuariales	—	(4)	—	—	—	(4)
Diferencias de cambio	**648**	**—**	**—**	**1,295**	**2,488**	**4,431**
Utilizaciones:	**(9,139)**	**(105)**	**(24,740)**	**—**	**(114,583)**	**(148,567)**
Aportaciones netas del promotor de activos	233	—	—	—	—	233
Pagos de pensiones	(9,372)	(105)	—	—	—	(9,477)
Otros	—	—	(24,740)	—	(114,583)	(139,323)
Otros movimientos	**(2,771)**	**—**	**—**	**(1,339)**	**2,010**	**(2,100)**
Saldo a 31 de diciembre de 2023	**58,308**	**69**	**60,550**	**165,376**	**251,789**	**536,092**
Adiciones/Retiros en el perímetro	**—**	**—**	**—**	**—**	**—**	**—**
A intereses y cargas asimiladas - compromisos pensiones	**2,651**	**2**	**—**	**—**	**—**	**2,653**
A dotaciones con cargo a resultados - gastos de personal (*)	**1,010**	**4**	**—**	**—**	**10,281**	**11,295**
A dotaciones sin cargo a resultados	**—**	**—**	**—**	**—**	**—**	**—**
A dotaciones con cargo a resultados - provisiones	**677**	**—**	**45,910**	**(24,842)**	**22,017**	**43,762**
Dotaciones a provisiones	677	—	47,975	166,761	37,462	252,875
Reversiones de provisiones	—	—	(2,065)	(191,603)	(15,445)	(209,113)
Pérdidas (Ganancias) actuariales	—	—	—	—		—
Diferencias de cambio	**(1,148)**	**—**	**—**	**(520)**	**2,764**	**1,096**
Utilizaciones:	**(9,417)**	**(35)**	**(31,396)**	**—**	**(80,790)**	**(121,638)**
Aportaciones netas del promotor de activos	(1,941)	—	—	—	—	(1,941)
Pagos de pensiones	(7,476)	(35)	—	—	—	(7,511)
Otros	—	—	(31,396)	—	(80,790)	(112,186)
Otros movimientos	**2,386**	**—**	**—**	**2,468**	**140**	**4,994**
Saldo a 31 de diciembre de 2024	**54,467**	**40**	**75,064**	**142,482**	**206,201**	**478,254**

(*) See Note 33.

The headings "Pensions and other post employment defined benefit obligations" and "Other long term employee benefits" include the amount of provisions allocated for the coverage of post-employment remuneration and commitments undertaken with early retirees and similar obligations.

The heading "Commitments and guarantees given" includes the amount of provisions allocated for the coverage of commitments given and contingent risks arising from financial guarantees or other types of contracts.

During the usual course of business, the Group is exposed to fiscal, legal and regulatory contingencies, among others. All significant contingencies are analysed on a regular basis, with the collaboration of third-party experts where necessary and, where appropriate, provisions are recognised under the headings "Pending legal issues and tax litigation" and "Other provisions". As at 31 December 2024 and 2023, these headings mainly include:

– Provisions for legal contingencies amounting to 13 million euros as at 31 December 2024 (17 million euros as at 31 December 2023).

– Other provisions for legal contingencies in Spain arising from customer claims in connection with certain general contractual terms and conditions amounting to 153 million euros (150 million euros as at 31 December 2023). The most significant provision relates to the possible reimbursement of amounts received as a result of the application of mortgage floor clauses, whether as a result of the hypothetical voiding of floor clauses by the courts of law or whether due to the implementation of Royal Decree-Law 1/2017 of 20 January on measures to protect consumers regarding floor clauses, in the amount of 71 million euros as at 31 December 2024 (81 million euros as at 31 December 2023). In an unlikely adverse scenario of potential additional claims being filed, both through the procedures established by the Institution in accordance with that set forth in the aforesaid Royal Decree, and through court proceedings, applying the percentages set forth in the current arrangements, the maximum contingency would amount to 90 million euros.

  With regard to these provisions, the Bank considers its floor clauses to be transparent and clear to customers, and in general, these have not been definitively voided with a final ruling. On 12 November 2018, Section 28 of the Civil Division of the Provincial Court of Madrid issued a ruling in which it partially supported the appeal brought forth by Banco de Sabadell, S.A. against the ruling issued by Commercial Court no. 11 of Madrid on the invalidity of the restrictive interest rate clauses, considering that some of the clauses established by Banco de Sabadell, S.A. are transparent and valid in their entirety. With regard to the rest of the clauses, the Bank still considers that it has legal arguments which should be reviewed in the legal appeal which the Institution filed with the Supreme Court, with regard to the ruling made by the Provincial Court of Madrid. The Supreme Court referred the matter to the Court of Justice of the European Union (CJEU) for a preliminary ruling, which was issued on 4 July 2024. An appeal in cassation before the Supreme Court remains pending.

  The remaining provisions mainly relate to customer claims in connection with the repayment of mortgage arrangement fees, developer deposit funds and the application of unfair interest rates to deferred credit card payments, with the provision set aside amounting to 81 million euros as at 31 December 2024 (69 million euros as at 31 December 2023).

– Provisions to cover the anticipated costs relating to restructuring plans in Spain announced in previous years and pending final implementation amounting to 56 million euros as at 31 December 2024 and 2023.

– Provisions for legal contingencies deriving from claims filed by certain TSB customers. The estimated potential cost of compensation payable, which includes compensatory interest and associated operational costs, amounted to 9 million euros as at 31 December 2024 (19 million euros as at 31 December 2023).

– Provisions to cover the anticipated costs relating to restructuring in TSB and pending final implementation amounting to 13 million euros as at 31 December 2024 (35 million euros as at 31 December 2023), of which 10 million euros were allocated in 2024 (26 million euros as at 31 December 2023) (see Note 33).

The final disbursement amount and the payment schedule are uncertain due to the difficulties inherent in estimating the factors used to determine the amount of the provisions set aside.

Pensions and similar obligations

Defined benefit plans cover all existing commitments arising from the application of the Collective Bargaining Agreement for Banks (*Convenio Colectivo de Banca*). These commitments are financed through the following vehicles:

Pension plan

Banco Sabadell's Employee Pension Plan (hereinafter, BSEPP) covers the benefits payable under the collective bargaining agreement with employees belonging to regulated groups, with the following exceptions:

- Additional commitments due to early retirement, as set out in the Collective Bargaining Agreement for Banks.
- Supervening incapacity in certain circumstances.
- Widowhood and orphanhood benefits arising from the death of a retired member of staff who began their employment after 8 March 1980.

The BSEPP is regarded to all intents and purposes as a plan asset for the obligations insured by entities outside of the Group. Obligations of the pension plan insured by the Group's associate entities are not considered plan assets. Those obligations are considered as reimbursement rights.

A Control Board has been created for the BSEPP, formed of representatives of the sponsor and representatives of the participants and beneficiaries. This Control Board is the body responsible for supervising its operation and execution.

Insurance contracts

Insurance contracts generally cover certain commitments arising from the Collective Bargaining Agreement for Banks, including in particular:

- Commitments expressly excluded from the BSEPP (indicated in the previous section).
- Serving employees covered by a collective bargaining agreement of Banco Atlántico.
- Pension commitments undertaken with certain serving employees not provided for under the collective bargaining agreement.
- Commitments towards employees on extended leave of absence not covered with benefits accrued in the BSEPP.
- Commitments towards early retirees; these may be partly financed with benefits accrued in the BSEPP.

These insurance policies have been arranged with insurance companies outside the Group, whose insured commitments are mainly those towards former Banco Atlántico employees, and with BanSabadell Vida, S.A. de Seguros y Reaseguros.

Voluntary social welfare agency (Entidad de Previsión Social Voluntaria, or E.P.S.V.)

The acquisition and subsequent merger of Banco Guipuzcoano resulted in the takeover of Gertakizun, E.P.S.V., which covers defined benefit commitments in respect of serving and former employees, who are insured by insurance contracts. It was set up by the aforesaid bank in 1991 as an agency with a separate legal personality. All obligations with respect to serving and former employees are insured by entities outside the Group.

Internal funds

Internal funds are used to settle obligations with early retirees up to their legal retirement age and relate to employees previously working for Banco Sabadell.

The origins of liabilities recognised in respect of post-employment benefits and other similar long-term obligations on the Group’s balance sheet are shown below:

Thousand euro

	2024	2023	2022	2021	2020
Obligations arising from pension and similar commitments	522,170	509,946	565,046	739,456	819,789
Valor razonable de los activos afectos al plan	(467,663)	(451,569)	(501,492)	(652,786)	(716,128)
Pasivo neto reconocido en balance	**54,507**	**58,377**	**63,554**	**86,670**	**103,661**

The return on Banco Sabadell’s employee pension plan was 6.65% and that of the E.P.S.V. was 0.57% in 2024 (5.37% and -0.17%, respectively, in 2023).

Movements during 2024 and 2023 in obligations due to pensions and similar commitments and the fair value of the plan assets are as follows:

Thousand euro

	Obligations arising from pension and similar commitments	Fair value of plan assets	Net liability recognised on balance sheet
Saldo a 31 de diciembre de 2022	**565,046**	**501,492**	**63,554**
Coste por intereses	18,090	—	18,090
Ingresos por intereses	—	15,693	(15,693)
Coste normal del ejercicio	1,876	—	1,876
Coste por servicios pasados	1,063	—	1,063
Pagos de prestaciones	(46,726)	(37,250)	(9,476)
Pagos por liquidaciones, reducciones y terminaciones	(470)	(1,300)	830
Aportaciones netas realizadas por la entidad	—	(233)	233
Pérdidas y ganancias actuariales por cambios en las hipótesis demográficas	—	—	—
financieras	(23,195)	—	(23,195)
Pérdidas y ganancias actuariales por experiencia	(11,004)	—	(11,004)
Rendimiento de los activos afectos al plan excluyendo los	—	(31,391)	31,391
Otros movimientos	4,618	4,558	60
Diferencias de cambio	648	—	648
Saldo a 31 de diciembre de 2023	**509,946**	**451,569**	**58,377**
Coste por intereses	18,908	—	18,908
Ingresos por intereses	—	16,255	(16,255)
Coste normal del ejercicio	1,014	—	1,014
Coste por servicios pasados	630	—	630
Pagos de prestaciones	(43,758)	(36,247)	(7,511)
Liquidaciones, reducciones y terminaciones	(1,570)	(1,570)	—
Aportaciones netas realizadas por la entidad	—	1,941	(1,941)
Pérdidas y ganancias actuariales por cambios en las hipótesis demográficas	—	—	—
Pérdidas y ganancias actuariales por cambios en las hipótesis financieras	33,121	—	33,121
Pérdidas y ganancias actuariales por experiencia	3,902	—	3,902
Rendimiento de los activos afectos al plan excluyendo los ingresos por intereses	—	34,590	(34,590)
Otros movimientos	1,125	1,125	—
Diferencias de cambio	(1,148)	—	(1,148)
Saldo a 31 de diciembre de 2024	**522,170**	**467,663**	**54,507**

The breakdown of the Group's pension commitments and similar obligations as at 31 December 2024 and 2023, based on the financing vehicle, coverage and the interest rate applied in their calculation, is given below:

Thousand euro

		2024	
Financing vehicle	**Coverage**	**Amount**	**Interest rate**
Pension plans		**239,514**	
Pólizas de seguros con partes vinculadas	Macheada	22,631	3.00 %
Pólizas de seguros con partes no vinculadas	Macheada	216,322	3.00 %
Pólizas de seguros con partes no vinculadas	Sin cobertura	561	3.00 %
Contratos de seguros		**275,282**	
Pólizas de seguros con partes vinculadas	Macheada	55,164	3.00 %
Pólizas de seguros con partes no vinculadas	Macheada	220,118	3.00 %
Fondos internos		**7,374**	
Fondos internos España	Sin cobertura	40	3.00 %
Fondos internos México	Without cover	7,334	11.25 %
Total obligaciones		**522,170**	

Thousand euro

		2023	
Financing vehicle	**Coverage**	**Amount**	**Interest rate**
Pension plans		**236,299**	
Pólizas de seguros con partes vinculadas	Macheada	22,709	3.75 %
Pólizas de seguros con partes no vinculadas	Macheada	213,150	3.75 %
Pólizas de seguros con partes no vinculadas	Sin cobertura	440	3.75 %
Contratos de seguros		**266,615**	
Pólizas de seguros con partes vinculadas	Macheada	55,095	3.75 %
Pólizas de seguros con partes no vinculadas	Macheada	211,520	3.75 %
Fondos internos		**7,032**	
Fondos internos España	Sin cobertura	69	3.75 %
Fondos internos México	Sin cobertura	6,963	11.25%
Total obligaciones		**509,946**	

The value of the obligations under the pension plans and insurance contracts covered by matched insurance policies as at 31 December 2024 amounted to 514,235 thousand euros (502,474 thousand euros as at 31 December 2023); therefore, in 98.48% of its commitments (98.53% as at 31 December 2023), there is no mortality risk (mortality tables) or profitability risk (interest rate) for the Group. Therefore, the evolution of interest rates and demography of groups in 2024 had no impact on the Institution’s capacity to pay its pension commitments.

The sensitivity analysis for the actuarial assumptions of the technical interest rate and the rate of salary increase shown in Note 1.3.17 to these consolidated annual financial statements, as at 31 December 2024 and 2023, shows how the obligation and the service cost of the current year would have been affected by changes deemed reasonably possible as at that date.

%

	2024	2023
Sensitivity analysis	**Percentage change**	
Discount rate		
Tipo de interés -50 puntos básicos:		
Hipótesis	2.50 %	3.25 %
Variación obligación	4.75 %	4.59 %
Variación coste de los servicios del ejercicio corriente	11.75 %	10.64 %
Tipo de interés +50 puntos básicos:		
Hipótesis	3.50 %	4.25 %
Variación obligación	(4.38)%	(4.24)%
Variación coste de los servicios del ejercicio corriente	(10.06)%	(9.19)%
Rate of salary increase		
Tasa de incremento salarial -50 puntos básicos:		
Hipótesis	2.50 %	2.50 %
Variación obligación	(0.01)%	(0.01)%
Variación coste de los servicios del ejercicio corriente	(3.61)%	(3.03)%
Tasa de incremento salarial +50 puntos básicos:		
Hipótesis	3.50 %	3.50 %
Variación obligación	0.01 %	0.01 %
Variación coste de los servicios del ejercicio corriente	4.86 %	3.50 %

The estimate of probable present values, as at 31 December 2024, of benefits payable for the next ten years, is set out below:

Thousand euro

	Years										
	2025	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**Total**
Probable pensions	8,184	7,853	7,757	7,631	8,047	8,330	8,007	7,677	7,344	7,008	**77,838**

The fair value of contracts linked to pensions (reimbursement rights) recognised on the consolidated balance sheet amounted to 80,888 thousand euros as at 31 December 2024 (80,693 thousand euros as at 31 December 2023); see Note 17.

The main categories of the plan assets as at 31 December 2024 and 2023 are indicated here below:

%

	2024	2023
Fondos de inversión	3.37 %	3.63 %
Depósitos y fianzas	0.42 %	0.38 %
Otras (pólizas de seguro no vinculadas)	96.21 %	95.99 %
Total	**100 %**	**100 %**

There were no financial instruments issued by the Bank included in the fair value of plan assets as at 31 December 2024 and 2023.

Note 23 – Shareholders' equity

The breakdown of the balance of shareholders' equity on the consolidated balance sheets as at 31 December 2024 and 2023 is the following:

Thousand euro

	2024	2023
Capital	680,028	680,028
Share premium	7,695,227	7,695,227
Other equity	25,407	21,268
Retained earnings	7,373,498	6,401,782
Other reserves	(1,663,461)	(1,584,816)
(-) Treasury shares	(119,352)	(39,621)
Profit or loss attributable to owners of the parent	1,826,806	1,332,181
(-) Interim dividends	(428,911)	(162,103)
Total	**15,389,242**	**14,343,946**

Capital

The Bank's share capital as at 31 December 2024 and 2023 stood at 680,027,680.875 euros and is represented by 5,440,221,447 registered shares with a par value of 0.125 euros each. All shares are fully paid up and numbered in sequential order from 1 to 5,440,221,447, inclusive.

On 29 January 2025, the Board of Directors of Banco Sabadell agreed to reduce the Bank's share capital in the amount of 6,566 thousand euros, through the redemption charged to unrestricted reserves of all the treasury shares acquired under the share buyback programme approved on 10 April 2024 by the shareholders at the Banco Sabadell Annual General Meeting, until the suspension of that programme on 9 May 2024, i.e. 52,531,365 shares with a par value of 0.125 euros each, representing approximately 0.97% of the Bank's share capital. This capital reduction was approved as part of the resolution adopted at the aforesaid Annual General Meeting of 10 April 2024. After the aforesaid capital reduction through the redemption of treasury shares agreed by the Bank's Board of Directors on 29 January 2025, the Bank's share capital will stand at 673,461,260.25 euros and will be represented by 5,387,690,082 registered shares with a par value of 0.125 euros each, all fully paid up and numbered in sequential order from 1 to 5,387,690,082, inclusive. This transaction does not entail the reimbursement of contributions made by shareholders, as the Bank is the holder of the redeemed shares. As at the sign-off date of these annual financial statements, the public deed for this capital reduction and its entry in the Companies Register remained pending.

The Bank's shares are traded on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through the stock exchange interconnection system operated by Sociedad de Bolsas, S.A.

None of the other subsidiary companies included in the scope of consolidation are listed on the stock exchange.

The rights conferred to the equity instruments are those regulated by the Capital Companies Act. During the Annual General Meeting, shareholders may exercise a percentage of votes equivalent to the percentage of the share capital in their possession. The Articles of Association do not contain any provision for additional loyalty voting rights.

Capital reduction in 2023

On 30 November 2023, the Board of Directors of Banco Sabadell agreed to reduce the Bank's share capital in the amount of 23,343 thousand euros, through the redemption charged to unrestricted reserves of all the treasury shares acquired under the share buyback programme, i.e. 186,743,254 shares with a par value of 0.125 euros each, representing approximately 3.32% of the Bank's share capital (see Note 3). This capital reduction was approved as part of the resolution adopted by the Annual General Meeting on 23 March 2023.

The capital reduction and the amendment to Article 7 of the Articles of Association relating to share capital were entered in the Companies Register of Alicante on 11 December 2023, the reduction being thus completed and the redeemed shares delisted.

This operation did not entail the reimbursement of contributions made by shareholders, as the Bank was the holder of the redeemed shares.

Significant investments in the Bank's capital

As required by Articles 23 and 32 of Royal Decree 1362/2007 of 19 October, implementing Securities Market Law 24/1988 of 28 July, on transparency requirements relating to information on issuers whose securities have been admitted to trading on an official secondary market or on any other European Union regulated market, the following table gives details of significant investments in Banco Sabadell's share capital as at 31 December 2024:

Name or company name of shareholder	% of voting rights assigned to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
BlackRock, Inc (1)	—%	6.20%	—%	0.10%	6.30%
Dimensional Fund Advisors LP (2)	—%	3.73%	—%	—%	3.73%
David Martínez Guzmán (3)	—%	3.56%	—%	—%	3.56%
Zurich Insurance Group Ltd (4)	—%	3.02%	—%	—%	3.02%

The sources for the information provided are communications sent by shareholders to the National Securities Market Commission (CNMV) or directly to the Bank. In accordance with Royal Decree 1362/2007 of 19 October, implementing Securities Market Law 24/1998 of 28 July, on transparency requirements relating to information on issuers whose securities have been admitted to trading on an official secondary market or on any other European Union regulated market, a shareholder is considered to own a significant shareholding when they have in their possession a proportion of at least 3% of the voting rights, or 1% in the case of residents in tax havens.

(1) BlackRock, Inc. owns an indirect shareholding through several of its subsidiaries.

(2) Dimensional Fund Advisors LP disclosed the shares held in funds and accounts advised by either itself or by its subsidiary undertakings. The voting rights correspond to shares held in those funds and accounts. Neither Dimensional Fund Advisors LP nor any of its subsidiaries are beneficial owners of those shares and/or their voting rights.

(3) Fintech Europe, S.À.R.L. (FE) is 100% owned by Fintech Investments Ltd. (FIL), which is the investment fund managed by Fintech Advisory Inc. (FAI). FAI is 100% owned by David Martínez Guzmán. Consequently, the stake currently held by FE is deemed to be under the control of David Martínez Guzmán.

(4) Zurich Insurance Group Ltd. is the parent company of Zurich Group and directly owns 100% of Zurich Insurance Company Ltd, which in turn holds the direct shareholding in Banco de Sabadell, S.A.

Share premium

The balance of the share premium as at 31 December 2024 amounted to 7,695,227 thousand euros.

In 2023, the share premium was reduced by 180,657 thousand euros, which corresponds to the difference between the purchase price of the shares redeemed as part of the Bank's capital reduction explained in this note (204,000 thousand euros) and the nominal value of those shares (23,343 thousand euros).

Furthermore, pursuant to applicable legislation, a restricted capital redemption reserve was created in 2023, with a charge to the share premium in an amount equal to the nominal value of the redeemed shares, 23,343 thousand euros, subject to the same disposal requirements applied for the share capital reduction.

Retained earnings and Other reserves

The balance of these headings of the consolidated balance sheets as at 31 December 2024 and 2023 breaks down as follows:

Thousand euro

	2024	2023
Restricted reserves:	**233,914**	**228,033**
Reserva legal	136,006	140,674
Reserva para acciones en garantía	60,426	50,061
Reserva para inversiones en Canarias	11,024	10,840
Reserva por redenominación del capital social	113	113
Reserva por capital amortizado	26,345	26,345
Unrestricted reserves	**5,397,108**	**4,534,097**
Reserves of entities accounted for using the equity method	**79,016**	**54,836**
Total	**5,710,038**	**4,816,966**

At the Annual General Meeting of 10 April 2024 the shareholders approved, as proposed by the Board of Directors, the reclassification to voluntary reserves of the amount held in the statutory reserve in excess of 20% of the share capital resulting from the capital reduction carried out during 2023, that is, 4,668 thousand euros.

Information on the reserves of each of the consolidated companies is indicated in Schedule I.

Other equity

This heading includes share-based remuneration pending settlement which, as at 31 December 2024 and 2023, amounted to 25,407 thousand euros and 21,268 thousand euros, respectively.

Treasury shares

The movements of the parent company's shares acquired by the Bank are as follows:

	Nº de acciones	**Valor nominal *(en miles de euros)***	**Precio medio *(en euros)***	**% Shareholding**
Saldo a 31 de diciembre de 2022	**24,772,683**	**3,096.58**	**0.96**	**0.44**
Compras	248,821,193	31,102.65	1.10	4.43
Ventas	236,416,334	29,552.04	1.11	4.21
Saldo a 31 de diciembre de 2023	**37,177,542**	**4,647.19**	**1.07**	**0.68**
Compras	68,001,385	8,500.17	1.65	1.25
Ventas	26,338,537	3,292.32	1.27	0.48
Saldo a 31 de diciembre de 2024	**78,840,390**	**9,855.04**	**1.51**	**1.45**

Net gains and losses arising from transactions involving own equity instruments are included under the heading "Shareholders' equity – Other reserves" on the consolidated balance sheet, and they are shown in the statement of changes in equity, in the row corresponding to the sale or cancellation of treasury shares.

As at 31 December 2024, TSB held 4,720 Banco Sabadell shares (232 as at 31 December 2023), with a cost of 7,741 euros (255 euros as at 31 December 2023), which are recorded as treasury shares on the consolidated balance sheet.

As at 31 December 2024, the number of the Bank's shares pledged as collateral for transactions was 32,192,958 with a nominal value of 4,024 thousand euros (44,978,083 shares with a nominal value of 5,622 thousand euros as at 31 December 2023).

The number of Banco de Sabadell, S.A. equity instruments owned by third parties but managed by the different companies of the Group amounted to 2,557,673 and 12,398,979 securities as at 31 December 2024 and 2023, respectively. Their nominal value as at the aforesaid dates amounted to 320 thousand euros and 1,550 thousand euros, respectively. In both years, 100% of the securities corresponded to Banco Sabadell shares.

Note 24 – Accumulated other comprehensive income

The composition of this heading of consolidated equity as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Elementos que no se reclasificarán en resultados	(22,460)	(30,596)
Ganancias o (-) pérdidas actuariales en planes de pensiones de prestaciones definidas	(1,826)	(3,313)
mantenidos para la venta	—	—
Participación en otros ingresos y gastos reconocidos de inversiones en negocios conjuntos y asociadas	—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global	(20,634)	(27,283)
Ineficacia de las coberturas de valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global	—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global (elemento cubierto)	—	—
Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global (instrumento de cobertura)	—	—
Cambios del valor razonable de los pasivos financieros a valor razonable con cambios en resultados atribuibles a cambios en el riesgo de crédito	—	—
Elementos que pueden reclasificarse en resultados	(368,643)	(468,357)
Cobertura de inversiones netas en negocios en el extranjero (parte eficaz) (*)	91,740	77,997
Conversión de divisas	(299,293)	(384,086)
Derivados de cobertura. Reserva de cobertura de flujos de efectivo (parte eficaz) (**)	(48,300)	(49,215)
Importe procedente de las operaciones vivas	(64,209)	(71,464)
Importe procedente de las operaciones discontinuadas	15,909	22,249
Cambios del valor razonable de los instrumentos de deuda valorados a valor razonable con cambios en otro resultado global	(151,279)	(145,732)
Instrumentos de cobertura (elementos no designados)	—	—
mantenidos para la venta	—	—
Participación en otros ingresos y gastos reconocidos de las inversiones en negocios conjuntos y asociadas	38,489	32,679
Total	**(391,103)**	**(498,953)**

(*) The value of the hedge of net investments in foreign operations is fully obtained from outstanding transactions (see Note 12).

(**) Cash flow hedges mainly mitigate interest rate risk and other risks (see Note 12).

The breakdown of the items in the consolidated statement of recognised income and expenses as at 31 December 2024 and 2023, indicating their gross and net of tax effect amounts, is as follows:

Thousand euro

	2024			2023		
	Gross value	Tax effect	Net	Gross value	Tax effect	Net
Elementos que no se reclasificarán en resultados	11,833	(3,697)	8,136	(669)	(802)	(1,471)
Actuarial gains or (-) losses on defined benefit pension plans	2,124	(637)	1,487	(1,919)	575	(1,344)
Non-current assets and disposal groups classified as held for sale	—	—	—	—	—	—
Share of other recognised income and expense of investments in joint ventures and associates	—	—	—	—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	9,709	(3,060)	6,649	1,250	(1,377)	(127)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	—	—	—	—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—	—	—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—	—	—	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—	—	—	—	—
Elementos que pueden reclasificarse en resultados	99,029	685	99,714	107,466	(21,548)	85,918
Hedge of net investments in foreign operations [effective portion]	13,743	—	13,743	(41,351)	—	(41,351)
Foreign currency translation	84,794	—	84,794	91,944	—	91,944
Hedging derivatives. Cash flow hedges reserve [effective portion]	856	59	915	22,291	(7,282)	15,009
Fair value changes of debt instruments measured at fair value through other comprehensive income	(6,174)	626	(5,548)	48,733	(14,266)	34,467
Hedging instruments [not designated elements]	—	—	—	—	—	—
Non-current assets and disposal groups classified as held for sale	—	—	—	—	—	—
Share of other recognised income and expense of investments in joint ventures and associates	5,810	—	5,810	(14,151)	—	(14,151)
Total	**110,862**	**(3,012)**	**107,850**	**106,797**	**(22,350)**	**84,447**

Note 25 – Minority interests (non-controlling interests)

The companies comprising this heading of consolidated equity as at 31 December 2024 and 2023 are the following:

Thousand euro

	2024			2023		
	% Minority interests	**Amount**	***Of which: Profit/ (loss) attributed***	**% Minority interests**	**Amount**	***Of which: Profit/ (loss) attributed***
Aurica Coinvestment, S.L.	38.24 %	33,617	1,803	38.24 %	33,433	1,498
Resto	—	799	18	—	780	(76)
Total		**34,416**	**1,821**		**34,213**	**1,422**

Movements in the balance under this heading in 2024 and 2023 were as follows:

Thousand euro

Saldos a 31 de diciembre de 2022	**34,344**
Valuation adjustments	—
Other	(131)
Scope additions / exclusions	—
Percentage shareholding and other	(1,553)
Profit or loss for the year	1,422
Saldos a 31 de diciembre de 2023	**34,213**
Valuation adjustments	—
Other	203
Scope additions / exclusions	—
Percentage shareholding and other	(1,618)
Profit or loss for the year	1,821
Saldos a 31 de diciembre de 2024	**34,416**

The dividends distributed to minority shareholders of Group entities in 2024 amounted to 1,618 thousand euros and were distributed by Aurica Coinvestment, S.L. (1,618 thousand euros in 2023).

Note 26 – Off-balance sheet exposures

The breakdown of this heading for the years ended 31 December 2024 and 2023 is the following:

Thousand euro

Commitments and guarantees given	Note	2024	2023
Loan commitments given		**28,775,335**	**27,035,812**
Of which, amount classified as stage 2		*716,238*	*986,368*
Of which, amount classified as stage 3		*96,536*	*97,219*
Disponibles por terceros		28,775,335	27,035,812
Por entidades de crédito		18,200	54
Por el sector Administraciones Públicas		961,635	910,744
Por otros sectores residentes		16,955,467	15,565,366
Por no residentes		10,840,033	10,559,648
Provisiones registradas en el pasivo del balance	22	61,950	72,888
Financial guarantees given (*)		**1,979,622**	**2,064,396**
Of which, amount classified as stage 2		*167,030*	*165,222*
Of which, amount classified as stage 3		*38,046*	*44,828*
Provisiones registradas en el pasivo del balance (**)	22	15,760	23,814
Otros compromisos concedidos		**9,366,339**	**7,942,724**
Of which, amount classified as stage 2		*333,588*	*372,597*
Of which, amount classified as stage 3		*168,964*	*222,999*
Otras garantías concedidas		6,719,453	6,832,086
Activos afectos a obligaciones de terceros		—	—
Créditos documentarios irrevocables		650,917	729,299
Garantía adicional de liquidación		25,000	25,000
Otros avales y cauciones prestadas		6,043,536	6,077,787
Otros riesgos contingentes		—	—
Otros compromisos concedidos		2,646,886	1,110,638
Compromisos compra a plazo activos financieros		2,567,269	1,007,047
Contratos convencionales de adquisición de activos financieros		1	8,249
Valores suscritos pendientes de desembolso		19	19
Compromisos de colocación y suscripción de valores		—	—
Otros compromisos de préstamo concedidos		79,597	95,323
Provisions recognised on liabilities side of the balance sheet	22	64,772	68,674
Total		**40,121,296**	**37,042,932**

(*) Incluye 137.407 y 99.631 miles de euros a 31 de diciembre de 2024 y 2023, respectivamente, correspondientes a garantías financieras concedidas en relación con la construcción y promoción inmobiliaria.

(**) Incluye 3.034 y 3.402 miles de euros a 31 de diciembre de 2024 y 2023, respectivamente, correspondientes a provisiones sobre garantías financieras en relación con la construcción y promoción inmobiliaria.

Total commitments drawable by third parties as at 31 December 2024 include home equity loan commitments amounting to 4,602,538 thousand euros (4,640,343 thousand euros as at 31 December 2023). As regards other commitments, in the majority of cases there are other types of guarantees which are in line with the Group's Risk Management Policy.

Financial guarantees and other commitments given classified as stage 3

The movement of the balance of financial guarantees and other commitments given classified as stage 3 during 2024 and 2023 was the following:

Thousand euro

Saldos a 31 de diciembre de 2022	**323,704**
Additions	43,391
Disposals	(99,268)
Saldos a 31 de diciembre de 2023	**267,827**
Additions	36,225
Disposals	(97,042)
Saldos a 31 de diciembre de 2024	**207,010**

The breakdown by geographical area of the balance of financial guarantees and other commitments given classified as stage 3 as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Spain	204,136	265,046
Rest of European Union	398	448
United Kingdom	65	15
Americas	2,012	1,905
Rest of the world	399	413
Total	**207,010**	**267,827**

Credit risk allowances corresponding to financial guarantees and other commitments given as at 31 December 2024 and 2023, broken down by the method used to determine such allowances, are as follows:

Thousand euro

	2024	2023
Specific individually measured allowances:	62,700	67,247
Stage 2	4,112	7,454
Stage 3	58,588	59,793
Specific collectively measured allowances:	17,832	25,241
Stage 1	2,551	3,930
Stage 2	4,868	6,325
Stage 3	10,240	14,672
Others	173	314
Total	**80,532**	**92,488**

Movements in these allowances during the years 2024 and 2023, together with movements in allowances for loan commitments given, are shown in Note 22.

Note 27 – Off-balance sheet customer funds and financial instruments deposited by third parties

Off-balance sheet customer funds managed by the Group, those sold but not under management and the financial instruments deposited by third parties as at 31 December 2024 and 2023 are shown below:

Thousand euro

	2024	2023
Recursos de clientes fuera de balance	**46,171,179**	**40,560,556**
Gestionados por el grupo:	**5,402,834**	**4,186,603**
Sociedades de inversión	674,277	588,844
Gestión de patrimonio	4,728,557	3,597,759
Comercializados por el grupo:	**40,768,345**	**36,373,953**
Fondos de inversión	27,634,033	23,503,719
Fondos de pensiones	3,352,487	3,249,167
Seguros	9,781,825	9,621,067
Instrumentos financieros confiados por terceros	**76,280,262**	**66,753,270**
Total	**122,451,441**	**107,313,826**

Note 28 – Interest income and expenses

These headings in the consolidated income statement include interest accrued during the year on all financial assets and financial liabilities the yield of which, implicit or explicit, is obtained by applying the effective interest rate approach, irrespective of whether they are measured at fair value or otherwise, and using corrections of income from hedge accounting operations.

The majority of interest income is generated by the Group's financial assets measured either at amortised cost or at fair value through other comprehensive income.

The breakdown of net interest income for the years ended 31 December 2024 and 2023 is the following:

Thousand euro

	2024	2023
Interest income		
Préstamos y anticipos	8,205,119	7,286,718
Bancos centrales	1,098,563	1,215,497
Entidades de crédito	403,414	281,945
Clientela	6,703,142	5,789,276
Valores representativos de deuda (*)	655,899	589,033
Activos clasificados en el stage 3	17,244	27,036
Rectificación de ingresos por operaciones de cobertura	752,708	671,414
Otros intereses	82,422	84,555
Total	**9,713,392**	**8,658,756**
Interest expense		
Depósitos	(3,036,412)	(2,480,542)
Bancos centrales	(214,624)	(532,310)
Entidades de crédito	(542,467)	(526,696)
Clientela	(2,279,321)	(1,421,536)
Valores representativos de deuda emitidos	(858,921)	(700,109)
Rectificación de gastos por operaciones de cobertura	(559,431)	(566,050)
Otros intereses	(237,293)	(188,837)
Total	**(4,692,057)**	**(3,935,538)**
Margen de intereses	**5,021,335**	**4,723,218**

(*) Includes 79,050 thousand euro in 2024 and 69,956 thousand euro in 2023 corresponding to interest from financial assets recognised at fair value through profit and loss (trading portfolio).

The improvement in net interest income is mainly due to the higher yield of the loan book, which offsets the higher cost of customer funds and capital markets.

The average annual interest rate during 2024 and 2023 of the following balance sheet headings is shown below:

%

	2024	2023
Assets		
Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista	3.96	3.51
Valores representativos de deuda	3.42	2.92
Préstamos y anticipos		
Clientela	4.36	3.79
Liabilities		
Depósitos		
Bancos centrales y entidades de crédito	(3.97)	(3.38)
Clientela	(1.23)	(0.89)
Valores representativos de deuda emitidos	(4.15)	(3.32)

Las cifras positivas (negativas) se corresponden con ingresos (gastos) para el grupo.

Note 29 – Fee and commission income and expenses

Fee and commission income and expenses on financial operations and the provision of services are as follows:

Thousand euro

	2024	2023
Comisiones derivadas de operaciones de riesgo	**280,131**	**286,480**
Operaciones de activo	177,921	183,209
Avales y otras garantías	102,210	103,271
Comisiones de servicios	**759,819**	**796,822**
Tarjetas	227,140	251,815
Órdenes de pago	81,673	82,296
Valores	62,578	57,028
Cuentas a la vista	254,708	277,111
Resto	133,720	128,572
Comisiones de gestión y comercialización de activos	**316,550**	**302,856**
Fondos de inversión	121,104	114,912
Comercialización de fondos de pensiones y seguros	164,043	165,075
Gestión de patrimonios	31,403	22,869
Total	**1,356,500**	**1,386,158**
Pro-memoria		
Ingresos por comisiones	1,708,162	1,671,213
Gastos por comisiones	(351,662)	(285,055)
Comisiones netas	**1,356,500**	**1,386,158**

Note 30 – Net profit or net loss on financial operations and net exchange differences

"Net profit or net loss on financial operations" combines a series of headings from the consolidated income statement for the years ended 31 December 2024 and 2023, which are shown below:

Thousand euro

	2024	2023
By heading:		
Ganancias o (-) pérdidas al dar de baja en cuentas activos y pasivos financieros no valorados a valor razonable con cambios en resultados, netas	10,546	23,250
Activos financieros a valor razonable con cambios en otro resultado global	6,663	4,304
Activos financieros a coste amortizado	4,769	15,939
Pasivos financieros a coste amortizado	(886)	3,007
Ganancias o (-) pérdidas por activos y pasivos financieros mantenidos para negociar,	(231,498)	122,249
Ganancias o (-) pérdidas por activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados, netas	13,994	11,781
Ganancias o (-) pérdidas por activos y pasivos financieros designados a valor razonable con cambios en resultados, netas	—	—
Ganancias o (-) pérdidas resultantes de la contabilidad de coberturas, netas	(33,844)	12,193
Total	**(240,802)**	**169,473**
By type of financial instrument:		
Resultado neto de valores representativos de deuda	3,353	10,193
Resultado neto de otros instrumentos de patrimonio	(18,574)	7,100
Resultado neto de derivados	(236,120)	140,199
Resultado neto por otros conceptos (*)	10,539	11,981
Total	**(240,802)**	**169,473**

(*) Incluye principalmente el resultado de venta de carteras de crédito realizadas durante los ejercicios 2024 y 2023.

The breakdown of the heading "Exchange differences [gain or (-) loss], net" of the consolidated income statement for the years ended 31 December 2024 and 2023 is shown below:

Thousand euro

	2024	2023
Exchange differences [gain or (-) loss], net	327,904	(101,093)

The "Net gain/(loss) on derivatives" heading in the table above includes, among other things, the change in the fair value of derivatives used to hedge against the foreign exchange risk of debit and credit balances denominated in foreign currencies. As at 31 December 2024, the losses generated by these derivatives amounted to 312,872 thousand euros (gains of 143,569 thousand euros as at 31 December 2023), which are recognised under the heading "Gains or (-) losses on financial assets and liabilities held for trading, net" of the consolidated income statement, while the exchange differences generated by debit and credit balances denominated in foreign currencies hedged with these derivatives are recognised under the heading "Exchange differences [gain or (-) loss], net" of the consolidated income statement.

During 2024, the Group carried out sales of certain debt securities which it held in its portfolio of financial assets at fair value through other comprehensive income, generating profits of 6,663 thousand euros (4,304 thousand euros in 2023). Of those profits, 4,724 thousand euros (4,930 thousand euros in 2023) came from the sale of debt securities held with general governments.

Note 31 – Other operating income

The composition of this heading of the consolidated income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Ingresos por explotación de inversiones inmobiliarias (*)	20,137	22,850
Ventas y otros ingresos por prestación de servicios no financieros	5,240	14,264
Resto de productos de explotación	86,249	54,070
Total	**111,626**	**91,184**

(*) Los importes corresponden fundamentalmente a ingresos procedentes de contratos de arrendamiento operativo en los que el grupo actúa como arrendador.

The increase in the balance recognised under "Other operating income" is mainly due to income in the amount of 43 million euros recognised in 2024 in connection with the insurance taken out by the Group to offset the payment made by TSB to UK regulators due to the incidents that took place following its IT migration in 2018.

Note 32 – Other operating expenses

The composition of this heading of the consolidated income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	2024	2023
Contribución a fondos de garantía de depósitos	(25,083)	(150,784)
Banco Sabadell	(6,294)	(132,209)
TSB	(414)	(280)
BS IBM México	(18,375)	(18,295)
Contribución al fondo de resolución	—	(76,485)
Otros conceptos	(380,139)	(310,959)
Del que: gravamen temporal de entidades de crédito y establecimientos financieros de crédito (*)	*(191,882)*	*(156,182)*
Total	**(405,222)**	**(538,228)**

(*) Véase nota 1.3.19.

The reduction of the balance recognised under the heading "Contribution to deposit guarantee schemes" is due, mainly, to the fact that it has not been necessary to make annual contributions to the deposit guarantee under the DGF in 2024, as the fund had reached the legally required minimum of available financial resources as at 31 December 2023 (see Note 1.3.19).

Furthermore, the Bank did not receive any requirements from the Single Resolution Board to make contributions to the Single Resolution Fund (SRF) in 2024, the available financial means having reached, as at 31 December 2023, the minimum target level of at least 1% of covered deposits held in Member States participating in the Single Resolution Mechanism (see Note 1.3.19).

The "Other items" heading includes expenses corresponding to the Spanish tax on deposits of credit institutions, amounting to 37,972 thousand euros in 2024 (34,418 thousand euros in 2023), as well as expenses associated with non-financial activities.

Note 33 – Administrative expenses

This heading of the consolidated income statement includes expenses incurred by the Group corresponding to staff and other general administrative expenses.

Staff expenses

The staff expenses recognised in the consolidated income statement for the years ended 31 December 2024 and 2023 were as follows:

Thousand euro

	Note	2024	2023
Sueldos y gratificaciones al personal activo		(1,164,306)	(1,095,399)
Cuotas de la Seguridad Social		(243,912)	(231,124)
Dotaciones a planes de prestación definida	22	(1,014)	(3,175)
Dotaciones a planes de aportación definida		(69,223)	(65,452)
Otros gastos de personal		(52,897)	(99,494)
Del que: plan de reestructuración en Reino Unido	22	*(10,281)*	*(26,409)*
Total		**(1,531,352)**	**(1,494,644)**

As at 31 December 2024 and 2023, the breakdown of the average workforce for all companies within the Group by category and sex is as follows:

Average number of employees

	2024			2023		
	Hombres	**Mujeres**	**Total**	**Hombres**	**Mujeres**	**Total**
Directivos	566	295	861	514	245	759
Mandos intermedios	1,880	1,367	3,247	2,011	1,477	3,488
Especialistas	5,554	7,315	12,869	5,379	7,248	12,627
Administrativos	599	1,473	2,072	706	1,733	2,439
Total	**8,599**	**10,450**	**19,049**	**8,610**	**10,703**	**19,313**

The breakdown of the Group's average workforce with a disability of 33% or more, by category, as at 31 December 2024 and 2023 is as follows:

Average number of employees

	2024	2023
Senior management	8	9
Middle management	25	22
Specialist staff	205	210
Administrative staff	55	64
Total	**293**	**305**

As at 31 December 2024 and 2023, the breakdown of the Group's workforce by category and sex is as follows:

Number of employees

	2024			2023		
	Hombres	**Mujeres**	**Total**	**Hombres**	**Mujeres**	**Total**
Directivos	569	297	866	529	262	791
Mandos intermedios	1,921	1,407	3,328	2,091	1,632	3,723
Especialistas	5,467	7,215	12,682	5,341	7,077	12,418
Administrativos	555	1,338	1,893	680	1,704	2,384
Total	**8,512**	**10,257**	**18,769**	**8,641**	**10,675**	**19,316**

Of the total workforce as at 31 December 2024, 287 employees had some form of recognised disability (300 as at 31 December 2023).

Long-term share-based complementary incentive scheme

Pursuant to the Remuneration Policy, the latest version of which was approved by the Board of Directors at its meeting of 20 December 2024, at the proposal of the Board Remuneration Committee, members of the Group's Identified Staff, with the exception of Non-Executive Directors, were allocated long-term remuneration through the schemes in effect during 2024, as described below:

Share-based complementary incentive scheme

TSB's Share Incentive Plan (SIP) provides its employees with the opportunity to own shares in Banco Sabadell and grants shares, where applicable, to certain senior employees as part of their hiring arrangements.

Long-term remuneration scheme

Every year, the Board of Directors, at the proposal of the Board Remuneration Committee, approves Long-Term Remuneration aimed at members of the Group's Identified Staff with allocated variable remuneration, with the exception of management staff assigned to TSB Banking Group Plc or its subsidiaries, which consists of allocating a certain amount to each beneficiary, determined based on a monetary amount corresponding to a percentage of each beneficiary's fixed remuneration. 55% of the incentive is paid in the Bank's shares (using the weighted average price of the last 20 trading sessions of the month of December of the first year of the accrual period to calculate the number of shares), with the remaining 45% paid in cash. The incentive accrual period consists of three financial years, beginning on 1 January of the financial year immediately following the date of its approval and ending two years later, on 31 December of the third financial year. The aforesaid accrual period in turn comprises two sub-periods:

– Individual annual targets measurement period: this period lasts one financial year, from 1 January to 31 December of the year following the date on which the incentive is approved. During that period, each beneficiary's annual targets are measured (formed of Group targets, management targets and individual targets) established to determine the "Adjusted Target".

– Group multi-year targets measurement period: this period lasts three financial years, beginning on 1 January of the financial year immediately following the date on which the incentive is approved and ending two years later, on 31 December of the third financial year. During that period, the Group's multi-year targets are measured in order to determine the final incentive, which is subject to the Risk Correction Factor. The Group's multi-year targets for each incentive are linked to the following indicators and weights, whose achievement percentages are used to calculate the final payment owed, if any, to management staff who have been assigned that incentive:

Incentive	Indicators and weights
Long-Term Remuneration 2019-2021, 2020-2022 and 2021-2023	- Total shareholder return (25%) - Group liquidity coverage ratio (25%) - CET1 capital indicator (25%) - Group return on risk-adjusted capital (RoRAC) (25%)
Long-term remuneration 2022-2024	- Total shareholder return (25%) - Group liquidity coverage ratio (25%) - CET1 capital indicator (25%) - Return on tangible equity (ROTE) (25%)
Long-Term Remuneration 2023-2025 and 2024-2026	- Total shareholder return (40%) - Return on tangible equity (ROTE) (40%) - Sustainability indicator (20%)

In addition to the achievement of the annual and multi-year targets described above, payment of the incentives is subject to the requirements set out in the general conditions of each long-term remuneration scheme.

The main characteristics of the current incentives of the long-term remuneration scheme are summarised below:

Thousand euro

Incentive	Date approved by Board of Directors	Incentive accrual period	Individual annual targets	Group multi-year targets			Amount pending payment as at 31/12/2024
			Periodo de medición	Periodo de medición	Porcentaje de cumplimiento	Pago final	
2019-2021 Long-term remuneration	20/12/2018	01/01/2019 - 31/12/2021	01/01/2019 - 31/12/2019	01/01/2019 - 31/12/2021	0% rentabilidad total del accionista. 100% ratio de cobertura de liquidez. 100% indicador de CET1. 0% indicador de RoRAC.	50% del Target	222
2020-2022 Long-term remuneration	19/12/2019	01/01/2020 - 31/12/2022	01/01/2020 - 31/12/2020	01/01/2020 - 31/12/2022	50% rentabilidad total del accionista. 100% ratio de cobertura de liquidez. 100% indicador de CET1. 100% indicador de RoRAC.	87,5% del Target	348
Retribución a Largo Plazo 2021-2023	17/12/2020	01/01/2021 - 31/12/2023	01/01/2021 - 31/12/2021	01/01/2021 - 31/12/2023	100% rentabilidad total del accionista. 100% ratio de cobertura de liquidez. 100% indicador de CET1. 100% indicador de RoRAC.	100% del Target	4,533
Retribución a Largo Plazo 2022-2024	16/12/2021	01/01/2022 - 31/12/2024	01/01/2022 - 31/12/2022	01/01/2022 - 31/12/2024	100% total shareholder return. 100% liquidity coverage ratio. 100% CET1 indicator. 100% RoRAC indicator.	100% of target	4,363
Retribución a Largo Plazo 2023-2025	21/12/2022	01/01/2023 - 31/12/2025	01/01/2023 - 31/12/2023	01/01/2023 - 31/12/2025	—	—	—
Retribución a Largo Plazo 2024-2026	21/12/2023	01/01/2024 - 31/12/2026	01/01/2024 - 31/12/2024	01/01/2024 - 31/12/2026	—	—	—

As regards the staff expenses associated with share-based incentive schemes (see Note 1.3.15), the balancing entry for such expenses is recognised in equity in the case of stock options settled with shares (see consolidated statement of total changes in equity – share-based payments), while those settled with cash are recognised in the "Other liabilities" heading of the consolidated balance sheet.

Expenditure recognised in relation to incentive schemes and long-term remuneration granted to employees in 2024 and 2023 is shown below:

Thousand euro

	2024	2023
Liquidable en acciones	6,455	6,191
Liquidable en efectivo	1,452	1,330
Total	**7,907**	**7,521**

Other administrative expenses

The composition of this heading in the consolidated income statement for the years 2024 and 2023 is as follows:

Thousand euro

	2024	2023
De inmuebles, instalaciones y material	(62,247)	(68,908)
Informática	(431,647)	(416,313)
Comunicaciones	(26,098)	(25,862)
Publicidad	(104,847)	(96,682)
Servicios administrativos subcontratados	(121,980)	(118,383)
Contribuciones e impuestos	(122,080)	(116,542)
Informes técnicos	(69,279)	(26,948)
Servicios de vigilancia y traslado de fondos	(17,509)	(17,429)
Gastos de representación y desplazamiento del personal	(18,011)	(15,077)
Cuotas de asociaciones	(4,992)	(6,771)
Otros gastos	(72,707)	(92,803)
Total	**(1,051,397)**	**(1,001,718)**

Audit firm fees

The fees received by KPMG Auditores, S.L. in the years ended 31 December 2024 and 2023 for audit and other services were as follows:

Thousand euro

	2024	2023
Servicios de auditoría de cuentas (*)	**3,071**	**2,921**
De los que: Auditoría de las cuentas anuales y semestrales del banco	2,577	2,471
De los que: Auditoría de las cuentas anuales de las sucursales en el extranjero (**)	29	27
De los que: Auditoría de las cuentas anuales de sociedades dependientes	465	423
Servicios relacionados con la auditoría	**366**	**292**
De los que: Servicios exigidos al auditor por la normativa aplicable	135	121
Otros servicios	**96**	**—**
De los que: Otros	96	—
Total	**3,533**	**3,213**

(*) Incluyen los honorarios correspondientes a la auditoría del ejercicio, con independencia de la fecha de finalización de la misma. Las cuentas anuales de Banco Sabadell y del grupo consolidado Banco Sabadell desde el ejercicio 2020 hasta el ejercicio 2024 han sido auditados por la firma de auditoría externa KPMG Auditores, S.L. (KPMG), con CIF: B-78510153 y domicilio social en Madrid, Torre de Cristal, Paseo de la Castellana, nº 259 C, 28046 Madrid, inscrita en el Registro Mercantil de Madrid, Tomo 11.961, Folio 90, Sección 8, Hoja M-188.007 inscripción 9, inscrita en el Registro Oficial de Auditores de Cuentas con el número S0702.
KPMG Auditores, S.L. no ha renunciado ni ha sido apartado de sus funciones como auditor de Banco Sabadell y del grupo consolidado Banco Sabadell desde el ejercicio 2020, ni hasta la fecha de formulación de estas Cuentas anuales consolidadas.

(**) Correspondiente a la sucursal ubicada en Londres.

Los honorarios prestados por KPMG Auditores, S.L. al Banco Sabadell y a sus empresas vinculadas por una relación de control por servicios ajenos al de auditoría (distintos de los mencionados en el art. 5.1 del Reglamento (UE) nº537/2014 del Parlamento Europeo y del Consejo (RUE)) durante el ejercicio 2024 no exceden el 70% de la media de los honorarios satisfechos en los tres últimos ejercicios por la auditoría del banco, su grupo y de sus empresas controladas, tal y como establece el artículo 4.2. RUE.

The fees received by other companies forming part of the KPMG network in the years ended 31 December 2024 and 2023 for audit and other services were as follows:

Thousand euro

	2024	2023
Servicios de auditoría de cuentas (*)	**7,900**	**6,848**
De los que: Auditoría de las cuentas anuales de las sucursales en el extranjero	393	341
De los que: Auditoría de las cuentas anuales de filiales del grupo	7,507	6,507
Servicios relacionados con la auditoría	**239**	**213**
De los que: Servicios exigidos al auditor por la normativa aplicable	61	—
Otros servicios	**366**	**474**
De los que: Otros	366	474
Total	**8,505**	**7,535**

(*) Incluyen los honorarios correspondientes a la auditoría del ejercicio, con independencia de la fecha de finalización de la misma.

The main items included under "Audit-related services" correspond to fees related to reports that the auditors are required to produce under applicable regulations, the issuance of comfort letters and other assurance reports. Furthermore, "Other services" includes fees related to reviews of the Pillar 3 Disclosures reports for the years ended 31 December 2024 and 2023, and those related to assurance services in connection with the Non-Financial Disclosures Reports for 2024 and 2023.

Lastly, the Group engaged auditors other than KPMG to carry out the audits of foreign branches and other Group subsidiaries. Audit and other services provided to those branches and subsidiaries amounted to 65 thousand euros and 0 thousand euros in the year ended 31 December 2024, respectively (62 and 0 thousand euros in the year ended 31 December 2023).

All services provided by the auditors and companies forming part of their network comply with the requirements for statutory auditor independence set forth in the Spanish Audit Law and do not, in any case, include work that is incompatible with the account audit function.

Other information

The cost-to-income ratio as at 2024 year-end (staff and general expenses/gross margin) stood at 40.75% (42.59% in 2023).

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

Number of branches and offices

	2024	2023
Branches and offices	**1,350**	**1,420**
Spain	1,139	1,178
Outside Spain	211	242

Note 34 – Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains

The composition of this heading of the consolidated income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Activos financieros a valor razonable con cambios en otro resultado global		236	852
Valores representativos de deuda	8	236	852
Otros instrumentos de patrimonio		—	—
Activos financieros a coste amortizado	11	(592,054)	(825,245)
Valores representativos de deuda		230	(40)
Préstamos y anticipos		(592,284)	(825,205)
Total		**(591,818)**	**(824,393)**

Note 35 – Impairment or (-) reversal of impairment on non-financial assets

The composition of this heading of the consolidated income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Inmovilizado de uso propio	15	(36,662)	(1,930)
Inversiones inmobiliarias	15	(1,156)	(9,596)
Fondo de comercio y otros activos intangibles		—	—
Existencias	17	(7,639)	(14,319)
Total		**(45,457)**	**(25,845)**

The total allowance for the impairment of investment properties in 2024 and 2023 was calculated based on Level 2 valuations (see Note 6). The fair value of impaired assets amounted to 152,019 thousand euros and 225,641 thousand euros as at 31 December 2024 and 2023, respectively.

Of the total inventory impairment allowances for 2024 and 2023, 2,676 thousand euros and 1,295 thousand euros were allocated based on Level 2 valuations, respectively, and 4,963 thousand euros and 13,024 thousand euros based on Level 3 valuations, respectively. The fair value of impaired assets amounted to 43,273 thousand euros and 61,561 thousand euros as at 2024 and 2023 year-end, respectively.

Note 36 – Gains or (-) losses on derecognition of non-financial assets, net

The composition of this heading of the consolidated income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Inmovilizado material		(5,828)	(657)
Inversiones inmobiliarias		3,426	4,274
Activo intangible	16	(21,292)	(50,750)
Participaciones		1,446	7,799
Otros conceptos		(5)	(10)
Total		**(22,253)**	**(39,344)**

The sale of tangible assets under finance leases in which the Group acted as lessor did not have a material impact on the 2024 and 2023 consolidated income statements.

Note 37 – Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The composition of this heading of the consolidated income statement for the years ended 31 December 2024 and 2023 is as follows:

Thousand euro

	Note	2024	2023
Inmovilizado material de uso propio y adjudicado		(36,111)	(58,067)
Ganancias/pérdidas por ventas		(5,131)	(23,755)
Deterioro/reversión	13	(30,980)	(34,312)
Inversiones inmobiliarias		—	—
Participaciones (*)		—	396
Otros conceptos		(275)	(2,284)
Total		**(36,386)**	**(59,955)**

(*) See Schedule I - Exclusions from the scope of consolidation.

In 2024 and 2023 the heading “Plant and equipment for own use and foreclosed - Impairment/reversal” mainly includes foreclosed properties in the process of being sold. Furthermore, in 2023, this heading included the impact of the recognition at fair value of tangible assets to be disposed of as part of the sale of the merchant acquiring business (see Note 13).

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

The total allowance for the impairment of non-current assets held for sale in 2024 and 2023 was calculated based on Level 2 valuations (see Note 6). The fair value of impaired assets amounted to 500,921 thousand euros and 554,978 thousand euros as at 2024 and 2023 year-end, respectively.

Note 38 – Segment reporting

Segmentation criteria

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

In 2024, the criteria that Banco Sabadell Group uses to report on results for each segment are those established in 2023, specifically:

- Three geographical areas: Banking Business in Spain, United Kingdom and Mexico. Banking Business Spain includes foreign branches and representative offices.
- Each business unit is allocated capital equivalent to 13% of its risk-weighted assets in 2024 (12% in 2023), assigning all deductions corresponding to each business unit, and the surplus of own funds is allocated to Banking Business Spain.

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

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

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

Details of profit attributable to the Group and other key figures of each business unit for the years 2024 and 2023 are shown in the table below, along with a reconciliation of the totals shown in the table with those shown in the consolidated accounts:

Million euro

	2024 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**3,652**	**1,163**	**206**	**5,021**
Fees and commissions, net	1,231	107	18	1,357
Core revenue	**4,883**	**1,270**	**224**	**6,378**
Profit or loss on financial operations and exchange differences	36	39	13	87
Equity-accounted income and dividends	166	—	—	166
Other operating income/expense	(249)	(23)	(21)	(294)
Gross income	**4,836**	**1,286**	**216**	**6,337**
Operating expenses and depreciation and amortisation	(2,071)	(887)	(126)	(3,084)
Pre-provisions income	**2,765**	**399**	**90**	**3,254**
Provisions and impairments	(652)	(37)	(24)	(714)
Capital gains on asset sales and other revenue	(14)	(8)	(4)	(26)
Profit/(loss) before tax	**2,098**	**353**	**62**	**2,514**
Corporation tax	(579)	(100)	(6)	(685)
Profit or loss attributed to minority interests	2	—	—	2
Profit attributable to the Group	**1,517**	**253**	**57**	**1,827**
ROTE (net return on tangible equity)	15.9%	12.0%	9.7%	14.9%
Cost-to-income (general administrative expenses / gross income)	35.1%	59.5%	51.2%	40.8%
NPL ratio	3.3%	1.5%	2.8%	2.8%
Stage 3 coverage ratio (**)	66.3%	34.3%	59.5%	61.7%
Employees	13,525	4,729	515	18,769
Domestic and foreign branches and offices	1,152	186	12	1,350

(*) Exchange rates applied in the income statement: EUR/GBP 0.8463 (average), EUR/MXN 19.7732 (average), EUR/USD 1.0838 (average) and EUR/MAD 10.5368 (average).

(**) Considering total provisions for losses on transactions in stage 3.

Million euro

	2024 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Assets	**177,348**	**55,604**	**6,646**	**239,598**
Gross performing loans to customers	109,291	43,380	4,242	156,913
Non-performing real estate assets, net	497	—	—	497
Liabilities and equity	**177,348**	**55,604**	**6,646**	**239,598**
On-balance sheet customer funds	124,235	42,123	3,199	169,557
Wholesale funding in capital markets	21,135	5,859	—	26,994
Allocated own funds	12,161	2,543	686	15,389
Off-balance sheet customer funds	**46,171**	**—**	**—**	**46,171**

(*) Exchange rates used in the balance sheet: EUR/GBP 0.8292, EUR/MXN 21.5504, EUR/USD 1.0389 and EUR/MAD 10.5104.

Million euro

	2023 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**3,353**	**1,174**	**196**	**4,723**
Fees and commissions, net	1,247	124	15	1,386
Core revenue	**4,601**	**1,298**	**211**	**6,109**
Profit or loss on financial operations and exchange differences	45	16	8	68
Equity-accounted income and dividends	131	—	—	131
Other operating income/expense	(404)	(23)	(20)	(447)
Gross income	**4,372**	**1,291**	**198**	**5,862**
Operating expenses and depreciation and amortisation	(1,965)	(941)	(108)	(3,015)
Pre-provisions income	**2,407**	**350**	**90**	**2,847**
Provisions and impairments	(816)	(75)	(19)	(910)
Capital gains on asset sales and other revenue	(27)	—	(19)	(46)
Profit/(loss) before tax	**1,564**	**274**	**53**	**1,891**
Corporation tax	(469)	(80)	(9)	(557)
Profit or loss attributed to minority interests	1	—	—	1
Profit attributable to the Group	**1,093**	**195**	**44**	**1,332**
ROTE (net return on tangible equity)	12.0%	10.0%	8.9%	11.5%
Cost-to-income (general administrative expenses / gross income)	37.2%	62.1%	45.7%	42.6%
NPL ratio	4.3%	1.5%	2.4%	3.5%
Stage 3 coverage ratio (**)	59.9%	41.8%	74.3%	58.3%
Employees	13,455	5,426	435	19,316
Domestic and foreign branches and offices	1,194	211	15	1,420

(*) Exchange rates applied in the income statement: EUR/GBP 0.8532 (average), EUR/MXN 21.0739 (average), EUR/USD 1.0538 (average) and EUR/MAD 11.1232 (average).

(**) Considering total provisions for losses on transactions in stage 3.

Million euro

	2023 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Assets	**173,648**	**54,855**	**6,670**	**235,173**
Gross performing loans to customers	103,830	41,381	4,587	149,798
Non-performing real estate assets, net	586	—	—	586
Liabilities and equity	**173,648**	**54,855**	**6,670**	**221,294**
On-balance sheet customer funds	117,820	39,864	3,205	160,888
Wholesale funding in capital markets	19,949	4,545	—	24,494
Allocated own funds	10,880	2,368	631	13,879
Off-balance sheet customer funds	**40,561**	**—**	**—**	**40,561**

(*) Exchange rates used in the balance sheet: EUR/GBP 0.8869, EUR/MXN 20.856, EUR/USD 1.066 and EUR/MAD 11.1558.

The Group’s average total assets as at 31 December 2024 amounted to 242,144,674 thousand euros (245,173,480 thousand euros as at 31 December 2023).

The types of products and services from which revenue is derived are described below for each business unit:

- Banking Business Spain: groups together the Retail Banking, Business Banking and Corporate Banking business units, with individuals and businesses managed under the same branch network:

  - Retail Banking: offers financial products and services to individuals for personal use. These include investment products and medium- and long-term finance, such as consumer loans, mortgages, leasing and rental services, as well as other short-term finance. Funds come mainly from customers' term and demand deposits, savings insurance, mutual funds and pension plans. The main services also include payment methods such as cards and various kinds of insurance products.

  - Business Banking: offers financial products and services to companies and self-employed persons. These include investment and financing products, such as working capital products, revolving loans and medium- and long-term finance. It also offers custom structured finance and capital market solutions, as well as specialised advice for businesses. Funds mainly come from customers' term and demand deposits and mutual funds. The main services also include collection/payment solutions such as cards and PoS terminals, as well as import and export services. It also includes Private Banking, which offers personalised expert advice, backed by specialised and high-value product capabilities for our customers.

  - Corporate Banking: offers specialised lending services together with a comprehensive offering of solutions, ranging from transaction banking services to more complex and tailored solutions relating to the fields of finance and cash management, as well as import and export activities, among others.

- Banking business UK: the TSB franchise covers business conducted in the United Kingdom, which includes current and savings accounts, loans, credit cards and mortgages.

- Banking Business Mexico: offers banking and financial services for corporate banking and commercial banking.

Details of income from ordinary activities and the pre-tax profit/(loss) generated by each business unit are set out below for the years 2024 and 2023:

Thousand euro

	Consolidated			
	Income from ordinary activities (*)		Profit/(loss) before tax	
SEGMENTS	**2024**	**2023**	**2024**	**2023**
Banking Business Spain	7,750,614	7,395,289	2,098,083	1,563,668
Banking Business UK	2,817,315	2,486,036	353,332	274,397
Banking Business Mexico	730,836	717,713	62,483	52,713
Total	**11,298,765**	**10,599,038**	**2,513,898**	**1,890,778**

(*) Includes the following headings from the consolidated income statements: "Interest income", "Dividend income", "Fee and commission income", "Net profit or net loss on financial operations" and "Other operating income".

The table below shows the deposits, net interest income and net fees and commissions generated by each business unit as a percentage of the total for 2024 and 2023:

%

	2024				
	Breakdown of net interest income and net fees and commissions				
	Customer loans		Customer deposits		Income from services (*)
	% of average balance	% of total yield	% of average balance	% of total cost	% of total balance
SEGMENTS					
Banking Business Spain	69.1 %	66.1 %	72.7 %	61.3 %	90.7 %
Banking Business UK	28.0 %	26.6 %	25.4 %	30.4 %	7.9 %
Banking Business Mexico	2.9 %	7.3 %	2.0 %	8.3 %	1.4 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

(*) Segment percentage of total net fees and commissions.

%

	2023				
	Breakdown of net interest income and net fees and commissions				
	Customer loans		Customer deposits		Income from services (*)
	% of average balance	% of total yield	% of average balance	% of total cost	% of total balance
SEGMENTS					
Banking Business Spain	69.3 %	65.5 %	73.2 %	61.1 %	91.7 %
Banking Business UK	27.6 %	26.6 %	24.8 %	28.7 %	7.4 %
Banking Business Mexico	3.1 %	7.9 %	2.0 %	10.2 %	0.9 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

(*) Segment percentage of total net fees and commissions.

Furthermore, a breakdown by geographical area of the “Interest income” heading of the 2024 and 2023 income statements is shown below:

Thousand euro

Geographical area	Breakdown of interest income by geographical area			
	Standalone		Consolidated	
	2024	2023	2024	2023
Domestic market	6,219,708	5,212,561	5,976,748	5,040,658
International market	435,023	619,846	3,736,644	3,618,098
European Union	59,571	92,376	59,571	92,376
Eurozone	59,571	92,376	59,571	92,376
Non-Eurozone	—	—	—	—
Other	375,452	527,470	3,677,073	3,525,722
Total	**6,654,731**	**5,832,407**	**9,713,392**	**8,658,756**

Section 4 of the consolidated Directors’ Report gives a more detailed assessment of each of these business units.

Note 39 – Tax situation (income tax relating to continuing operations)

Consolidated tax group

Banco de Sabadell, S.A. is the parent company of a consolidated tax group for corporation tax purposes, in Spain, comprising, as subsidiaries, all the Spanish companies in which the Bank holds an interest that meet the requirements of the Spanish Corporation Tax Law.

The other companies in the accounting group, both those that are Spanish and those not resident in Spain, are taxed in accordance with the tax regulations applicable to them.

Reconciliation

The reconciliation between the Group's corporation tax expense calculated by applying the general tax rate and the expense recognised for that corporation tax in the consolidated income statements is as follows:

Thousand euro

	2024	2023
Profit or loss before tax	**2,513,898**	**1,890,778**
Corporation tax, applying national tax rate (30%)	**(754,170)**	**(567,234)**
Reconciliation:		
Gains/(losses) on sale of equity instruments (exempt)	5,629	2,049
Remuneration of preferred securities	29,447	34,617
Profit/(loss) of entities accounted for using the equity method	46,473	37,893
Difference in effective tax rate on companies/permanent establishments outside Spain (*)	30,993	22,678
Non-deductible expenses/Deductions generated (**)	(3,071)	(66,157)
Other	(40,573)	(21,021)
(Tax expense or (-) income related to profit from continuing operations)	**(685,272)**	**(557,175)**

(*) Calculated applying the difference between the current tax rate for the Group in Spain (30%) and the effective tax rate applied to the Group's profit/(loss) in each jurisdiction.

(**) Includes 61 million euros corresponding to the capitalisation of deductions for research & development and technological innovation activities, generated in previous years, corresponding to projects that, in all cases, are backed up by a favourable report from the Ministry of Economy and Competitiveness in accordance with recent case law in the field. It is expected that these deductions will be applied by the Group.

The effective tax rate, calculated as tax expenses related to profit divided by profit or loss before tax, came to 27.26% and 29.47% in 2024 and 2023, respectively.

Deferred tax assets and liabilities

Under current tax and accounting regulations, certain timing differences should be taken into account when quantifying the relevant tax expense related to profit from continuing operations.

In 2013, Spain made a provision (Royal Decree-Law 14/2013) for tax assets generated by allowances for the impairment of loans and other assets arising from the potential insolvency of debtors not related to the relevant taxable person, as well as those corresponding to contributions or provisions in respect of social welfare schemes and, where appropriate, early retirement schemes, to be afforded the status of assets guaranteed by the Spanish State (hereinafter, "monetisable tax assets").

Monetisable tax assets can be converted into credit enforceable before the Spanish Tax Authority in cases where the taxable person incurs accounting losses or the Institution is liquidated or legally declared insolvent. Similarly, they can be exchanged for public debt securities, once the 18-year term has elapsed, calculated from the last day of the tax period in which these assets were recognised in the accounting records. To retain the State guarantee, and to keep their status as monetisable tax assets, deferred tax assets generated up to 2016 are subject to an annual capital contribution of 1.5% of the deferred tax assets that meet the legal requirements.

Movements of deferred tax assets and liabilities during 2024 and 2023 are shown below:

Thousand euro

Activos por impuestos diferidos	Monetizables	No monetizables	Créditos fiscales por bases imponibles negativas	Deducciones no aplicadas	Total
Saldos a 31 de diciembre de 2022	**4,995,878**	**1,242,915**	**390,689**	**15,025**	**6,644,507**
(Debit) or credit recorded in the income statement	(93,090)	53,010	(104,319)	(14,999)	(159,398)
(Debit) or credit recorded in equity	—	(29,777)	—	—	(29,777)
Exchange differences and other movements	(159,445)	50,532	39,112	—	(69,802)
Saldos a 31 de diciembre de 2023	**4,743,343**	**1,316,680**	**325,482**	**26**	**6,385,531**
(Debit) or credit recorded in the income statement	(146,675)	(54,865)	(119,850)	(1)	(321,390)
(Debit) or credit recorded in equity	—	28,761	—	—	28,761
Exchange differences and other movements	(152,211)	(82,663)	41,943	(25)	(192,956)
Saldos a 31 de diciembre de 2024	**4,444,457**	**1,207,913**	**247,575**	**—**	**5,899,945**

Thousand euro

Pasivos por impuestos diferidos	Total
Saldos a 31 de diciembre de 2022	**113,717**
(Debit) or credit recorded in the income statement	(490)
(Debit) or credit recorded in equity	(502)
Exchange differences and other movements	2,245
Saldos a 31 de diciembre de 2023	**114,970**
(Debit) or credit recorded in the income statement	5,009
(Debit) or credit recorded in equity	—
Exchange differences and other movements	757
Saldos a 31 de diciembre de 2024	**120,736**

The sources of the deferred tax assets and liabilities recognised in the consolidated balance sheets as at 31 December 2024 and 2023 are as follows:

Thousand euro

Deferred tax assets	2024	2023
Monetisable	**4,444,457**	**4,743,343**
Due to credit impairment	3,063,266	3,369,993
Due to real estate asset impairment	1,257,371	1,248,285
Due to pension funds	123,820	125,065
Non-monetisable	**1,207,913**	**1,316,680**
Tax credits for losses carried forward	**247,575**	**325,482**
Deductions not applied	**—**	**26**
Total	**5,899,945**	**6,385,531**

Deferred tax liabilities	2024	2023
Property restatements	50,671	53,092
Adjustments to value of wholesale debt issuances arising in business combinations	1,295	4,020
Other financial asset value adjustments	2,501	1,657
Other	66,269	56,201
Total	**120,736**	**114,970**

The breakdown by country of deferred tax assets and liabilities is as follows:

Thousand euro

	2024		2023	
Country	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Spain	5,730,552	110,402	6,174,220	104,364
United Kingdom	14,415	9,862	58,037	10,606
United States	72,512	472	63,492	—
Mexico	77,473	—	82,608	—
Other	4,993	—	7,174	—
Total	**5,899,945**	**120,736**	**6,385,531**	**114,970**

As indicated in Note 1.3.20, according to the information available as at year-end and the projections taken from the Group's business plan for the coming years, the Group estimates that it will be able to generate sufficient taxable income to offset tax loss carry-forwards within a period of three years and non-monetisable tax assets, where these can be deducted according to current tax regulations, within a period of 10 years.

In addition, the Group performs a sensitivity analysis of the most significant variables used in the deferred tax asset recoverability analysis, taking into consideration reasonable changes to the key assumptions on which the projected results of each entity or tax group are based and the estimated reversal of timing differences. With respect to Spain, the variables considered are those used in the sensitivity analysis of the calculation of the recoverable amount of goodwill (see Note 16). The conclusions drawn from that analysis are not significantly different from those reached without stressing the significant variables.

The Constitutional Court declared, in its ruling 11/2024 dated 18 January 2024, published in the Official State Gazette (*Boletín Oficial del Estado*) on 20 February 2024, that certain measures related to corporation tax introduced by Royal Decree-Law 3/2016 of 2 December were unconstitutional. Those measures were reintroduced in Law 7/2024 of 20 December, which is applicable to the financial year 2024.

As at 31 December 2024, the Group had deferred tax assets not recognised in the balance sheet for unused tax losses in the amount of 420,324 thousand euros and deductions amounting to 10,887 thousand euros.

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

Years subject to tax inspection

As at 31 December 2024, corporation tax for the consolidated tax group in Spain was open to review for 2020 and subsequent years. In relation to Value Added Tax (VAT) corresponding to entities forming part of the VAT group in Spain, 2020 and subsequent periods were open to review.

The review of all taxes not verified and not required in accordance with the corresponding tax regulations is still pending for other Group entities that are not taxed within the consolidated tax group or the VAT group in Spain.

Proceedings

In January 2022, the State Agency for Tax Administration (Administración Estatal de Administración Tributaria, or AEAT) gave notice to Banco Sabadell, as the parent company of the consolidated tax group, of the commencement of verification and investigation proceedings in relation to the main taxes affecting the Group and three of its subsidiaries[5]. Specifically, the items and periods listed below:

- Corporation Tax for the years 2015 to 2019.
- Capital contribution associated with the conversion of deferred tax assets into credit eligible for the Spanish Tax Authority (Capital Contribution) for the years 2016 to 2019.
- Value Added Tax (VAT) for the years 2018 and 2019.
- Withholdings and payments on account (employment income, income from movable capital) for the years 2018 and 2019.

[5] Sabadell Digital, S.A.U., Sabadell Real Estate Development, S.L.U., and Tenedora de Inversiones y Participaciones, S.L.

– Tax on deposits of credit institutions (*Impuesto sobre Depósitos de las Entidades de Crédito*, IDEC) for the years 2017 to 2019.

Documents related to those proceedings were signed on 30 November 2023 and details of them can be found in Note 39 “Tax situation” of the consolidated annual financial statements for 2023. The proceedings were completed in 2024. At the end of the current year, matters in dispute and brought before the Central Tax Appeal Board (Tribunal Económico-administrativo Central, or TEAC) in relation to corporation tax (deduction for technological innovation) and VAT (sectoral issues), remain pending resolution, as explained in the following section (“Ongoing disputes”).

In January 2024, Banco Sabadell, as the parent company of the consolidated tax group, was notified of the commencement of verification and investigation proceedings in relation to the temporary levy on credit institutions and financial credit establishments, paid in 2023. A Statement of Disagreement, disputing the tax assessment, was signed on 30 September 2024, in response to the corresponding allegations submitted. As at year-end, the tax clearance certificate remains pending release.

In addition, on 4 February 2025, the State Tax Agency (AEAT) gave notice of the commencement of verification and investigation proceedings in relation to Banco Sabadell, as parent company of the VAT group, in its capacity as legal representative of that group, and also in relation to three of its subsidiaries[6], in connection with VAT corresponding to the financial years 2021, 2022 and 2023.

At the end of 2024, the Mexican tax authority (Servicio de Administración Tributaria, or SAT) gave notice to the subsidiaries Banco Sabadell, S.A. Institución de Banca Múltiple and SabCapital, S.A. de C.V. SOFOM E.R. of the commencement of verification proceedings in connection with income tax and value added tax corresponding to the year 2019, both processes of which are currently in the document submission phase.

Ongoing disputes

The main tax-related disputes that were ongoing as at 31 December 2024 are set out below:

– Administrative-financial claims brought before the TEAC in respect of corporation tax settlement agreements for the years 2015 to 2017 and 2018 to 2019, specifically related to the deduction for technological innovation, settled on the basis of application of the criterion established by Spain’s National Court (*Audiencia Nacional*, a division of the Supreme Court) in its rulings of 23 November and 9 December 2022.

– Administrative-financial claim brought before the TEAC regarding the VAT settlement agreement for the years 2018 to 2019, in relation to certain sectoral issues.

– Appeal for judicial review before Spain’s National Court in relation to Order HFP/94/2023 of 2 February approving, among others, Model 797 “Temporary levy of credit institutions and financial credit establishments. Declaration of payment made” and Model 798 “Temporary levy of credit institutions and financial credit establishments. Advance payment”.

  In addition, requests for rectification have been submitted in respect of both tax authority Model 798 “Advance payment” and Model 797 “Declaration of payment made” in relation to the temporary levy on credit institutions and financial credit establishments. These rectifications are currently at the administrative stage, in the process of administrative-financial proceedings or now form part of the verification proceedings referred to in the preceding point.

The Group has made suitable provisions for any contingencies that it is thought could arise in relation to the ongoing proceedings and disputes described in this Note.

In relation to items for which the statute of limitations is unexpired, due to potential differences in the interpretation of tax regulations, the results of the tax authority inspections for the years subject to review may give rise to contingent tax liabilities, which it is not possible to quantify objectively. However, the Group considers that the possibility of such liabilities materialising is remote and, if they did materialise, the resulting tax charge would not have any significant impact on these consolidated annual financial statements.

[6] Sabadell Digital, S.A.U., Sabadell Real Estate Development, S.L.U., and Tenedora de Inversiones y Participaciones, S.L.

International tax reform - Pillar Two rules

On 21 December 2024, Law 7/2024 of 20 December was published which, inter alia, transposes into Spanish law, Directive (EU) 2022/2523 of 14 December 2022, establishing a top-up tax ("top-up tax") to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups (referred to as the "Pillar Two rule"), applicable with retroactive effect to each financial year commencing after 31 December 2023. It should also be noted that, of the other jurisdictions that are significant for the Group (United Kingdom and Mexico), as at 31 December 2024, only the United Kingdom has approved domestic regulations in relation to Pillar Two; those regulations entered into force on 31 December 2023 and are applicable to each year beginning after that date.

The Group, in its capacity as a large-scale multinational group, is subject to that top-up tax.

The Group has applied the mandatory temporary exception provided in IAS 12 in relation to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules to ensure consistency in the financial statements while easing into the implementation of the rules.

In addition, based on the available information, an analysis was carried out considering, when applicable, the safe harbours provided for in the Fourth Transitional Provision of the Pillar Two rule, concluding that the impact of Pillar Two for the Group is not significant.

Tax on net interest and commission income of certain financial institutions

Final Provision Nine of Law 7/2024 of 20 December established a tax on the net interest and commission income of certain financial institutions (*Impuesto sobre el Margen de Intereses y Comisiones*, or IMIC). This tax, which is direct and progressive, is levied on the net interest and commission income arising from the activity in Spain of credit institutions, financial credit establishments and branches of foreign credit institutions obtained, respectively, in the tax periods beginning in the years 2024, 2025 and 2026. In terms of the tax rate, this is established on a scale which, after reducing the tax base by 100 million euros, includes five brackets: 1%, 3.5%, 4.8%, 6% and 7% (maximum rate applicable to the taxable base above 5 billion euros).

Royal Decree-Law 2024 of 23 December came into force on 25 December 2024 and amended the accrual of the tax, establishing that it shall accrue on the last day of the calendar month immediately following the end of the tax period for entities subject to payment of that tax as at the aforesaid date. That Royal Decree-Law was repealed, by agreement of the Spanish Parliament's lower house of representatives (Congreso de los Diputados), on 22 January 2025.

The Group has not recorded any impact in its consolidated financial statements as at the end of 2024 as a result of the establishment of the above-mentioned tax, having estimated net tax payable of around 140 million euros for the first tax year in question.

Note 40 – Related party transactions

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

On 24 April 2024, the Board of Directors of Banco Sabadell approved, following a favourable report from the Board Audit and Control Committee, a related-party transaction with Acerinox, S.A. involving a bilateral loan of 150 million euros, granted to Acerinox, S.A., with a 3.75% interest rate, a two-year grace period and semi-annual straight-line repayment over five years, which was formally arranged on 27 June 2024. It is deemed a related party transaction as Banco Sabadell directors Laura González Molero and George Donald Johnston III are Independent Directors of Acerinox, S.A. Ms Molero is also member of its Audit Committee and Chair of its Appointments, Remuneration and Corporate Governance Committee, while Mr Johnston is member of its Executive Committee.

As the amount of this transaction, together with three other transactions carried out in the last twelve months, was more than 2.5% of the turnover recorded in Banco Sabadell's consolidated annual financial statements for 2023, an 'Other Relevant Information' disclosure, alongside the corresponding report from the Board Audit and Control Committee, was published on the CNMV's website on 27 June 2024 and 12 July 2024, with register numbers 29,404 and 29,678, and on Banco Sabadell's corporate website (www.grupbancsabadell.com), in accordance with that set forth in Article 529 *unvicies* of the Capital Companies Act. Furthermore, information was provided in the Other Relevant Information disclosure referred to above and on Banco Sabadell's website (www.grupbancsabadell.com) regarding the three above-mentioned transactions, two of which were approved by the Board of Directors on 24 April 2024, following a favourable report from the Board Audit and Control Committee (also attached to that same Other Relevant Information disclosure), while the third was approved by Compliance in its decision of 28 September 2023 as a related-party transaction, as per the powers conferred by the Board of Directors of Banco Sabadell on 1 July 2021. These three transactions consisted, respectively, of the renewal of a multi-company credit policy (co-shared by Acerinox, S.A.) for 80 million euros, at 3-month Euribor + 0.90% and maturing after 3 years; the renewal of a multi-company credit policy (co-shared by Acerinox, S.A.) for 15 million US dollars, at 3-month SOFR + 1% and maturing after 3 years; and the renewal of a multi-company credit policy (available equally to Acerinox, S.A. and Acerinox Europa, S.A.U.) for 20 million US dollars, at 3-month SOFR + 1.10% and maturing after 1 year.

Details of the most significant balances held with related parties as at 31 December 2024 and 2023, as well as the amount recorded on the consolidated income statements for 2024 and 2023 for related party transactions, are shown below:

Thousand euro

	2024				
	Joint control or signif. influence (in B.Sab)	**Associates**	**Key personnel**	**Other related parties (*)**	**TOTAL**
Assets:					
Crédito a la clientela y otros activos financieros	—	107,764	3,967	1,010,009	**1,121,740**
Liabilities:					
Depósitos de la clientela y otros pasivos financieros	—	681,466	5,849	297,475	**984,790**
Off-balance sheet exposures:					
Garantías financieras concedidas	—	319	7	22,598	**22,924**
Compromisos de préstamos concedidos	—	14,611	373	334,042	**349,026**
Otros compromisos concedidos	—	6,491	—	72,745	**79,236**
Cuenta de pérdidas y ganancias:					
Intereses y rendimientos asimilados	—	4,447	50	24,157	**28,654**
Intereses y cargas asimiladas	—	(17,013)	(86)	(6,411)	**(23,510)**
Rendimiento de instrumentos de capital	—	—	—	—	**—**
Comisiones netas	—	111,353	15	5,754	**117,122**
Otros productos y cargas de explotación	—	5,878	—	7	**5,885**

(*) Incluye planes de pensiones con empleados.

Thousand euro

	2023				
	Joint control or signif. influence (in B.Sab)	Associates	Key personnel	Other related parties (*)	TOTAL
Assets:					
Crédito a la clientela y otros activos financieros	—	99,652	3,757	829,620	**933,029**
Liabilities:					
Depósitos de la clientela y otros pasivos financieros	—	463,292	5,452	218,477	**687,221**
Off-balance sheet exposures:					
Garantías financieras concedidas	—	294	—	29,136	**29,430**
Compromisos de préstamos concedidos	—	54	378	261,702	**262,134**
Otros compromisos concedidos	—	6,491	—	84,726	**91,217**
Cuenta de pérdidas y ganancias:					
Intereses y rendimientos asimilados	—	4,170	50	18,110	**22,330**
Intereses y cargas asimiladas	—	(4,010)	(75)	(915)	**(5,000)**
Rendimiento de instrumentos de capital	—				**—**
Comisiones netas	—	106,253	13	1,452	**107,718**
Otros productos y cargas de explotación	—	5,655	3	4	**5,662**

(*) Incluye planes de pensiones con empleados.

Total risk transactions granted by the Bank and consolidated companies to all Directors of the parent company amounted to 782 thousand euros as at 31 December 2024, of which 649 thousand euros corresponded to loans and advances and 133 thousand euros to loan commitments given (875 thousand euros as at 31 December 2023, consisting of 738 thousand euros in loans and advances and 137 thousand euros in loan commitments given). With regard to Senior Management, risk transactions granted by the Bank and consolidated companies amounted to 3,558 thousand euros as at 31 December 2024, of which 3,318 thousand euros corresponded to loans and advances and 240 thousand euros to loan commitments given (3,019 thousand euros in loans and advances and 241 thousand euros in loan commitments given as at 31 December 2023). These transactions form part of the ordinary business of the Bank and are carried out under normal market conditions.

With regard to liabilities, these amounted to 4,088 thousand euros for Directors of the parent company (3,751 thousand euros as at 31 December 2023) and 1,761 thousand euros for Senior Management as at 31 December 2024 (1,700 thousand euros as at 31 December 2023).

Note 41 – Remuneration of members of the Board of Directors and Senior Management and their respective balances

The Director Remuneration Policy for the years 2024, 2025 and 2026 was approved by the shareholders at the Annual General Meeting of 23 March 2023 and complies with European directives and regulations and with prevailing legislation, particularly Spanish Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions, Royal Decree 84/2015 of 13 February implementing the aforesaid Law and Bank of Spain Circular 2/2016 of 2 February, addressed to credit institutions, on supervision and solvency, which completes the transposition into Spanish law of Directive 2013/36/EU and Regulation (EU) No 575/2013, as well as EBA Guidelines on internal governance (EBA/GL/2021/05) of 2 July 2021, EBA Guidelines (EBA/GL/2021/04) of 2 July 2021 on sound remuneration policies under Directive 2013/36/EU, and Commission Delegated Regulation (EU) 2021/923.

For further details on Directors' remuneration, see the Annual Report on Director Remuneration for 2024. Additionally, for further details on Senior Management remuneration, see the Annual Corporate Governance Report for 2024. These documents are included for reference as part of the consolidated Directors' Report.

Remuneration of members of the Board of Directors

Non-Executive Directors

The following table shows, for the years ended 31 December 2024 and 2023, the remuneration paid to Non-Executive Directors for services provided by them in that capacity:

Thousand euro

Miembros No Ejecutivos del Consejo de Administración	Categoría del Consejero	Retribución por pertenencia al Consejo	Retribución por pertenencia a comisiones del Consejo	Retribución por cargos en sociedades del grupo	Total 2024	Total 2023
Josep Oliu Creus	Presidente No Ejecutivo	1,625	—	—	1,625	1,600
Pedro Fontana García	Vicepresidente Independiente	232	158	—	390	342
Anthony Frank Elliott Ball (1)	Consejero Independiente	—	—	—	—	24
Aurora Catá Sala	Consejera Independiente	125	65	—	190	173
Ana Colonques García-Planas (2)	Consejera Independiente	82	41	—	123	—
Luis Deulofeu Fuguet	Consejero Independiente	125	75	30	230	205
María José García Beato	Consejera Otra Externa	125	70	—	195	170
Mireya Giné Torrens	Consejera Independiente	125	77	28	230	195
Laura González Molero	Consejera Independiente	125	70	—	195	145
George Donald Johnston III	Consejero Independiente Coordinador	147	97	—	244	206
David Martínez Guzmán	Consejero Dominical	125	—	—	125	95
José Manuel Martínez Martínez (3)	Consejero Independiente	32	20	—	52	170
Alicia Reyes Revuelta	Consejera Independiente	125	75	—	200	170
Manuel Valls Morató	Consejero Independiente	125	110	—	235	178
Pedro Viñolas Serra (4)	Consejero Independiente	125	80	—	205	90
Total		**3,243**	**938**	**58**	**4,239**	**3,763**

(1) Resigned from his position as Director, effective as from the date of the Ordinary Annual General Meeting of 2023, which took place on 23 March 2023.

(2) On 10 April 2024, the shareholders at the Annual General Meeting approved her appointment as member of the Board of Directors, in the capacity of Independent Director. She accepted the position on 27 May 2024.

(3) Resigned from his position as Director, effective as from the date of the Ordinary Annual General Meeting of 2024, which took place on 10 April 2024.

(4) On 23 March 2023 the shareholders at the Annual General Meeting approved his appointment as a member of the Board of Directors, in the capacity of Independent Director and he accepted the position on 22 June 2023.

Based on the revised remuneration scheme and remuneration amounts of the Board and its Board Committees, and in accordance with the powers conferred by the Banco Sabadell Director Remuneration Policy to the Board of Directors, on 31 January 2024 the Board approved an update to the remuneration amounts envisaged for 2024. That update was described in detail in the 2023 Annual Report on Director Remuneration.

No contributions were made to meet pension commitments for Non-Executive Directors in 2024 and 2023. The amount of funds accumulated in workplace retirement planning schemes for Non-Executive Directors as at 31 December 2024 was 9,168 thousand euros (7,650 thousand euros as at 31 December 2023).

Executive Directors

Details of the remuneration paid to Executive Directors for the years 2024 and 2023 are set out below:

Thousand euro

Miembros ejecutivos del Consejo de Administración	Categoría del Consejero	Componentes fijos		Componentes variables		Aportación a sistemas de previsión social	Total 2024	Total 2023
		Sueldo	Retribución por pertenencia al Consejo	Retribución variable a corto plazo	Retribución variable a largo plazo			
César González-Bueno Mayer	Sabadell Group CEO	1,693	125	1,096	698	301	3,913	3,631
David Vegara Figueras	Executive director	623	125	133	133	110	1,124	1,025
Total		**2,316**	**250**	**1,229**	**831**	**411**	**5,037**	**4,656**

In accordance with the policy in force approved by the shareholders at the Annual General Meeting, the remuneration of Executive Directors for services provided by them in that capacity consists of a fixed remuneration component and a variable remuneration component comprised of two elements:

Variable remuneration

Short-term variable remuneration

The short-term variable remuneration of Executive Directors is determined taking into account the performance in the financial year measured through targets aligned with the risk taken. The Executive Directors have Group targets assigned to them, which include both risk management and control metrics and solvency and capital metrics. They may also have strategic targets with weights assigned to each indicator, and a scale of achievement.

Long-term variable remuneration

The Executive Directors have long-term remuneration, which is granted annually in cycles based on the achievement of annual and multi-year (three-year) targets, with a corresponding reference amount established at the beginning of each cycle. On completion of the first year of the cycle, the remuneration is adjusted during the first quarter of the subsequent year, according to (i) the level of achievement of the short-term variable remuneration targets corresponding to the first cycle, and (ii) any *ex ante* adjustments.

The payment of the adjusted reference amount will depend on the level of achievement of the multi-year targets described in the corresponding Annual Report on Director Remuneration. The amount ultimately paid out will be, at most, the adjusted reference amount, which shall not be increased in any case.

Both short-term and long-term variable remuneration will be subject to the criteria concerning deferral and payment in capital instruments described in the Director Remuneration Policy.

Contributions to workplace retirement planning schemes

The amount of funds accumulated in workplace retirement planning schemes for Executive Directors as at 31 December 2024 was 1,828 thousand euros (1,349 thousand euros as at 31 December 2023).

Remuneration of Senior Management members

Pursuant to applicable regulations, the information set out below includes the remuneration of Senior Management members (excluding members of the Board of Directors) and the Internal Audit Officer. The amounts include the remuneration of members of Senior Management during the period they have held this status.

Thousand euro

	2024	2023
Remuneración total (*) (**)	9,684	9,121
Número de miembros a cierre del ejercicio	10	10

(*) Incluye la remuneración del anterior Director Financiero del grupo, que cesó como Director General con fecha 18 de noviembre de 2024.

(**) Total remuneration as at 2024 year-end includes contributions to workplace retirement planning systems amounting to 1,050 thousand euros (964 thousand euros as at 2023 year-end).

As at the end of 2024 and 2023, no early contract termination payments were made to any member of Senior Management.

The amount of funds accumulated in workplace retirement planning schemes for Senior Management members and for the Internal Audit Officer as at 31 December 2024 was 6,026 thousand euros (4,535 thousand euros as at 31 December 2023).

The members of Senior Management and the Internal Audit Officer of Banco Sabadell as at 31 December 2024, not including Executive Directors on the Board, are the following:

Directores Generales	**Área de responsabilidad**
Marc Armengol Dulcet	Operaciones y Tecnología
Gonzalo Barettino Coloma	Secretaría General
Elena Carrera Crespo	Sostenibilidad y Eficiencia
Cristóbal Paredes Camuñas	Corporate & Investment Banking
Carlos Paz Rubio	Riesgos
Marcos Prat Rojo	Estrategia
Sonia Quibus Rodríguez	Personas
Jorge Rodríguez Maroto	Banca Particulares
Carlos Ventura Santamans	Banca Empresas y Red
Directora General Adjunta - Directora de Auditoría Interna	
Nuria Lázaro Rubio	Auditoría Interna

Details of existing agreements between the company and members of the Board and management staff with regard to severance pay are set out in the Annual Corporate Governance Report, which is included for reference purposes in the consolidated Directors' Report.

At its meeting of 30 November 2023, the Board of Directors appointed Marcos Prat Rojo as a General Manager of Banco Sabadell; he took on the role of Strategy Director, reporting to the Chief Executive Officer, subject to obtaining the European Central Bank's statement of no objection to his suitability and effective as from that time. The Board also approved his inclusion as a member of Banco Sabadell's Management Committee during that same meeting. On 25 March 2024 a statement of no objection to that role was obtained from the European Central Bank.

At its meeting of 30 October 2024, the Board of Directors appointed Sergio Alejandro Palavecino Tomé as Chief Financial Officer and General Manager of Banco Sabadell, subject to obtaining a statement of no objection from the European Central Bank and effective as from that time. The Board also approved his inclusion as a member of Banco Sabadell's Management Committee during that same meeting. On 15 January 2025, a statement of no objection to that role was obtained from the European Central Bank.

As at the end of 2024, internal organisational changes were approved, effective as from 1 January 2025, including the appointment of Marc Armengol Dulcet as Head of Operations and Technology and as Chief Executive Officer of the UK subsidiary, TSB, thus ceasing to be a member of Banco Sabadell's Management Committee.

Other information relating to the Board

In accordance with the provisions of Article 229 of Royal Legislative Decree 1/2010 of 2 July, approving the restated text of the Capital Companies Act in relation to the duty to avoid situations of conflict of interest, and without prejudice to the provisions of Article 529 *vicies et seq.* of the aforesaid Act[7], directors have reported to the company that, during 2024, they or parties related to them, as defined in Article 231 of the Capital Companies Act:

– Have not carried out transactions with the company without taking into account usual operations, performed under standard conditions for customers and whose amount is immaterial, understanding such operations to be those that do not need to be reported to give a true and fair view of the company's equity, financial situation and income, or any operations carried out and considered to be "related party transactions" in accordance with Article 529 *vicies* of the Capital Companies Act, having applied the corresponding approval procedure and reporting requirement, in accordance with Articles 529 *unvicies et seq.* of the aforesaid Capital Companies Act.

– Have not used the name of the company or their position as director to unduly influence the performance of personal transactions.

– Have not made use of corporate assets, including the company's confidential information, for personal purposes.

– Have not taken undue advantage of the company's business opportunities.

[7] Related-party transactions are governed by their own special regime.

- Have not obtained advantages or remuneration from third parties other than the company or its Group in connection with the performance of their duties, with the exception of acts of mere courtesy.

- Have not carried out activities on their own behalf or on behalf of a third party that involve competition with the company, whether on an isolated or potential basis, or that might otherwise place them in permanent conflict with the company's interests.

The Bank has entered into a civil liability insurance policy for 2024 that covers the Institution's directors and senior management staff. The total premium paid was 1,360 thousand euros (1,395 thousand euros in 2023).

Note 42 – Other information

Transactions with significant shareholders

No major transactions with significant shareholders were carried out during 2024 and 2023.

Environmental disclosures

In light of the challenges posed by climate change and in its capacity as a financial institution, Banco Sabadell Group has an important role to play in the transition towards a sustainable economy and in achieving the goals of the Paris Agreement and the UN 2030 Agenda. To that end, Banco Sabadell has an ESG action framework aligned with the Sustainable Development Goals (SDGs), in which climate action (SDG 13) is a priority in its business and in its corporate strategy.

Through its Sustainability Policy and its Environmental and Social Risk Framework, Banco Sabadell steers its activities and organisation in line with ESG parameters. The integration of environmental, social and governance factors is present both in decision-making and when responding to the needs and concerns of all its stakeholders. In the same vein, Banco Sabadell, TSB and Banco Sabadell Mexico have adopted those parameters in their own commitments.

As a financial institution, Banco Sabadell plays an essential role in rebuilding an inclusive and decarbonised economy. This involves mobilising resources, identifying technologies and generating opportunities, as well as incorporating new capabilities and carrying out internal transformation efforts to embed sustainability into all of its agendas. It also manages the risk associated with its customer portfolio, minimising the impact of ESG risks and funding a large portion of the investments needed to honour the Paris Agreement, the European Green Deal and the UN 2030 Agenda.

In this context, and with the goal of continuing to accelerate the economic and social transformations that will contribute to sustainable development, the Bank has been applying ESG factors to its strategy, governance and business model since 2022. It has achieved this through the launch of its ESG framework, Sabadell's Commitment to Sustainability, with specific targets for 2025-2050 across four strategic pillars. These commitments include the alignment of business targets with SDGs and they establish levers for transformation and promotion actions. The main courses of action are the following:

- Progress as a sustainable institution: the Bank focuses on achieving greenhouse gas (GHG) emissions neutrality, on making progress in diversity, on ensuring talent and on continuing to incorporate ESG criteria into its governance arrangements, in addition to collaborating in key partnerships.

- Support customers in the transition to a sustainable economy: to that end, the Institution sets decarbonisation pathways, supports customers in the transition with specialised solutions for renewable energies, energy efficiency and sustainable mobility, and it establishes the Environmental and Social Risk Framework, which contains sectoral rules that limit controversial activities and/or activities with a negative impact on social and environmental development.

- Offer investment opportunities that contribute to sustainability: in the investor ecosystem, the Bank focuses on increasing opportunities for savings and investment that contribute to sustainability, rolling out a wide range of social, ethical, green and sustainability bonds and funds, both its own and those of third parties.

- Work together for a sustainable and cohesive society: in its commitment to society, the Institution believes that it is imperative to take an active role to improve financial education, drive forward inclusion, minimise vulnerabilities and ensure secure transactions and exchanges of information.

The Bank also continues to make progress in the area of sustainable finance through its ESG Activities Plan. This plan acts as an operational tool to ensure compliance with the objectives stemming from new regulations and needs in the regulatory and supervisory environment, impacting on strategy and the business model, governance, risk management and disclosure. Among its main courses of action, which are regularly monitored by the Sustainability Committee, it is worth noting the mobilisation of resources and capabilities in sustainable finance, the progress made with the Sustainable Finance Plan, ensuring disclosure to the market and identifying the mechanisms for sustainable progress in fields such as communication, training and measurement.

All of these actions and goals set out in Sabadell's Commitment to Sustainability define the Bank's ESG roadmap.

Given the activities in which it is engaged, as at 31 December 2024, the Bank does not have any responsibilities, expenses, assets, revenues, provisions or contingencies of an environmental nature that could be deemed significant with respect to its equity, financial position or consolidated results; therefore, no specific disclosures are included in the environmental disclosures document provided for in Order JUS/616/2022 of 30 June, approving the new templates for the submission to the Companies Register of the annual financial statements of institutions required to published them.

For further details, see the Sustainability Report, which is included as part of the consolidated Directors' Report.

Customer Care Service (SAC)

The Customer Care Service (*Servicio de Atención al Cliente*, or SAC) and its head, who is appointed by the Board of Directors, report directly to the Compliance division and are independent of the Bank's business and operational lines. The main function of the SAC is to handle and resolve complaints and claims brought forward by customers and users of the financial services of Banco de Sabadell, S.A. and the entities that adhere to the relevant regulations, where these relate to their interests and legally recognised rights arising from contracts, transparency and customer protection regulations or good financial practices and uses, in accordance with the Banco Sabadell Regulations for the Protection of Customers and Users of Financial Services.

In addition, the SAC can issue recommendations or suggestions derived from the analysis of complaints and claims it receives.

The following entities adhere to the SAC Regulations: Sabadell Asset Management, S.A., S.G.I.I.C. Sociedad Unipersonal, Urquijo Gestión, S.G.I.I.C, S.A. and Sabadell Consumer Finance, S.A.U.

In 2024, Banco Sabadell's Customer Care Service (SAC) received 104,621 complaints and 105,355 complaints were handled during the year, with 1,565 claims and complaints pending analysis as at 31 December 2024.

Details of complaints received by the SAC in 2024, broken down by type of product or service, are provided here below:

	Complaints	**% of total received**
Product		
Loans and credit secured with mortgages	62,557	59.8 %
Loans and credit not secured with collateral	10,172	9.7 %
Demand deposits and payment accounts	21,766	20.8 %
Payment instruments and electronic money	4,649	4.4 %
Other payment services	2,843	2.7 %
Other products/services	1,809	1.7 %
Other products	825	0.8 %
Total	**104,621**	**100 %**

<u>Complaints and claims processed by SAC at first instance</u>

During 2024, the SAC received 99,558 complaints and claims, in accordance with the provisions of Order ECO 734/2004 of 11 March and 100,262 have been processed. Of these, 52,781 complaints and claims were accepted and resolved and 47,481 were refused due to reasons set out in the SAC Regulations.

Of the total number of complaints and claims accepted for processing and resolved by the SAC, 31,919 (60.5%) were resolved in the customer's favour, 20,854 (39.5%) in the Institution's favour and in 8 cases the customer withdrew their complaint.

Of the total number of complaints and claims accepted for processing and resolved by the SAC, 29,676 (56.2%) were processed within a period of 15 working days, 20,789 (39.4%) within a period of less than one month and 2,316 (4.4%) within a period longer than one month.

Complaints and claims managed by the Ombudsman

At Banco Sabadell, the role of Customer Ombudsman is performed by José Luis Gómez-Dégano y Ceballos-Zúñiga. The Ombudsman is responsible for resolving complaints brought forward by the customers and users of Banco de Sabadell, S.A., and those of the other aforementioned entities associated with it, at both first and second instance, and for resolving issues that are passed on by the SAC. The Ombudsman's decisions are binding on the Institution.

In 2024, the SAC received a total of 4,289 complaints and claims via the Customer Ombudsman, of which 4,302 were handled during the year.

With regard to claims and complaints resolved by the Customer Ombudsman, 1,116 were resolved in the customer's favour, 889 were resolved in the Institution's favour, and in 9 cases the customer withdrew their complaint. The Ombudsman rejected 2,259 complaints in accordance with the regulations governing their activity. As at 31 December 2024, 59 complaints were pending submission of allegations and 29 were pending the Ombudsman's ruling.

Complaints and claims managed by the Bank of Spain and the CNMV

Under current legislation, customers or users who are dissatisfied with the response received from the SAC or from the Customer Ombudsman may submit their claims and complaints to the Market Conduct and Complaints Department of the Bank of Spain, to the CNMV, or to the Directorate General for Insurance and Pension Funds, subject to the essential prerequisite of having previously addressed their complaint or claim to the Institution.

The SAC received a total of 774 complaints referred by the Bank of Spain and the CNMV up to 31 December 2024. In 2024, taking into account complaints that remained pending at the end of the previous year, 634 were accepted for processing and resolved.

Note 43 – Subsequent events

No significant events meriting disclosure have occurred since 31 December 2024, other than those described in these notes to the consolidated annual financial statements.

Schedule I – Banco Sabadell Group companies

Banco Sabadell Group companies as at 31 December 2024 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	Porcentaje de participación		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Directa	Indirecta	Capital	Resto de elementos de patrimonio neto	Profit/ (loss)	Dividends paid	Total assets			
Aurica Coinvestments, S.L.	Holding	Barcelona - Spain	—	61.76	50,594	(2,726)	4,715	2,614	52,659	31,247	(15,192)	(1,879)
Banco Atlantico (Bahamas) Bank & Trust Ltd. in Liquidation (*)	Credit institution	Nassau - Bahamas	99.99	0.01	—	142	(142)	—	—	—	—	(142)
Banco de Sabadell, S.A. (**)	Credit institution	Sabadell - España (***)	—	—	680,028	10,619,973	1,505,815	—	184,332,055	—	13,785,066	1,270,615
Banco Sabadell, S.A., Institución de Banca Múltiple	Credit institution	Mexico City - Mexico	99.99	0.01	635,734	(6,956)	39,706	—	5,985,029	673,037	(39,889)	21,207
BanSabadell Factura, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	100.00	—	100	1,425	738	—	2,695	799	727	738
BanSabadell Inversió Desenvolupament, S.A.U.	Holding	Sant Cugat del Valles - Spain	100.00	—	16,975	185,352	5,200	—	211,243	108,828	94,999	5,879
Bansabadell Mediación, Operador De Banca-Seguros Vinculado Del Grupo Banco Sabadell, S.A.	Other regulated companies	Alicante - Spain	—	100.00	301	60	3,468	3,110	41,774	524	(2,404)	3,468
BanSabadell Reassurance, S.A.	Other regulated companies	Luxembourg - Luxembourg	100.00	—	3,600	—	(90)	—	3,580	3,600	—	(90)
Bitarte, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	6,506	(2,048)	94	—	4,441	9,272	(4,755)	94
BStartup 10, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	1,000	4,827	717	—	13,653	1,000	493	(265)
Crisae Private Debt, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	—	100.00	3	489	252	—	882	200	292	252
Desarrollos y Participaciones Inmobiliarias 2006, S.L.U. in Liquidation	Real estate	Elche - Spain	—	100.00	—	—	—	—	1,644	—	—	(2,127)
Duncan Holdings 2022-1 Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	4,523	4,783
Duncan Holdings 2024-1 Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
Ederra, S.A.	Real estate	Sant Cugat del Valles - Spain	97.85	—	2,036	34,012	810	—	36,933	36,062	(541)	833
ESUS Energía Renovable, S.L.	Production of electricity	Vigo - Spain	—	100.00	8,000	4,182	(685)	—	43,918	13,115	(1,598)	(1,235)
Fonomed Gestión Telefónica Mediterráneo, S.A.U.	Other ancillary activities	Alicante - Spain	100.00	—	1,232	21,084	459	—	23,355	19,271	2,773	524
Gazteluberri, S.L.	Real estate	Sant Cugat del Valles - Spain	—	100.00	53	(20,875)	(686)	—	1,802	23,891	(44,712)	(686)
Gest 21 Inmobiliaria, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	7,810	1,164	(8)	—	8,976	80,516	(46,665)	(8)
Gestión Financiera del Mediterráneo, S.A.U.	Other financial services	Alicante - Spain	100.00	—	13,000	2,600	4,373	6,052	20,087	66,787	(48,083)	1,182
Gier Operations 2021, S.L.U. in Liquidation (****)	Other ancillary activities	Andorra - Andorra	100.00	—	—	16	(16)	—	—	—	—	(16)
Guipuzcoano Promoción Empresarial, S.L.	Holding	Sant Cugat del Valles - Spain	—	100.00	53	(77,366)	(2,982)	—	5,159	7,160	(84,474)	(2,982)
Hobalear, S.A.U.	Real estate	Sant Cugat del Valles - Spain	—	100.00	60	85	2	—	148	414	85	2
Hondarriberri, S.L.	Holding	Sant Cugat del Valles - Spain	99.99	0.01	41	9,052	599	—	19,068	165,669	93,672	4,304
Hotel Management 6 Gestión Activa, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	135,730	28,082	(997)	—	162,816	136,335	27,476	(531)
Interstate Property Holdings, LLC.	Holding	Miami - United States	100.00	—	7,293	(525)	252	—	7,150	3,804	8,111	252
Inverán Gestión, S.L. in Liquidation	Real estate	Sant Cugat del Valles - Spain	44.83	55.17	90	(96)	(8)	—	42	45,090	(45,096)	(8)
Inversiones Cotizadas del Mediterráneo, S.L.	Holding	Alicante - Spain	100.00	—	308,000	214,897	8,184	—	988,722	589,523	(66,490)	8,184
Manston Invest, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	33,357	(13,783)	(68)	—	19,794	33,357	(13,783)	(68)
Mariñamendi, S.L.	Real estate	Sant Cugat del Valles - Spain	—	100.00	62	(11,640)	(34)	—	3,842	109,529	(121,108)	(34)
Mediterráneo Sabadell, S.L.	Holding	Alicante - Spain	50.00	50.00	85,000	17,696	254	—	103,063	510,829	(408,133)	254
Paycomet, S.L.U.	Payment institution	Torrelodones - Spain	100.00	—	200	90,604	7,941	—	145,748	103,104	22,983	5,047
Puerto Pacific Vallarta, S.A. de C.V.	Real estate	Mexico City - Mexico	—	100.00	28,947	(16,624)	(44)	—	12,279	29,164	(12,338)	(44)

Banco Sabadell Group companies as at 31 December 2024 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	Porcentaje de participación		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Directa	Indirecta	Capital	Resto de elementos de patrimonio neto	Profit/ (loss)	Dividends paid	Total assets			
Ripollet Gestión, S.L.U.	Other financial services	Sant Cugat del Valles - Spain	100.00	—	20	28	433	—	609,611	593	(546)	433
Rubí Gestión, S.L.U.	Other financial services	Sant Cugat del Valles - Spain	100.00	—	3	8	(11)	—	518,988	53	(42)	(11)
Sabadell Consumer Finance, S.A.U.	Credit institution	Sabadell - Spain	100.00	—	35,720	100,419	2,349	—	2,454,394	72,232	68,829	2,349
Sabadell Information Systems Limited	Provision of technology services	London - United Kingdom	—	100.00	12,036	23,479	362	—	36,179	41,296	(7,743)	289
Sabadell Digital, S.A.U.	Provision of technology services	Sabadell - Spain	100.00	—	40,243	190,801	99,391	—	1,541,892	269,695	(43,832)	86,391
Sabadell Innovation Capital, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	1,000	39,996	7	—	42,616	1,000	(8,598)	7
Sabadell Patrimonio Inmobiliario, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	30,116	789,225	(2,714)	—	817,652	863,895	(44,554)	(2,714)
Sabadell Real Estate Activos, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	100,060	234,017	(25)	—	334,336	500,622	(166,545)	(25)
Sabadell Real Estate Development, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	15,807	131,841	(14,053)	—	822,125	4,748,442	(4,585,579)	(12,055)
Sabadell Real Estate Housing, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	2,073	682	(12)	—	4,902	23,792	(21,038)	(12)
Sabadell Securities USA, Inc.	Other financial services	Miami - United States	100.00	—	551	7,405	911	—	9,123	551	6,378	911
Sabadell Strategic Consulting, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	100.00	—	3	890	259	—	2,186	3	890	259
Sabadell Venture Capital, S. L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	3	24,564	(1,378)	—	80,562	3	11,595	1,182
Sabcapital, S.A de C.V., SOFOM, E.R.	Other financial corporations	Mexico City - Mexico	49.00	51.00	127,864	62,548	34,259	—	1,205,596	121,781	66,835	34,282
Sinia Capital, S.A. de C.V.	Holding	Mexico City - Mexico	—	100.00	20,830	2,041	4,284	—	50,342	19,492	2,811	3,785
Sinia Renovables, S.A.U.	Trusts, funds and similar financial entities	Sant Cugat del Valles - Spain	100.00	—	15,000	12,663	1,827	—	208,328	15,000	11,731	1,790
Sogeviso Servicios Gestión Vivienda Innovación Social, S.L.U.	Real estate	Alicante - Spain	100.00	—	3	10,208	(217)	—	11,112	3	11,102	484
Stonington Spain, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	60,729	(11,945)	(57)	—	49,119	60,729	(11,945)	(57)
Tasaciones de Bienes Mediterráneo, S.A. in Liquidation	Other ancillary activities	Alicante - Spain	99.88	0.12	1,000	1,504	(1)	—	2,552	5,266	(2,763)	—
Tenedora de Inversiones y Participaciones, S.L.	Holding	Alicante - Spain	100.00	—	296,092	(148,006)	(42,923)	—	288,605	2,995,977	(2,868,514)	(20,172)
TSB Bank PLC	Credit institution	Edinburgh - United Kingdom	—	100.00	90,710	2,213,207	236,132	354,477	55,535,233	2,110,033	428,595	245,345
TSB Banking Group PLC	Holding	London - United Kingdom	100.00	—	7,028	2,224,146	359,284	140,097	4,045,597	2,527,195	(269,497)	1,096
TSB Banking Group plc Employee Share Trust	Other ancillary activities	Saint Helier - Jersey	—	100.00	1	(18,182)	84	—	321	—	(16,904)	2
TSB Covered Bonds (Holdings) Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds (LM) Limited	Other ancillary activities	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds LLP	Trusts, funds and similar financial entities	London - United Kingdom	—	100.00	1	8,263	(99)	—	8,216	—	24	(99)
Urquijo Gestión, S.A.U., S.G.I.I.C.	Fund management activities	Madrid - Spain	100.00	—	3,606	3,322	6,339	—	18,610	3,084	3,844	6,339
VeA Rental Homes, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	5,000	(451)	(129)	—	10,974	24,000	(19,451)	(131)
Venture Debt SVC, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	3	—	—	—	5,059	3	—	—
Total								**506,350**		**17,206,867**	**5,631,022**	**1,667,171**

(*) Formerly Banco Atlantico (Bahamas) Bank & Trust Ltd.

(**) The amount reported in “Contribution to reserves or losses in consolidated companies” and in “Contribution to Group consolidated profit/(loss)” includes contributions by companies that were removed from the scope during 2024 of 0 thousand euros and -465 thousand euros, respectively.

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

(****) Formerly Gier Operations 2021, S.L.U.

Banco Sabadell Group companies as at 31 December 2024 accounted for using the equity method (*)

Thousand euro

Company name	Line of business	Registered office	Porcentaje de participación		Company data (a)					Group investment	Contribution to reserves or losses in consolidated companies (d)	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/(loss) (b)	Dividends paid (c)	Total assets			
Aurica III, Fondo de Capital Riesgo	Trusts, funds and similar financial entities	Barcelona - Spain	—	47.50	51,130	2,023	1,411	—	54,729	24,318	6,243	9,072
Aurica IIIB, S.C.R., S.A.	Trusts, funds and similar financial entities	Barcelona - Spain	—	42.85	1,382	34,409	947	—	36,849	12,520	6,070	5,513
BanSabadell Pensiones, E.G.F.P., S.A.	Other regulated companies	Madrid - Spain	50.00	—	7,813	38,281	6,357	—	56,190	40,378	(17,243)	3,179
BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	10,000	71,591	35,047	20,450	313,846	34,000	7,412	18,291
BanSabadell Vida, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	43,858	386,624	125,236	73,550	9,864,395	27,106	105,185	114,721
Catalana de Biogás Iberia, S.L.	Production of electricity	Barcelona - Spain	—	24.90	10	(864)	1	—	1	2	(2)	—
Conecta2 Generación Renovable II, S.L.U.	Other power generation	Sant Cugat del Valles - Spain	—	49.00	2,961	—	—	—	13,521	1,451	—	—
Doctor Energy Central Services, S.L.	Business and other management consultancy activities	Granollers - Spain	—	21.61	381	(36)	(119)	—	1,356	116	(69)	2
Energíes Renovables Terra Ferma, S.L.	Production of electricity	Barcelona - Spain	—	50.00	6	(85)	9	—	3,537	3	(3)	—
Enerlan Solutions, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	147	10	—	753	274	(238)	(6)
Financiera Iberoamericana, S.A.	Other financial corporations	Havana - Cuba	50.00	—	38,288	18,527	9,378	3,405	113,215	19,144	4,709	4,086
Flex Equipos de Descanso, S.A.	Manufacturing	Getafe - Spain	—	19.16	66,071	39,803	5,383	4,791	355,893	50,930	35,329	4,791
Ingubide, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	3	57	—	351	152	(117)	(23)
Murcia Emprende, S.C.R. de R.S., S.A.	Other financial services	Murcia - Spain	28.70	—	2,557	939	(375)	—	3,165	2,026	(1,083)	(47)
Parque Eólico Casa Vieja S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Parque Eólico Villaumbrales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	763	267	(15)	—
Parque Eólico Perales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Parque Eólico Los Pedrejones S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Portic Barcelona, S.A.	Data processing, hosting and related activities	Barcelona - Spain	25.81	—	291	1,887	(203)	—	2,236	5	552	(47)
SBD Creixent, S.A.	Real estate	Sabadell - Spain	23.05	—	5,965	(336)	318	—	6,099	3,524	(2,296)	142
Sydinia, S.L.	Production of electricity	Albacete - Spain	—	50.00	562	(120)	1	—	1	281	(20)	(40)
Total								**102,196**		**217,298**	**144,369**	**159,634**

(*) Companies accounted for using the equity method as the Group does not have control over them but does have significant influence.

(a) Figures for foreign companies translated to euros at the historical exchange rate; amounts in the consolidated income statement translated at the average exchange rate.

(b) Results pending approval by the shareholders and partners at the Annual General Meeting.

(c) Includes supplementary dividends from previous year and interim dividends paid to the Group.

(d) The heading "Reserves or accumulated losses of investments in joint ventures and associates" on the consolidated balance sheet as at 31 December 2024 also includes -65,353 thousand euros corresponding to Promontoria Challenger I, S.A., an entity classified as a non-current asset held for sale.

The balance of total revenue from associates consolidated by the equity method and individually considered to be non-material amounts to 594,396 thousand euros as at 31 December 2024. The balance of liabilities as at the end of 2024 amounts to 515,474 thousand euros. The key figures as at 2024 year-end for BanSabadell Vida, S.A. are included in Note 14 of the consolidated annual financial statements.

Changes in the scope of consolidation in 2024

Additions to the scope of consolidation:

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Fair value of equity instruments issued for the acquisition		% Voting rights acquired	% Total voting rights	Type of shareholding	Method	Reason
			Acquisition cost	Fair value of equity instruments issued for the acquisition					
BanSabadell Reassurance, S.A.	Group	15/4/2024	3,600	—	100.00 %	100.00 %	Direct	Full consolidation	a
Conecta2 Generación Renovable II, S.L.U.	Associate	1/8/2024	1,451	—	49.00 %	49.00 %	Indirect	Equity method	b
Duncan Holdings 2024-1 Limited	Group	7/2/2024	—	—	100.00 %	100.00 %	Indirect	Full consolidation	a
Total newly consolidated subsidiaries			**—**						
Total newly consolidated associates			**1,451**						

(a) Incorporation of subsidiaries.

(b) Added due to acquisition of shares.

Exclusions from the scope of consolidation:

Thousand euro

Name of entity (or line of business) sold, spun off or otherwise disposed of	Category	Effective date of the transaction	% Voting rights disposed of	% Total voting rights following disposal	Profit/(loss) generated	Type of shareholding	Method	Reason
Plaxic Estelar, S.L.	Associate	3/4/2024	45.01 %	— %	—	Indirect	Equity method	a
Hotel Management 6 Holdco, S.L.U.	Associate	23/12/2024	100.00 %	— %	(25)	Indirect	Equity method	a
Others					1,471			
Total					**1,446**			

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

Banco Sabadell Group companies as at 31 December 2023 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	Porcentaje de participación		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Directa	Indirecta	Capital	Resto de elementos de patrimonio neto	Profit/ (loss)	Dividends paid	Total assets			
Aurica Coinvestments, S.L.	Holding	Barcelona - Spain	—	61.76	50,594	(3,205)	4,712	2,614	52,175	50,594	(15,793)	(1,577)
Banco Atlantico (Bahamas) Bank & Trust Ltd.	Credit institution	Nassau - Bahamas	99.99	0.01	1,598	712	(90)	—	2,952	2,439	(435)	(90)
Banco de Sabadell, S.A. (*)	Credit institution	Alicante - Spain	—	—	680,028	10,247,219	1,088,014	—	179,945,913	—	12,961,312	1,020,744
Banco Sabadell, S.A., Institución de Banca Múltiple	Credit institution	Mexico City - Mexico	99.99	0.01	635,734	65,095	25,755	—	5,721,555	725,419	(42,119)	2,197
BanSabadell Factura, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	100.00	—	100	812	613	—	1,828	799	114	613
BanSabadell Inversió Desenvolupament, S.A.U.	Holding	Sant Cugat del Valles - Spain	100.00	—	16,975	165,564	21,193	—	205,074	108,828	84,911	6,827
Bansabadell Mediación, Operador de Banca-Seguros Vinculado del Grupo Banco Sabadell, S.A.	Other regulated companies	Alicante - Spain	—	100.00	301	60	3,110	8,393	38,485	524	(3,552)	4,259
Bitarte, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	6,506	(2,288)	240	—	4,640	9,272	(4,582)	(173)
BStartup 10, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	1,000	4,495	509	—	12,761	1,000	(374)	(185)
Crisae Private Debt, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	—	100.00	3	286	203	—	607	200	88	204
Desarrollos y Participaciones Inmobiliarias 2006, S.L.U. in Liquidation	Real estate	Elche - Spain	—	100.00	1,942	(89,871)	(209)	—	42	1,919	(89,848)	(209)
Duncan Holdings 2022-1 Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	5,993	(1,469)
Ederra, S.A.	Real estate	Sant Cugat del Valles - Spain	97.85	—	2,036	34,452	(461)	—	36,486	36,062	(38)	(503)
ESUS Energía Renovable, S.L.	Production of electricity	Vigo - Spain	—	90.00	50	(1,522)	(313)	—	18,476	45	(1,666)	(584)
Fonomed Gestión Telefónica Mediterráneo, S.A.U.	Other ancillary activities	Alicante - Spain	100.00	—	1,232	20,652	382	—	25,479	19,271	3,477	2,068
Gazteluberri, S.L.	Real estate	Sant Cugat del Valles - Spain	—	100.00	53	(20,795)	(79)	—	1,795	23,891	(44,634)	(79)
Gest 21 Inmobiliaria, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	7,810	1,140	24	—	8,995	80,516	(46,689)	24
Gestión Financiera del Mediterráneo, S.A.U.	Other financial services	Alicante - Spain	100.00	—	13,000	2,596	6,046	9,531	21,818	66,787	(42,846)	(2,296)
Gier Operations 2021, S.L.U.	Other ancillary activities	Andorra - Andorra	100.00	—	730	(9)	(9)	—	712	730	(9)	(9)
Guipuzcoano Promoción Empresarial, S.L.	Holding	Sant Cugat del Valles - Spain	—	100.00	53	(77,109)	(258)	—	5,264	7,160	(84,207)	(258)
Hobalear, S.A.U.	Real estate	Sant Cugat del Valles - Spain	—	100.00	60	79	6	—	146	414	79	6
Hondarriberri, S.L.	Holding	Sant Cugat del Valles - Spain	99.99	0.01	41	8,991	61	—	10,100	165,669	93,348	324
Hotel Management 6 Gestión Activa, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	135,730	28,210	(129)	—	163,812	136,335	50,295	45
Hotel Management 6 Holdco, S.L.U.	Real estate	Sant Cugat del Valles - Spain	—	100.00	29,074	(24,148)	(178)	—	61,401	27,611	(22,685)	(178)
Interstate Property Holdings, LLC.	Holding	Miami - United States	100.00	—	7,293	(1,152)	211	—	6,439	3,804	7,900	211
Inverán Gestión, S.L. in Liquidation	Real estate	Sant Cugat del Valles - Spain	44.83	55.17	90	(96)	—	—	50	45,090	(45,096)	—
Inversiones Cotizadas del Mediterráneo, S.L.	Holding	Alicante - Spain	100.00	—	308,000	207,830	6,564	—	1,008,718	589,523	(73,054)	6,564
Manston Invest, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	33,357	(13,688)	(95)	—	19,921	33,357	(13,689)	(95)
Mariñamendi, S.L.	Real estate	Sant Cugat del Valles - Spain	—	100.00	62	(11,598)	(43)	—	3,821	109,529	(121,065)	(43)
Mediterráneo Sabadell, S.L.	Holding	Alicante - Spain	50.00	50.00	85,000	16,567	1,085	—	103,121	510,829	(409,218)	1,085
Paycomet, S.L.U.	Payment institution	Torrelodones - Spain	100.00	—	200	(19,658)	21,981	—	88,170	80,622	1,021	21,962
Puerto Pacific Vallarta, S.A. de C.V.	Real estate	Mexico City - Mexico	—	100.00	28,947	(14,693)	(74)	—	14,180	29,164	(12,264)	(74)

Banco Sabadell Group companies as at 31 December 2023 consolidated by the full consolidation method

Thousand euro

Company name	Line of business	Registered office	Porcentaje de participación		Company data					Group investment	Contribution to reserves or losses in consolidated companies	Contribution to Group consolidated profit/(loss)
			Directa	**Indirecta**	**Capital**	**Resto de elementos de patrimonio neto**	**Profit/ (loss)**	**Dividends paid**	**Total assets**			
Ripollet Gestión, S.L.U.	Other financial services	Sant Cugat del Valles - Spain	100.00	—	20	396	(369)	—	625,387	593	(177)	(369)
Rubí Gestión, S.L.U.	Other financial services	Sant Cugat del Valles - Spain	100.00	—	3	14	(6)	—	295,504	53	(36)	(6)
Sabadell Consumer Finance, S.A.U.	Credit institution	Sabadell - Spain	100.00	—	35,720	95,237	5,182	—	2,139,044	72,232	63,647	5,182
Sabadell Information Systems Limited	Provision of technology services	London - United Kingdom	—	100.00	12,036	21,507	422	—	34,469	41,296	(8,160)	422
Sabadell Digital, S.A.U.	Provision of technology services	Sabadell - Spain	100.00	—	40,243	236,148	(45,105)	—	1,473,772	269,695	1,434	(49,813)
Sabadell Innovation Capital, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	1,000	8,552	31,752	—	43,824	1,000	(7,607)	(991)
Sabadell Patrimonio Inmobiliario, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	30,116	795,014	(5,789)	—	821,973	863,895	(38,820)	(5,734)
Sabadell Real Estate Activos, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	100,060	234,014	3	—	334,918	500,622	(166,548)	3
Sabadell Real Estate Development, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	15,807	137,336	(5,495)	—	1,036,087	4,748,442	(4,573,410)	(8,263)
Sabadell Real Estate Housing, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	2,073	662	20	—	4,786	23,792	(21,058)	20
Sabadell Securities USA, Inc.	Other financial services	Miami - United States	100.00	—	551	6,197	694	—	7,601	551	5,692	686
Sabadell Strategic Consulting, S.L.U.	Other ancillary activities	Sant Cugat del Valles - Spain	100.00	—	3	664	226	—	1,625	3	664	226
Sabadell Venture Capital, S. L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	3	14,160	2,818	—	72,709	3	9,552	1,075
Sabcapital, S.A de C.V., SOFOM, E.R.	Other financial corporations	Mexico City - Mexico	49.00	51.00	127,864	49,577	44,928	51,527	1,420,571	126,007	25,073	41,762
Sinia Capital, S.A. de C.V.	Holding	Mexico City - Mexico	—	100.00	20,830	15,320	(6,405)	—	58,881	22,435	(4,160)	9,721
Sinia Renovables, S.A.U.	Trusts, funds and similar financial entities	Sant Cugat del Valles - Spain	100.00	—	15,000	2,055	9,591	—	176,162	15,000	4,449	8,047
Sogeviso Servicios Gestión Vivienda Innovación Social, S.L.U.	Real estate	Alicante - Spain	100.00	—	3	10,078	248	—	11,960	3	11,659	(439)
Stonington Spain, S.L.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	60,729	(11,826)	(119)	—	49,277	60,729	(11,826)	(119)
Tasaciones de Bienes Mediterráneo, S.A. in Liquidation	Other ancillary activities	Alicante - Spain	99.88	0.12	1,000	1,417	87	—	2,507	5,266	(2,850)	87
Tenedora de Inversiones y Participaciones, S.L.	Holding	Alicante - Spain	100.00	—	296,092	(129,129)	(38,776)	—	232,643	2,975,977	(2,739,862)	(38,596)
TSB Bank PLC	Credit institution	Edinburgh - United Kingdom	—	100.00	90,710	1,945,133	196,655	137,839	54,786,747	1,814,636	351,887	212,331
TSB Banking Group PLC	Holding	London - United Kingdom	100.00	—	7,028	1,826,060	138,687	56,749	3,358,703	2,207,741	(245,481)	(21,409)
TSB Banking Group plc Employee Share Trust	Other ancillary activities	Saint Helier - Jersey	—	100.00	1	(15,404)	(25)	—	286	—	(14,787)	1
TSB Covered Bonds (Holdings) Limited	Holding	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds (LM) Limited	Other ancillary activities	London - United Kingdom	—	100.00	1	—	—	—	1	—	—	—
TSB Covered Bonds LLP	Trusts, funds and similar financial entities	London - United Kingdom	—	100.00	1	20	3	—	72	—	21	3
Urquijo Gestión, S.A.U., S.G.I.I.C.	Fund management activities	Madrid - Spain	100.00	—	3,606	4,858	(1,536)	1,257	8,573	3,084	5,380	(1,536)
VeA Rental Homes, S.A.U.	Real estate	Sant Cugat del Valles - Spain	100.00	—	5,000	(222)	(2,229)	—	13,131	22,000	(17,222)	(2,229)
Venture Debt SVC, S.L.U.	Holding	Sant Cugat del Valles - Spain	—	100.00	3	—	—	—	5,251	3	—	—
Total								**267,910**		**16,642,461**	**4,762,129**	**1,209,373**

(*) The amount reported in “Contribution to reserves or losses in consolidated companies” and in “Contribution to Group consolidated profit/(loss)” includes contributions by companies that were removed from the scope during 2023 of -14 thousand euros and -2,590 thousand euros, respectively.

Banco Sabadell Group companies as at 31 December 2023 accounted for using the equity method (*)

Thousand euro

Company name	Line of business	Registered office	Porcentaje de participación		Company data (a)					Group investment	Contribution to reserves or losses in consolidated companies (d)	Contribution to Group consolidated profit/(loss)
			Direct	Indirect	Capital	Other equity	Profit/(loss) (b)	Dividends paid (c)	Total assets			
Aurica III, Fondo de Capital Riesgo	Trusts, funds and similar financial entities	Barcelona - Spain	—	47.50	51,130	81,088	1,306	6,290	64,340	24,318	2,115	4,128
Aurica IIIB, S.C.R., S.A.	Trusts, funds and similar financial entities	Barcelona - Spain	—	42.85	34,557	79,139	908	1,518	43,386	12,520	3,562	2,507
BanSabadell Pensiones, E.G.F.P., S.A.	Other regulated companies	Madrid - Spain	50.00	—	7,813	34,412	3,343	—	49,106	40,378	(18,915)	1,672
BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	10,000	85,856	28,211	11,000	312,609	34,000	16,997	10,866
BanSabadell Vida, S.A. de Seguros y Reaseguros	Other regulated companies	Madrid - Spain	50.00	—	43,858	241,380	118,491	—	9,556,627	27,106	82,370	96,365
Catalana de Biogás Iberia, S.L.	Production of electricity	Barcelona - Spain	—	24.90	10	(373)	1	—	1	2	—	(2)
Doctor Energy Central Services, S.L.	Business and other management consultancy activities	Granollers - Spain	—	16.66	300	(100)	(166)	—	1,276	75	(50)	(19)
Energíes Renovables Terra Ferma, S.L.	Production of electricity	Barcelona - Spain	—	50.00	6	(73)	(15)	—	3,236	3	(3)	—
Enerlan Solutions, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	142	80	—	559	274	—	—
Financiera Iberoamericana, S.A.	Other financial corporations	Havana - Cuba	50.00	—	38,288	13,539	9,441	2,753	104,156	19,144	3,825	4,289
Flex Equipos de Descanso, S.A.	Manufacturing	Getafe - Spain	—	19.16	66,071	58,387	6,186	4,791	365,595	50,930	36,123	3,997
Ingubide, S.L.	Production of electricity	Leioa - Spain	—	19.00	3	43	139	—	520	152	—	—
Murcia Emprende, S.C.R. de R.S., S.A.	Other financial services	Murcia - Spain	28.70	—	2,557	910	(182)	—	3,340	2,026	(910)	(173)
SBD Creixent, S.A.	Real estate	Sabadell - Spain	23.05	—	5,965	(891)	256	—	6,030	3,524	(2,299)	4
Sydinia, S.L.	Production of electricity	Albacete - Spain	—	50.00	226	(40)	1	—	1	113	—	(20)
Parque Eólico Casa Vieja S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Parque Eólico Villaumbrales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	832	267	(15)	—
Parque Eólico Perales S. L.	Production of electricity	Ponferrada - Spain	—	50.00	3	500	—	—	633	267	(15)	—
Total								**26,352**		**219,544**	**120,189**	**122,808**

(*) Companies accounted for using the equity method as the Group does not have control over them but does have significant influence.

(a) Figures for foreign companies translated to euros at the historical exchange rate; amounts in the consolidated income statement translated at the average exchange rate.

(b) Results pending approval by Annual General Meeting of Shareholders and Partners.

(c) Includes supplementary dividends from previous year and interim dividends paid to Group.

(d) The heading "Reserves or accumulated losses of investments in joint ventures and associates" on the consolidated balance sheet as at 31 December 2023 also includes -65,353 thousand euros corresponding to Promontoria Challenger I, S.A., an entity classified as a non-current asset held for sale.

The balance of total revenue from associates consolidated by the equity method and individually considered to be non-material amounted to 621,313 thousand euros as at 31 December 2023. The balance of liabilities as at the end of 2023 amounted to 540,899 thousand euros.

Changes in the scope of consolidation in 2023

Additions to the scope of consolidation:

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Fair value of equity instruments issued for the acquisition		% Voting rights acquired	% Total voting rights	Type of shareholding	Method	Reason
			Acquisition cost	Fair value of equity instruments issued for the acquisition					
Sydinia, S.L.	Associate	20/07/2023	113	—	50.00 %	50.00 %	Indirect	Equity method	a
Enerlan Solutions, S.L.	Associate	21/11/2023	274	—	19.00 %	19.00 %	Indirect	Equity method	a
Ingubide, S.L.	Associate	21/11/2023	152	—	19.00 %	19.00 %	Indirect	Equity method	a
Total newly consolidated subsidiaries			**—**						
Total newly consolidated associates			**539**						

(a) Acquisition of associates.

Exclusions from the scope of consolidation:

Thousand euro

Name of entity (or line of business) sold, spun off or otherwise disposed of	Category	Effective date of the transaction	% Voting rights disposed of	% Total voting rights following disposal	Profit/(loss) generated	Type of shareholding	Method	Reason
BanSabadell Financiación, E.F.C., S.A.	Subsidiary	10/10/2023	100.00 %	— %	—	Direct	Full consolidation	b
Business Services for Operational Support, S.A.U.	Subsidiary	19/01/2023	100.00 %	— %	43	Direct	Full consolidation	a
Duncan de Inversiones S.I.C.A.V., S.A. in Liquidation	Subsidiary	11/1/2023	99.81 %	— %	—	Direct	Full consolidation	a
Galeban 21 Comercial, S.L	Subsidiary	18/10/2023	100.00 %	— %	64	Direct	Full consolidation	a
Sabadell Innovation Cells, S.L.U.	Subsidiary	28/9/2023	100.00 %	— %	121	Direct	Full consolidation	a
Compañía de Cogeneración del Caribe Dominicana, S.A.	Subsidiary	15/2/2023	100.00 %	— %	312	Indirect	Full consolidation	a
Fuerza Eólica De San Matías, S. de R.L. de C.V.	Subsidiary	15/12/2023	100.00 %	— %	11,892	Indirect	Full consolidation	c
Urumea Gestión, S.L. in Liquidation	Subsidiary	28/12/2023	100.00 %	— %	—	Indirect	Full consolidation	a
Other					(4,237)			
Total					**8,195**			

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

(b) Removed from the scope due to merger by absorption.

(c) Removed from the scope due to sale.

Schedule II – Structured entities - Securitisation funds

Thousand euro

Year	Securitisation funds fully retained on the balance sheet	Entity	Total securitised assets as at 31/12/2024	Of which: issued via mortgage transfer certificates (*)	Of which: issued via mortgage participations (*)
2005	TDA CAM 4 F.T.A	Banco CAM	64,892	10,953	53,424
2005	TDA CAM 5 F.T.A	Banco CAM	198,195	58,922	137,948
2006	TDA 26-MIXTO, F.T.A	Banco Guipuzcoano	30,194	1,117	28,679
2006	TDA CAM 6 F.T.A	Banco CAM	147,381	63,663	82,169
2006	FTPYME TDA CAM 4 F.T.A	Banco CAM	44,490	33,330	—
2006	TDA CAM 7 F.T.A	Banco CAM	234,596	100,713	131,966
2006	CAIXA PENEDES 1 TDA, F.T.A.	BMN- Penedés	79,610	17,333	62,188
2007	TDA 29, F.T.A	Banco Guipuzcoano	44,684	4,732	39,184
2007	TDA CAM 8 F.T.A	Banco CAM	206,549	55,848	148,870
2007	TDA CAM 9 F.T.A	Banco CAM	223,480	84,327	138,187
2007	CAIXA PENEDES PYMES 1 TDA, FTA	BMN- Penedés	12,895	11,775	—
2008	CAIXA PENEDES FTGENCAT 1 TDA, F.T.A.	BMN- Penedés	22,861	22,353	—
2009	ICO-FTVPO 1, F.T.H (CP)	BMN- Penedés	395	—	395
2017	TDA SABADELL RMBS 4, F.T	Banco Sabadell	2,985,630	2,983,837	—
2022	SABADELL CONSUMO 2, F.T.	Banco Sabadell	288,683	—	—
2022	DUNCAN FUNDING 2022 PLC	TSB	1,506,725	—	—
2023	SABADELL CONSUMER FINANCE AUTOS 1, F.T.	Sabadell Consumer Finance	375,333	—	—
2024	DUNCAN FUNDING 2024-1 PLC	TSB	655,458	—	—
2024	SABADELL CONSUMO 3, F.T.	Banco Sabadell	686,917	—	—
Total			**7,808,968**	**3,448,903**	**823,010**

(*) Corresponds to the allocation at source of loans when mortgage transfer certificates and mortgage participations were issued.

Thousand euro

Year	Securitisation funds fully derecognised from the balance sheet	Entity	Total securitised assets as at 31/12/2024	Of which: issued via mortgage transfer certificates (*)	Of which: issued via mortgage participations (**)
2006	TDA 25, FTA	Banco Gallego	—	—	—
2010	FONDO PRIVADO PYMES 1	Banco CAM	211,907	88,345	23,817
2019	SABADELL CONSUMO 1, FT	Banco Sabadell	75,745	—	—
Total			**287,652**	**88,345**	**23,817**

(**) Corresponds to the allocation at source of loans when mortgage transfer certificates and mortgage participations were issued.

Schedule III – Details of outstanding issues and subordinated liabilities of the Group

Debt securities issued

The breakdown of the Group's issues as at 31 December 2024 and 2023 is as follows:

Thousand euro

Issuer	Fecha de emisión	Amount		Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023				
Banco de Sabadell, S.A.	16/03/2018	6,000	6,000	MAX(EURIBOR 3M; 0.67%)	17/03/2025	Euro	Retail
Banco de Sabadell, S.A.	07/09/2018	—	750,000	1.63%	07/03/2024	Euro	Institutional
Banco de Sabadell, S.A.	14/11/2018	2,500	2,500	MAX(EURIBOR 3M; 1.5%)	14/11/2025	Euro	Retail
Banco de Sabadell, S.A.	10/05/2019	—	419,600	1.75%	10/05/2024	Euro	Institutional
Banco de Sabadell, S.A.	22/07/2019	1,000,000	1,000,000	0.88%	22/07/2025	Euro	Institutional
Banco de Sabadell, S.A.	27/09/2019	500,000	500,000	1.13%	27/03/2025	Euro	Institutional
Banco de Sabadell, S.A. (*)	07/11/2019	—	500,000	0.63%	07/11/2024	Euro	Institutional
Banco de Sabadell, S.A. (*)	11/09/2020	500,000	500,000	1.13%	11/03/2026	Euro	Institutional
Banco de Sabadell, S.A. (*)	16/06/2021	500,000	500,000	0.88%	16/06/2027	Euro	Institutional
Banco de Sabadell, S.A.	29/11/2021	67,000	67,000	MAX(EURIBOR 12M; 0.77%)	30/11/2026	Euro	Institutional
Banco de Sabadell, S.A. (*)	24/03/2022	750,000	750,000	2.63%	24/03/2025	Euro	Institutional
Banco de Sabadell, S.A.	30/03/2022	120,000	120,000	3.15%	30/03/2037	Euro	Institutional
TSB Banking Group Plc (*) (**)	13/06/2022	542,705	517,807	SONIA + 2.45%	13/06/2026	Pounds sterling	Institutional
Banco de Sabadell, S.A. (*)	08/09/2022	500,000	500,000	5.38%	08/09/2025	Euro	Institutional
Banco de Sabadell, S.A.	02/11/2022	750,000	750,000	5.13%	10/11/2027	Euro	Institutional
Banco de Sabadell, S.A. (*)	23/11/2022	75,000	75,000	5.50%	23/11/2031	Euro	Institutional
TSB Banking Group Plc (*)(**)	09/12/2022	301,503	287,670	SONIA + 3.40%	09/12/2025	Pounds sterling	Institutional
Banco de Sabadell, S.A. (*)	07/02/2023	750,000	750,000	5.25%	07/02/2028	Euro	Institutional
Banco de Sabadell, S.A. (*)	07/06/2023	750,000	750,000	5.00%	07/06/2028	Euro	Institutional
Banco de Sabadell, S.A. (*)	08/09/2023	750,000	750,000	5.50%	08/09/2028	Euro	Institutional
TSB Banking Group Plc (*)(**)	05/12/2023	241,202	230,136	SONIA + 3,28%	05/12/2027	Pounds sterling	Institutional
Banco de Sabadell, S.A. (*)	15/01/2024	750,000	—	4.00%	15/01/2029	Euro	Institutional
Banco de Sabadell, S.A. (*)	13/03/2024	500,000	—	4.25%	13/09/2029	Euro	Institutional
Banco de Sabadell, S.A. (*)	13/09/2024	542,705	—	5.00%	13/10/2029	Pounds sterling	Institutional
Banco de Sabadell, S.A. (*)	27/11/2024	500,000	—	3.500%	27/05/2030	Euro	Institutional
Subscribed by Group companies		(1,105,410)	(1,095,613)				
Total straight bonds		**9,293,205**	**8,630,100**				

(*) "Maturity/call date" refers to the first call option.
(**) Equivalent amount in euros as at the end of December 2024.

Thousand euro

Issuer	Issue date	Importes		Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023				
Banco de Sabadell, S.A.	14/07/2014	—	10,000	Ref. activos subyacentes	15/07/2024	Euro	Retail
Banco de Sabadell, S.A.	05/11/2018	—	10,000	Ref. activos subyacentes	01/04/2024	Euro	Retail
Banco de Sabadell, S.A.	12/11/2018	—	3,200	Ref. activos subyacentes	31/07/2024	Euro	Retail
Banco de Sabadell, S.A.	03/06/2022	8,900	8,900	MAX (EURIBOR 12M; 2,75 %)	03/06/2027	Euro	Institutional
Banco de Sabadell, S.A.	01/08/2022	9,200	9,200	MAX (EURIBOR 12M; 4,00 %)	02/08/2027	Euro	Institutional
Total structured bonds		**18,100**	**41,300**				

Thousand euro

Issuer	Issue date	Importes		Average interest rate	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023	31/12/2024			
Banco de Sabadell, S.A. (*)	08/05/2024	1,126,933	2,125,763	—	Varios	Euro	Institucional
Subscribed by Group companies		(615,586)	(742,935)				
Total commercial paper		**511,347**	**1,382,828**				

(*) Programme with issuance limit of 7,000,000 thousand euros, which can be extended to 9,000,000 thousand euros, registered with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR).

Thousand euro

Issuer	Fecha de emisión	Amount		Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023				
Banco de Sabadell, S.A.	26/01/2016	—	550,000	EURIBOR 3M + 0,80 %	26/01/2024	Euro	Institutional
Banco de Sabadell, S.A.	24/05/2016	—	50,000	EURIBOR 3M + 0,53 %	24/05/2024	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2016	—	1,000,000	0.63%	10/06/2024	Euro	Institutional
Banco de Sabadell, S.A.	29/12/2016	—	250,000	0.97%	27/12/2024	Euro	Institutional
Banco de Sabadell, S.A.	26/04/2017	1,100,000	1,100,000	1.00%	26/04/2027	Euro	Institutional
Banco de Sabadell, S.A.	21/07/2017	500,000	500,000	0.89%	21/07/2025	Euro	Institutional
Banco de Sabadell, S.A.	21/12/2018	390,000	390,000	1.09%	21/12/2026	Euro	Institutional
Banco de Sabadell, S.A.	20/12/2019	—	750,000	EURIBOR 12M + 0,07 %	17/06/2024	Euro	Institutional
Banco de Sabadell, S.A.	20/12/2019	750,000	750,000	EURIBOR 12M + 0,10 %	22/12/2025	Euro	Institutional
Banco de Sabadell, S.A.	20/01/2020	1,000,000	1,000,000	0.13%	10/02/2028	Euro	Institutional
Banco de Sabadell, S.A.	23/06/2020	—	1,500,000	EURIBOR 12M + 0,08 %	19/12/2024	Euro	Institutional
Banco de Sabadell, S.A.	30/03/2021	1,000,000	1,000,000	EURIBOR 12M + 0,02 %	30/03/2026	Euro	Institutional
Banco de Sabadell, S.A.	08/06/2021	1,000,000	1,000,000	EURIBOR 12M + 0,012 %	08/06/2026	Euro	Institutional
Banco de Sabadell, S.A.	08/06/2021	1,000,000	1,000,000	EURIBOR 12M + 0,02 %	08/06/2027	Euro	Institutional
Banco de Sabadell, S.A.	21/01/2022	1,500,000	1,500,000	EURIBOR 12M + 0,010 %	21/09/2027	Euro	Institutional
Banco de Sabadell, S.A.	30/05/2022	1,000,000	1,000,000	1.75%	30/05/2029	Euro	Institutional
Banco de Sabadell, S.A.	12/12/2022	500,000	500,000	EURIBOR 12M + 0,14 %	12/06/2028	Euro	Institutional
Banco de Sabadell, S.A.	21/12/2022	500,000	500,000	EURIBOR 3M + 0,60 %	20/12/2030	Euro	Institutional
Banco de Sabadell, S.A.	28/02/2023	1,000,000	1,000,000	3.50%	28/08/2026	Euro	Institutional
Banco de Sabadell, S.A.	21/12/2023	200,000	200,000	EURIBOR 3M + 0.77 %	22/12/2031	Euro	Institutional
Banco de Sabadell, S.A.	05/06/2024	1,000,000	—	3.25%	05/06/2034	Euro	Institutional
Banco de Sabadell, S.A.	17/06/2024	750,000	—	EURIBOR 3M + 0,24 %	17/06/2029	Euro	Institutional
Banco de Sabadell, S.A.	15/10/2024	750,000	—	2.75%	15/04/2030	Euro	Institutional
Banco de Sabadell, S.A.	19/12/2024	1,500,000	—	2.83%	19/09/2033	Euro	Institutional
Subscribed by Group companies		(8,065,000)	(8,065,000)				
Total mortgage covered bonds		**7,375,000**	**7,475,000**				

Thousand euro

Issuer	Issue date	Importes		Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
		31/12/2024	31/12/2023				
TSB Banking Group Plc	15/02/2019	—	575,342	SONIA + 0.87 %	15/02/2024	Pounds sterling	Institutional
TSB Banking Group Plc	22/06/2021	603,005	575,341	SONIA + 0.37 %	22/06/2028	Pounds sterling	Institutional
TSB Banking Group Plc	14/02/2023	1,206,011	1,150,682	SONIA + 0.60 %	14/02/2027	Pounds sterling	Institutional
TSB Banking Group Plc	15/09/2023	904,508	863,011	SONIA + 0.65 %	15/09/2028	Pounds sterling	Institutional
TSB Banking Group Plc	11/10/2023	603,005	575,341	SONIA + 0.63 %	10/11/2027	Pounds sterling	Institutional
TSB Banking Group Plc	05/03/2024	500,000	—	3.32%	05/03/2029	Euro	Institutional
TSB Banking Group Plc	11/09/2024	603,005	—	SONIA + 0.53 %	11/09/2029	Pounds sterling	Institutional
Subscribed by Group companies		(603,005)	(575,341)				
Total Covered bonds		**3,816,529**	**3,164,376**				

Securitisations

The following table shows the securities issued by asset securitisation funds outstanding as at 31 December 2024 and 2023, respectively:

Thousand euro

Year	Name of fund (*)	Types of issue	Issue: Number of securities	Issue: Amount	Outstanding balance of liabilities: 2024	Outstanding balance of liabilities: 2023	Yield
2005	TDA CAM 4, F.T.A	RMBS	20,000	2,000,000	11,625	25,714	EURIBOR 3M + (between 0.09% and 0.24%)
2005	TDA CAM 5, F.T.A	RMBS	20,000	2,000,000	69,609	85,251	EURIBOR 3M + (between 0.12% and 0.35%)
2006	TDA CAM 6, F.T.A	RMBS	13,000	1,300,000	47,633	55,923	EURIBOR 3M + (between 0.13% and 0.27%)
2006	TDA CAM 7, F.T.A	RMBS	15,000	1,500,000	51,988	65,853	EURIBOR 3M + (between 0.14% and 0.30%)
2006	CAIXA PENEDES 1 TDA, F.T.A	RMBS	10,000	1,000,000	20,652	26,025	EURIBOR 3M + 0.14%
2006	FTPYME TDA CAM 4, F.T.A	SMEs	15,293	1,529,300	16,541	21,662	EURIBOR 3M + 0.61%
2007	TDA CAM 8, F.T.A	RMBS	17,128	1,712,800	52,589	62,769	EURIBOR 3M + (between 0.13% and 0.47%)
2007	CAIXA PENEDES PYMES 1 TDA, F.T.A	SMEs	7,900	790,000	163	225	EURIBOR 3M + 0.8%
2007	TDA CAM 9, F.T.A	RMBS	15,150	1,515,000	78,866	92,011	EURIBOR 3M + (between 0.19% and 0.75%)
2022	SABADELL CONSUMO 2, F.T.	CONSUMER	7,591	759,100	278,902	441,140	EURIBOR 1M + (between 0.87% and 13.25%)
2023	SCF AUTOS 1, F.T.	VEHICLES	6,595	659,500	293,497	494,000	EURIBOR 1M + (between 0.69% y 9.23%)
2024	DUNCAN FUNDING 2024 PLC	RMBS	5,618	672,466	596,975	—	Compound Daily SONIA + 0.55%
2024	SABADELL CONSUMO 3 FT	CONSUMER	7,592	759,200	631,825	—	EURIBOR 1M + (between 0.80% and 5.10%)
Total securitisation funds					**2,150,865**	**1,370,573**	

(*) The securities issued by securitisation funds are listed in the AIAF market, except for those issued by DUNCAN FUNDING 2024 PLC, which are listed on the London Stock Exchange (LSE).

Subordinated liabilities

Subordinated liabilities issued by the Group as at 31 December 2024 and 2023 are as follows:

Thousand euro

Issuer	Issue date	Amount: 31/12/2024	Amount: 31/12/2023	Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
Banco de Sabadell, S.A.	06/05/2016	500,000	500,000	5.63%	06/05/2026	Euros	Institutional
Banco de Sabadell, S.A. (*)	17/01/2020	300,000	300,000	2.00%	17/01/2025	Euros	Institutional
Banco de Sabadell, S.A. (*)	15/01/2021	500,000	500,000	2.50%	15/04/2026	Euros	Institutional
TSB Banking Group Plc	30/03/2021	361,803	345,205	3.45%	30/03/2026	Euros	Institutional
Banco de Sabadell, S.A.	16/02/2023	500,000	500,000	6.00%	16/05/2028	Libras esterlinas	Institutional
Banco de Sabadell, S.A. (*)	27/03/2024	500,000	_	5.13%	27/03/2029	Euros	Institutional
Subscribed by Group companies		(361,803)	(345,205)				
Total subordinated bonds		**2,300,000**	**1,800,000**				

(*) "Maturity/call date" refers to the first call option.

Thousand euro

Issuer	Issue date	Amount: 31/12/2024	Amount: 31/12/2023	Interest rate ruling as at 31/12/2024	Maturity/call date	Issue currency	Target of offering
Banco de Sabadell, S.A. (*)	15/03/2021	500,000	500,000	5.75%	15/09/2026	Euros	Institutional
Banco de Sabadell, S.A. (*)	19/11/2021	750,000	750,000	5.00%	19/11/2027	Euros	Institutional
Banco de Sabadell, S.A. (*)	18/01/2023	500,000	500,000	9.38%	18/07/2028	Euros	Institutional
Total preferred securities		**1,750,000**	**1,750,000**				

(*) Perpetual issue. "Maturity/call date" refers to date of first call option. The aforesaid subordinated securities and undated securities are perpetual, although they may be converted into newly issued Banco Sabadell shares, if either Banco Sabadell or its consolidated group has a Common Equity Tier 1 (CET1) ratio lower than 5.125%, calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, of 26 June, on prudential requirements for credit institutions and investment firms.

The issues included in subordinated liabilities, for the purposes of credit priority, are ranked below all of the Group's regular creditors.

For the purpose of complying with the requirements of IAS 7, the table below shows the reconciliation of liabilities derived from financing activities, identifying the components of their movements:

Thousand euro	
Total subordinated liabilities as at 31 December 2022	**3,450,000**
Newly issued	1,000,000
Redeemed	(900,000)
Capitalisation	—
Exchange rate	—
Change in subordinated liabilities subscribed by Group companies	—
Total subordinated liabilities as at 31 December 2023	**3,550,000**
Newly issued	500,000
Redeemed	—
Capitalisation	—
Exchange rate	—
Change in subordinated liabilities subscribed by Group companies	—
Total subordinated liabilities as at 31 December 2024	**4,050,000**

Schedule IV – Other risk information

Credit risk exposure

Loans and advances to customers, broken down by activity and type of guarantee

The breakdown of the balance of the heading "Loans and advances – Customers" by activity and type of guarantee, excluding advances not classed as loans, as at 31 December 2024 and 2023, respectively, is as follows:

Thousand euro

	2024							
				Secured loans. Carrying amount based on last available valuation. Loan to value				
	TOTAL	Of which: secured with real estate	Of which: secured with other collateral	Less than or equal to 40%	Over 40% and less than or equal to 60%	Over 60% and less than or equal to 80%	Over 80% and less than or equal to 100%	Over 100%
General governments	**9,124,565**	**21,346**	**391,961**	**16,131**	**5,990**	**—**	**813**	**390,373**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,511,484**	**236,367**	**432,633**	**450,492**	**97,763**	**75,460**	**9,337**	**35,948**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**59,836,253**	**11,403,101**	**6,198,165**	**7,871,505**	**4,533,391**	**1,828,013**	**1,386,309**	**1,982,048**
Construction and real estate development (including land)	2,148,803	1,209,196	215,472	505,100	525,022	131,127	93,586	169,833
Civil engineering construction	1,224,461	23,986	143,327	140,707	8,869	2,590	6,530	8,617
Other purposes	56,462,989	10,169,919	5,839,366	7,225,698	3,999,500	1,694,296	1,286,193	1,803,598
Large enterprises	32,233,894	2,757,885	2,386,463	2,692,703	870,583	381,242	421,766	778,054
SMEs and individual entrepreneurs	24,229,095	7,412,034	3,452,903	4,532,995	3,128,917	1,313,054	864,427	1,025,544
Other households	**88,044,606**	**79,083,934**	**1,444,628**	**17,735,323**	**24,695,801**	**28,816,179**	**7,538,919**	**1,742,340**
Home loans	78,272,006	77,977,269	200,851	16,667,131	24,008,146	28,501,396	7,402,261	1,599,186
Consumer loans	6,742,387	30,713	896,389	297,875	350,892	141,771	65,081	71,483
Other purposes	3,030,213	1,075,952	347,388	770,317	336,763	173,012	71,577	71,671
TOTAL	**158,516,908**	**90,744,748**	**8,467,387**	**26,073,451**	**29,332,945**	**30,719,652**	**8,935,378**	**4,150,709**
MEMORANDUM ITEM **Refinancing, refinanced and restructured transactions**	**3,083,352**	**1,766,471**	**169,397**	**718,542**	**540,559**	**388,323**	**158,865**	**129,579**

Thousand euro

	2023							
				Secured loans. Carrying amount based on last available valuation. Loan to value				
	TOTAL	**Of which: secured with real estate**	**Of which: secured with other collateral**	**Less than or equal to 40%**	**Over 40% and less than or equal to 60%**	**Over 60% and less than or equal to 80%**	**Over 80% and less than or equal to 100%**	**Over 100%**
General governments	**8,980,558**	**23,776**	**393,229**	**18,369**	**6,621**	**42**	**857**	**391,116**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,315,339**	**206,658**	**238,726**	**233,252**	**161,757**	**5,918**	**9,410**	**35,047**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**57,417,407**	**11,029,211**	**5,800,333**	**5,758,968**	**4,352,419**	**1,840,235**	**1,384,038**	**3,493,884**
Construction and real estate development (including land)	2,253,778	1,262,384	257,299	520,929	516,954	174,633	121,393	185,774
Civil engineering construction	1,007,464	26,668	45,518	39,612	8,729	2,981	7,501	13,363
Other purposes	54,156,165	9,740,159	5,497,516	5,198,427	3,826,736	1,662,621	1,255,144	3,294,747
Large enterprises	29,971,252	2,574,879	2,095,603	1,216,378	914,663	385,915	395,883	1,757,643
SMEs and individual entrepreneurs	24,184,913	7,165,280	3,401,913	3,982,049	2,912,073	1,276,706	859,261	1,537,104
Other households	**84,202,656**	**76,182,679**	**1,200,701**	**17,259,349**	**23,402,095**	**26,631,313**	**7,886,433**	**2,204,190**
Home loans	75,264,075	74,941,780	250,150	16,421,911	22,741,620	26,263,113	7,729,403	2,035,883
Consumer loans	5,774,897	40,182	749,578	204,415	294,636	137,011	68,708	84,990
Other purposes	3,163,684	1,200,717	200,973	633,023	365,839	231,189	88,322	83,317
TOTAL	**151,915,960**	**87,442,324**	**7,632,989**	**23,269,938**	**27,922,892**	**28,477,508**	**9,280,738**	**6,124,237**
MEMORANDUM ITEM Refinancing, refinanced and restructured transactions	**3,866,784**	**2,217,794**	**159,301**	**807,197**	**623,992**	**486,425**	**204,765**	**254,716**

Forbearance

The outstanding balance of refinancing and restructuring transactions as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024						
	Credit institutions	**General governments**	**Other financial corporations and individual entrepreneurs (financial business activity)**	**Non-financial corporations and individual entrepreneurs (non-financial business activity)**	***Of which: lending for construction and real estate development (including land)***	**Other households**	**Total**
TOTAL							
Not secured with collateral							
Number of transactions	8	10	127	27,798	*831*	51,304	**79,247**
Gross carrying amount	2	4,923	14,316	1,516,349	*79,597*	182,028	**1,717,618**
Secured with collateral							
Number of transactions	—	1	4	4,528	*234*	10,578	**15,111**
Gross carrying amount	—	49	45	1,257,775	*81,450*	955,215	**2,213,084**
Impairment allowances	—	34	11,846	593,478	*46,772*	241,791	**847,149**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	8	1	23	19,508	*608*	39,469	***59,009***
Gross carrying amount	2	165	13,176	874,312	*41,629*	139,348	***1,027,003***
Secured with collateral							
Number of transactions	—	—	2	2,709	*163*	5,692	***8,403***
Gross carrying amount	—	—	44	530,007	*51,569*	620,924	***1,150,975***
Impairment allowances	—	34	11,828	549,212	*45,349*	227,027	***788,101***
TOTAL							
Number of transactions	8	11	131	32,326	*1,065*	61,882	**94,358**
Gross value	2	4,972	14,361	2,774,124	*161,047*	1,137,243	**3,930,702**
Impairment allowances	—	34	11,846	593,478	*46,772*	241,791	**847,149**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	**—**	**—**	**—**	**262**	**—**	**—**	**262**

Thousand euro

	2023						
	Credit institutions	**General governments**	**Other financial corporations and individual entrepreneurs (financial business activity)**	**Non-financial corporations and individual entrepreneurs (non-financial business activity)**	***Of which: lending for construction and real estate development (including land)***	**Other households**	**Total**
TOTAL							
Not secured with collateral							
Number of transactions	—	12	66	28,834	*798*	59,191	**88,103**
Gross carrying amount	—	6,338	17,563	1,913,078	*131,181*	254,385	**2,191,364**
Secured with collateral							
Number of transactions	—	1	8	5,522	*276*	15,644	**21,175**
Gross carrying amount	—	75	179	1,464,647	*108,041*	1,310,756	**2,775,657**
Impairment allowances	—	429	15,006	726,639	*71,333*	358,162	**1,100,236**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	—	*2*	*32*	*18,946*	*554*	*45,576*	***64,556***
Gross carrying amount	—	*630*	*16,250*	*1,030,015*	*75,717*	*175,898*	***1,222,793***
Secured with collateral							
Number of transactions		*1*	*4*	*3,210*	*197*	*8,232*	***11,447***
Gross carrying amount	—	*75*	*150*	*621,211*	*67,899*	*845,735*	***1,467,171***
Impairment allowances	—	*429*	*14,970*	*660,589*	*69,559*	*332,799*	***1,008,787***
TOTAL							
Number of transactions	—	13	74	34,356	*1,074*	74,835	**109,278**
Gross value	—	6,413	17,742	3,377,725	*239,222*	1,565,141	**4,967,021**
Impairment allowances	—	429	15,006	726,639	*71,333*	358,162	**1,100,236**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	**—**	**—**	**—**	**3,627**	**352**	**3,222**	**6,849**

The value of the guarantees received to ensure collection associated with refinancing and restructuring transactions, broken down into collateral and other guarantees, as at 31 December 2024 and 2023, is as follows:

Thousand euro

Guarantees received	**2024**	**2023**
Value of collateral	1,853,105	2,374,930
Of which: securing stage 3 loans	*864,805*	*1,151,958*
Value of other guarantees	834,714	942,367
Of which: securing stage 3 loans	*380,495*	*427,369*
Total value of guarantees received	**2,687,819**	**3,317,297**

Movements in the balance of refinancing and restructuring transactions during 2024 and 2023 are as follows:

Thousand euro

	2024	**2023**
Opening balance	**4,967,021**	**5,593,638**
(+) Forbearance (refinancing and restructuring) in the period	755,089	1,381,276
Memorandum item: impact recognised on the income statement for the period	*96,816*	*146,794*
(-) Debt repayments	(584,620)	(686,252)
(-) Foreclosures	(3,713)	(5,086)
(-) Derecognised from the balance sheet (reclassified as write-offs)	(97,530)	(114,835)
(+)/(-) Other changes (*)	(1,105,545)	(1,201,720)
Year-end balance	**3,930,702**	**4,967,021**

(*) Includes transactions no longer classified as refinancing, refinanced or restructured due to meeting the requirements for reclassification from stage 2 to stage 1 exposures (see Note 1.3.4).

The table below shows the value of transactions which, after refinancing or restructuring, were classified as stage 3 exposures during 2024 and 2023:

Thousand euro

	2024	2023
General governments	—	—
Other legal entities and individual entrepreneurs	**129,446**	**249,593**
Of which: Lending for construction and real estate development	*1,893*	*25,064*
Other natural persons	**83,678**	**153,883**
Total	**213,124**	**403,476**

The average probability of default on current refinancing and restructuring transactions broken down by activity as at 31 December 2024 and 2023 is as follows:

En porcentaje

	2024	2023
Administraciones públicas (*)		—
Resto de personas jurídicas y empresarios individuales	**13**	**17**
Del que: Financiación a la construcción y promoción	*17*	*17*
Resto de personas físicas	**14**	**19**

(*) Authorisation has not been granted for the use of internal models in the calculation of capital requirements.
Average probability of default calculated as at 30 September 2024.

The change of PD observed in legal entities is due to the update and improvement of the IRB model carried out in 2024. The PDs observed for natural persons are well aligned as no changes have been made to the internal models.

Concentration risk

Geographical exposure

Global

The breakdown of risk concentration, by activity and at a global level, as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024				
	TOTAL	Spain	Rest of European Union	Americas	Rest of the world
Central banks and Credit institutions	**36,272,233**	**14,204,285**	**12,094,202**	**2,829,604**	**7,144,142**
General governments	**36,987,786**	**26,491,016**	**5,830,110**	**2,703,372**	**1,963,288**
Central government	25,674,103	17,059,279	5,476,828	1,174,718	1,963,278
Other	11,313,683	9,431,737	353,282	1,528,654	10
Other financial corporations and individual entrepreneurs	**4,779,993**	**1,592,634**	**100,919**	**642,101**	**2,444,339**
Non-financial corporations and individual entrepreneurs	**62,883,853**	**45,718,342**	**4,214,524**	**10,864,217**	**2,086,770**
Construction and real estate development	2,297,927	1,825,366	49,468	366,617	56,476
Civil engineering construction	1,295,087	802,765	85,105	317,067	90,150
Other purposes	59,290,839	43,090,211	4,079,951	10,180,533	1,940,144
Large enterprises	34,485,415	21,223,409	3,554,298	8,419,540	1,288,168
SMEs and individual entrepreneurs	24,805,424	21,866,802	525,653	1,760,993	651,976
Other households	**88,143,961**	**41,121,596**	**1,519,928**	**665,591**	**44,836,846**
Home loans	78,272,006	33,851,421	1,502,521	384,678	42,533,386
Consumer loans	6,742,387	4,623,855	6,292	13,783	2,098,457
Other purposes	3,129,568	2,646,320	11,115	267,130	205,003
TOTAL	**229,067,826**	**129,127,873**	**23,759,683**	**17,704,885**	**58,475,385**

Thousand euro

	2023				
	TOTAL	**Spain**	**Rest of European Union**	**Americas**	**Rest of the world**
Central banks and Credit institutions	**40,818,131**	**24,396,259**	**5,901,206**	**2,413,890**	**8,106,776**
General governments	**34,319,129**	**25,077,209**	**4,812,170**	**2,377,517**	**2,052,233**
Central government	23,338,073	15,730,694	4,563,364	991,796	2,052,219
Other	10,981,056	9,346,515	248,806	1,385,721	14
Other financial corporations and individual entrepreneurs	**4,514,495**	**1,051,126**	**201,741**	**647,539**	**2,614,089**
Non-financial corporations and individual entrepreneurs	**60,294,112**	**44,591,755**	**3,639,175**	**9,830,688**	**2,232,494**
Construction and real estate development	2,364,448	1,873,580	74,974	325,046	90,848
Civil engineering construction	1,098,655	766,428	14,205	240,774	77,248
Other purposes	56,831,009	41,951,747	3,549,996	9,264,868	2,064,398
Large enterprises	32,091,522	19,952,554	2,871,965	7,856,577	1,410,426
SMEs and individual entrepreneurs	24,739,487	21,999,193	678,031	1,408,291	653,972
Other households	**84,308,370**	**39,585,977**	**1,324,896**	**623,225**	**42,774,272**
Home loans	75,264,075	32,888,290	1,306,620	337,152	40,732,013
Consumer loans	5,774,897	3,907,018	7,319	6,024	1,854,536
Other purposes	3,269,398	2,790,669	10,957	280,049	187,723
TOTAL	**224,254,237**	**134,702,326**	**15,879,188**	**15,892,859**	**57,779,864**

By autonomous community

The breakdown of risk concentration, by activity and at the level of Spanish autonomous communities, as at 31 December 2024 and 2023 is as follows:

Thousand euro

	2024									
		AUTONOMOUS COMMUNITIES								
	TOTAL	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castilla y León**	**Catalonia**
Central banks and Credit institutions	**14,204,285**	**6,516**	**—**	**—**	**—**	**—**	**675,463**	**—**	**—**	**340,977**
General governments	**26,491,016**	**838,013**	**200,973**	**485,216**	**281,625**	**623,209**	**3,798**	**104,287**	**1,165,056**	**753,196**
Central government	17,059,279	—	—	—	—	—	—	—	—	—
Other	9,431,737	838,013	200,973	485,216	281,625	623,209	3,798	104,287	1,165,056	753,196
Other financial corporations and individual entrepreneurs	**1,592,634**	**3,676**	**7,059**	**1,564**	**1,104**	**1,010**	**192**	**600**	**3,155**	**507,306**
Non-financial corporations and individual entrepreneurs	**45,718,342**	**2,283,729**	**964,655**	**1,207,186**	**2,013,048**	**1,426,144**	**159,343**	**725,414**	**1,079,368**	**11,787,070**
Construction and real estate development	1,825,366	91,110	29,656	32,522	64,018	17,467	9,378	16,853	20,142	431,933
Civil engineering construction	802,765	26,752	25,486	19,449	5,899	4,588	2,209	9,292	12,429	137,437
Other purposes	43,090,211	2,165,867	909,513	1,155,215	1,943,131	1,404,089	147,756	699,269	1,046,797	11,217,700
Large enterprises	21,223,409	722,362	418,009	369,616	1,151,408	548,755	59,540	274,708	277,830	4,787,108
SMEs and individual entrepreneurs	21,866,802	1,443,505	491,504	785,599	791,723	855,334	88,216	424,561	768,967	6,430,592
Other households	**41,121,596**	**2,976,928**	**602,581**	**1,136,105**	**1,548,502**	**680,949**	**131,980**	**558,603**	**783,623**	**15,499,621**
Home loans	33,851,421	2,317,230	496,337	886,685	1,348,439	461,963	106,028	426,206	618,610	13,336,805
Consumer loans	4,623,855	523,198	56,225	116,229	123,335	191,841	18,758	102,818	107,839	1,257,706
Other purposes	2,646,320	136,500	50,019	133,191	76,728	27,145	7,194	29,579	57,174	905,110
TOTAL	**129,127,873**	**6,108,862**	**1,775,268**	**2,830,071**	**3,844,279**	**2,731,312**	**970,776**	**1,388,904**	**3,031,202**	**28,888,170**

Thousand euro

	2024								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and Credit institutions	**—**	**6,631**	**12,127,698**	**1**	**14,981**	**96,978**	**935,040**	**—**	**—**
General governments	**25,081**	**886,219**	**2,878,710**	**55,463**	**241,643**	**140,279**	**714,694**	**20,524**	**13,751**
Central government	—	—	—	—	—	—	—	—	—
Other	25,081	886,219	2,878,710	55,463	241,643	140,279	714,694	20,524	13,751
Other financial corporations and individual entrepreneurs	**18,822**	**2,860**	**483,376**	**3,082**	**3,157**	**504,353**	**31,906**	**19,399**	**13**
Non-financial corporations and individual entrepreneurs	**103,993**	**1,918,313**	**14,119,587**	**1,037,531**	**419,978**	**4,018,867**	**2,290,349**	**147,440**	**16,327**
Construction and real estate development	1,926	63,741	828,622	24,847	5,689	123,205	53,774	9,408	1,075
Civil engineering construction	2,762	34,266	413,497	11,123	1,954	62,790	31,606	648	578
Other purposes	99,305	1,820,306	12,877,468	1,001,561	412,335	3,832,872	2,204,969	137,384	14,674
Large enterprises	18,834	538,327	8,550,785	354,124	197,981	1,586,584	1,327,246	40,105	87
SMEs and individual entrepreneurs	80,471	1,281,979	4,326,683	647,437	214,354	2,246,288	877,723	97,279	14,587
Other households	**155,100**	**1,116,123**	**5,923,789**	**2,129,027**	**162,440**	**6,171,863**	**1,380,957**	**71,366**	**92,039**
Home loans	116,884	820,754	4,761,165	1,705,960	135,119	4,934,905	1,233,985	58,747	85,599
Consumer loans	30,077	209,894	785,256	249,565	10,126	748,680	81,158	7,425	3,725
Other purposes	8,139	85,475	377,368	173,502	17,195	488,278	65,814	5,194	2,715
TOTAL	**302,996**	**3,930,146**	**35,533,160**	**3,225,104**	**842,199**	**10,932,340**	**5,352,946**	**258,729**	**122,130**

Thousand euro

	2023									
		AUTONOMOUS COMMUNITIES								
	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-La Mancha	Castilla y León	Catalonia
Central banks and Credit institutions	**24,396,259**	**5,410**	**—**	**—**	**—**	**—**	**698,942**	**—**	**—**	**430,307**
General governments	**25,077,209**	**578,710**	**241,671**	**431,346**	**343,768**	**664,383**	**3,215**	**135,071**	**1,043,140**	**760,577**
Central government	15,730,694	—	—	—	—	—	—	—	—	—
Other	9,346,515	578,710	241,671	431,346	343,768	664,383	3,215	135,071	1,043,140	760,577
Other financial corporations and individual entrepreneurs	**1,051,126**	**3,681**	**1,772**	**1,996**	**1,312**	**850**	**156**	**627**	**32,962**	**108,516**
Non-financial corporations and individual entrepreneurs	**44,591,755**	**2,343,177**	**963,467**	**1,178,938**	**2,121,692**	**1,076,886**	**187,623**	**654,351**	**1,066,855**	**12,397,422**
Construction and real estate development	1,873,580	84,243	32,392	34,190	70,540	25,438	5,298	17,468	24,539	447,318
Civil engineering construction	766,428	24,615	12,107	18,725	5,653	4,146	2,883	8,684	12,627	136,796
Other purposes	41,951,747	2,234,319	918,968	1,126,023	2,045,499	1,047,302	179,442	628,199	1,029,689	11,813,308
Large enterprises	19,952,554	737,726	414,435	376,522	1,250,346	396,396	79,599	210,930	255,722	4,981,149
SMEs and individual entrepreneurs	21,999,193	1,496,593	504,533	749,501	795,153	650,906	99,843	417,269	773,967	6,832,159
Other households	**39,585,977**	**2,846,721**	**563,894**	**1,131,953**	**1,478,250**	**625,737**	**116,920**	**519,921**	**752,937**	**15,228,142**
For house purchase	32,888,290	2,260,819	480,061	890,596	1,302,328	433,508	96,987	403,927	594,361	13,078,263
Consumer loans	3,907,018	445,359	46,353	100,552	100,212	164,035	13,001	87,486	97,486	1,135,004
Other purposes	2,790,669	140,543	37,480	140,805	75,710	28,194	6,932	28,508	61,090	1,014,875
TOTAL	**134,702,326**	**5,777,699**	**1,770,804**	**2,744,233**	**3,945,022**	**2,367,856**	**1,006,856**	**1,309,970**	**2,895,894**	**28,924,964**

Thousand euro

	2023								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Ceuta and Melilla
Central banks and Credit institutions	**—**	**4,984**	**22,079,828**	**1**	**—**	**85,085**	**1,091,702**	**—**	**—**
General governments	**39,126**	**760,893**	**2,676,261**	**60,696**	**266,743**	**586,724**	**682,970**	**52,617**	**18,604**
Central government	—	—	—	—	—	—	—	—	—
Other	39,126	760,893	2,676,261	60,696	266,743	586,724	682,970	52,617	18,604
Other financial corporations and individual entrepreneurs	**21,180**	**2,603**	**282,444**	**2,130**	**2,738**	**537,554**	**32,564**	**18,031**	**10**
Non-financial corporations and individual entrepreneurs	**121,904**	**2,007,256**	**12,716,367**	**993,898**	**493,121**	**4,113,260**	**1,985,073**	**153,674**	**16,791**
Construction and real estate development	2,139	89,728	813,387	26,778	9,548	139,160	42,655	7,811	948
Civil engineering construction	1,719	34,342	378,929	14,495	2,295	59,305	46,768	1,044	1,295
Other purposes	118,046	1,883,186	11,524,051	952,625	481,278	3,914,795	1,895,650	144,819	14,548
Large enterprises	21,484	613,494	7,409,234	287,277	249,810	1,624,341	990,456	53,476	157
SMEs and individual entrepreneurs	96,562	1,269,692	4,114,817	665,348	231,468	2,290,454	905,194	91,343	14,391
Other households	**149,504**	**1,002,659**	**5,347,812**	**2,089,573**	**161,017**	**6,110,308**	**1,307,172**	**68,368**	**85,089**
For house purchase	113,058	739,180	4,330,340	1,715,650	132,805	5,012,629	1,167,233	57,450	79,095
Consumer loans	28,303	174,860	625,842	201,006	8,536	600,720	69,838	5,371	3,054
Other purposes	8,143	88,619	391,630	172,917	19,676	496,959	70,101	5,547	2,940
TOTAL	**331,714**	**3,778,395**	**43,102,712**	**3,146,298**	**923,619**	**11,432,931**	**5,099,481**	**292,690**	**120,494**

Sectoral concentration

The breakdown by activity sector of loans and advances to non-financial corporations, as at 31 December 2024 and 2023, is shown below:

Thousand euro

	2024	
	Gross carrying amount	Allowances
Agriculture, forestry and fishing	1,067,349	(42,871)
Explotación de minas y canteras	547,469	(8,174)
Fabricación	9,367,422	(234,437)
Suministro de energía eléctrica, gas, vapor y aire acondicionado	4,821,467	(64,918)
Abastecimiento de agua	328,816	(4,254)
Construcción	4,163,397	(164,730)
Comercio mayorista y minorista	8,531,857	(292,663)
Transporte y almacenamiento	3,905,951	(54,363)
Hostelería	4,140,609	(113,671)
Información y comunicación	2,453,779	(38,539)
Actividades financieras y de seguros	5,487,489	(52,769)
Real estate activities	6,260,673	(116,094)
Professional, scientific and technical activities	2,183,366	(84,345)
Administrative and support service activities	2,045,917	(38,516)
Public administration and defence, compulsory social security	592,100	(245)
Education	281,381	(10,178)
Human health services and social work activities	1,279,561	(18,796)
Arts, entertainment and recreation	436,033	(17,181)
Other services	489,367	(183,332)
Total	**58,384,003**	**(1,540,076)**

Thousand euro

	2023	
	Gross carrying amount	Allowances
Agriculture, forestry and fishing	1,079,949	(55,420)
Explotación de minas y canteras	437,183	(7,619)
Fabricación	8,926,171	(282,974)
Suministro de energía eléctrica, gas, vapor y aire acondicionado	4,615,623	(51,549)
Abastecimiento de agua	330,722	(2,431)
Construcción	3,982,666	(168,404)
Comercio mayorista y minorista	8,715,123	(305,582)
Transporte y almacenamiento	3,718,878	(76,819)
Hostelería	4,423,217	(134,623)
Información y comunicación	2,063,748	(30,525)
Financial and insurance activities	4,761,296	(157,430)
Real estate activities	6,388,897	(163,617)
Professional, scientific and technical activities	2,290,929	(89,641)
Administrative and support service activities	1,594,423	(37,410)
Public administration and defence, compulsory social security	452,396	(506)
Education	304,439	(10,184)
Human health services and social work activities	1,036,992	(20,020)
Arts, entertainment and recreation	431,773	(22,864)
Other services	315,642	(160,511)
Total	**55,870,067**	**(1,778,129)**

Sovereign risk exposure

Sovereign risk exposures, broken down by type of financial instrument and applying the criteria required by the EBA, as at 31 December 2024 and 2023, are as follows:

Thousand euro

	2024											
	Sovereign debt securities							Derivados				
Sovereign risk exposure by country (*)	**Financial assets held for trading**	**Financial liabilities held for trading - Short positions**	**Mandatorily at fair value through profit or loss**	**Measured at fair value through other comprehensive income**	**Financial assets at amortised cost**	**Préstamos y anticipos clientela (**)**	***Del que: AFVR-OCI o de activos financieros no derivados y no destinados a negociación contabilizados a valor razonable en PN***	**With positive fair value**	**With negative fair value**	**Total**	**Other off-balance sheet exposures (***)**	**%**
Spain	85,870	34,320	—	2,350,205	15,030,019	10,025,246	—	1,839	(4,702)	27,522,797	—	72.3%
Italy	359,729	4,144	—	209,921	3,999,632	—	—	—	—	4,573,426	—	12.0%
United States	—	—	12,840	1,355,022	329,671	171	—	—	—	1,697,704	—	4.5%
United Kingdom	—	—	—	397,207	1,560,187	5,084	—	—	—	1,962,478	—	5.2%
Portugal	19,597	12,293	—	—	654,431	49,594	—	—	—	735,915	—	1.9%
Mexico	—	—	—	808,424	100,524	93,255	—	—	—	1,002,203	—	2.6%
Rest of the world	167,439	22,562	—	72,847	297,663	3,619	—	—	—	564,130	—	1.5%
Total	**632,635**	**73,319**	**12,840**	**5,193,626**	**21,972,127**	**10,176,969**	**—**	**1,839**	**(4,702)**	**38,058,653**	**—**	**100%**

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

(**) Includes undrawn balances of credit transactions and other contingent risks (1,022 million euros as at 31 December 2024).

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

Thousand euro

	2023											
	Sovereign debt securities							Derivados				
Sovereign risk exposure by country (*)	**Financial assets held for trading**	**Financial liabilities held for trading - Short positions**	**Mandatorily at fair value through profit or loss**	**Measured at fair value through other comprehensive income**	**Financial assets at amortised cost**	**Préstamos y anticipos clientela (**)**	***Del que: AFVR-OCI o de activos financieros no derivados y no destinados a negociación contabilizados a valor razonable en PN***	**With positive fair value**	**With negative fair value**	**Total**	**Other off-balance sheet exposures (***)**	**%**
Spain	16,760	(158,175)	—	2,846,230	13,305,462	9,837,310	—	2,860	(6,040)	25,844,407	—	74.0%
Italy	62,269	(9,798)	—	95,074	3,399,329	—	—	—	—	3,546,874	—	10.2%
United States	—	—	12,191	1,105,010	338,484	161	—	—	—	1,455,845	—	4.2%
United Kingdom	—	—	—	411,132	1,628,549	9,053	—	—	—	2,048,734	—	5.9%
Portugal	—	(27,347)	—	—	734,133	—	—	—	—	706,786	—	2.0%
Mexico	—	—	—	713,467	100,411	101,362	—	—	—	915,240	—	2.6%
Rest of the world	6,891	(134,321)	—	72,081	443,811	8,511	—	—	—	396,974	—	1.1%
Total	**85,920**	**(329,641)**	**12,191**	**5,242,994**	**19,950,179**	**9,956,397**	**—**	**2,860**	**(6,040)**	**34,914,860**	**—**	**100%**

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

(**) Includes undrawn balances credit transactions and other contingent risks (947 million euros at 31 December 2023).

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

Exposure to construction and real estate development sector

Details of lending for construction and real estate development and the relevant allowances are set out below. The lending items shown have been classified according to their intended purpose, rather than by the debtor's NACE code. This means, for example, that if a debtor is (a) a real estate company, but uses the financing for a purpose other than construction or real estate development, it is not included in this table; alternatively, if the debtor is (b) a company whose primary activity is not construction or real estate, but where the loan is used for the financing of properties intended for real estate development, it is included in the table:

Million euro

	2024		
	Gross carrying amount	**Surplus above value of collateral**	**Impairment allowances (*)**
Lending for construction and real estate development (including land) (business in Spain)	**1,898**	**523**	**97**
Del que: riesgos clasificados en el stage 3	*141*	*74*	*84*

Million euro

	2023		
	Gross carrying amount	**Surplus above value of collateral**	**Impairment allowances (*)**
Lending for construction and real estate development (including land) (business in Spain)	**2,208**	**562**	**111**
Del que: riesgos clasificados en el stage 3	*169*	*92*	*94*

(*) Correcciones de valor constituidas para la exposición para la que el banco retiene el riesgo de crédito. No incluye, por tanto, correcciones de valor sobre la exposición con riesgo transferido.

Million euro

Importe en libros bruto ***Pro-memoria:***	**2024**	**2023**
Activos fallidos (*)	33	12

Million euro

Pro-memoria:	**2024**	**2023**
Préstamos a la clientela, excluidas Administraciones Públicas (negocios en España) (importe en libros)	90,215	87,451
Total activo (negocios totales) (importe en libros)	239,598	235,173
Correcciones de valor y provisiones para exposiciones clasificadas como no dudosas (negocios totales)	745	922

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

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

Million euro

	Gross carrying amount 2024	Gross carrying amount 2023
Not secured with real estate	**938**	**910**
Secured with real estate	**960**	**1,298**
Edificios y otras construcciones terminadas	487	627
Vivienda	361	466
Resto	125	161
Edificios y otras construcciones en construcción	428	615
Vivienda	402	590
Resto	26	25
Suelo	45	56
Suelo urbano consolidado	44	55
Resto del suelo	1	1
Total	**1,898**	**2,208**

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

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

Million euro

Guarantees received	**2024**	**2023**
Value of collateral	1,191	1,285
Of which: securing stage 3 loans	*30*	*44*
Value of other guarantees	234	315
Of which: securing stage 3 loans	*21*	*25*
Total value of guarantees received	**1,425**	**1,600**

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

Million euro

	2024	
	Gross carrying amount	***Of which: stage 3 exposures***
Loans for home purchase	**36,451**	**715**
Sin garantía inmobiliaria	639	*67*
Con garantía inmobiliaria	35,812	*648*

Million euro

	2023	
	Gross carrying amount	***Of which: stage 3 exposures***
Loans for home purchase	**35,271**	**872**
Sin garantía inmobiliaria	603	*20*
Con garantía inmobiliaria	34,668	*852*

The tables below show home equity loans granted to households for home purchase broken down by the loan-to-value ratio (ratio of total risk to amount of last available property appraisal) of transactions recorded by credit institutions (business in Spain):

Million euro

	2024	
	Gross value	***Of which: stage 3 exposures***
LTV ranges	**35,812**	***648***
LTV <= 40%	7,051	*105*
40% < LTV <= 60%	10,375	*136*
60% < LTV <= 80%	14,582	*160*
80% < LTV <= 100%	2,322	*113*
LTV > 100%	1,481	*134*

Million euro

	2023	
	Gross value	***Of which: stage 3 exposures***
LTV ranges	**34,668**	**852**
LTV <= 40%	6,942	*130*
40% < LTV <= 60%	9,884	*182*
60% < LTV <= 80%	12,923	*220*
80% < LTV <= 100%	3,039	*149*
LTV > 100%	1,880	*171*

Lastly, the table below gives details of assets foreclosed or received in lieu of debt by the consolidated Group's entities, for transactions recorded by credit institutions within Spain, as at 31 December 2024 and 2023:

Million euro

	2024			
	Gross carrying amount	**Allowances**	***Gross amount (*)***	***Allowances (*)***
Real estate assets acquired through lending for construction and real estate development	**281**	**102**	**327**	**149**
Edificios terminados	252	87	287	122
Vivienda	144	38	164	59
Resto	108	49	122	63
Edificios en construcción	1	—	2	1
Vivienda	—	—	1	—
Resto	—	—	1	—
Suelo	28	15	39	25
Terrenos urbanizados	15	7	19	11
Resto de suelo	13	8	20	15
Real estate assets acquired through mortgage lending to households for home purchase	**424**	**114**	**491**	**181**
Other real estate assets foreclosed or received in lieu of debt	**13**	**4**	**18**	**9**
Capital instruments foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Financing to institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Total	**718**	**219**	**836**	**338**

(*) Non-performing real estate assets including real estate located outside the national territory and the provision allocated in the original loan, and excluding the credit risk transferred in portfolio sales (see reconciliation between assets foreclosed or received in payment of debt and non-performing assets, below).

Million euro

	2023			
	Gross carrying amount	**Allowances**	***Gross amount (*)***	***Allowances (*)***
Real estate assets acquired through lending for construction and real estate development	**358**	**122**	***407***	***176***
Edificios terminados	325	107	*366*	*152*
Vivienda	*182*	*47*	*201*	*69*
Resto	*144*	*60*	*165*	*83*
Edificios en construcción	2	1	2	1
Vivienda	2	1	2	1
Resto	—	—	—	—
Suelo	30	14	*38*	*23*
Terrenos urbanizados	*16*	*7*	*20*	*11*
Resto de suelo	*14*	*7*	*18*	*11*
Real estate assets acquired through mortgage lending to households for home purchase	**467**	**123**	**540**	**198**
Other real estate assets foreclosed or received in lieu of debt	**18**	**5**	**25**	**11**
Capital instruments foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Financing to institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Total	**843**	**249**	**971**	**385**

(*) Non-performing real estate assets including real estate located outside the national territory and the provision allocated in the original loan, and excluding the credit risk transferred in portfolio sales (see reconciliation between assets foreclosed or received in payment of debt and non-performing assets, below).

The table below sets out the reconciliation between assets foreclosed or received in lieu of debt and real estate assets considered non-performing by the Group as at 31 December 2024 and 2023:

Million euro

	2024		
	Gross value	**Allowances**	**Net book value**
Total real estate portfolio in the national territory (in books)	**718**	**219**	**499**
Total operations outside the national territory and others	1	1	1
Provision allocated in original loan	121	121	—
Credit risk transferred in portfolio sales	(4)	(2)	(2)
Total non-performing real estate	**836**	**338**	**497**

Million euro

	2023		
	Gross value	**Allowances**	**Net book value**
Total real estate portfolio in the national territory (in books)	**843**	**249**	**594**
Total operations outside the national territory and others	1	1	1
Provision allocated in original loan	147	147	—
Credit risk transferred in portfolio sales	(21)	(13)	(8)
Total non-performing real estate	**971**	**385**	**586**

Schedule V – Annual banking report

INFORMATION REQUIRED UNDER ARTICLE 89 OF DIRECTIVE 2013/36/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 26 JUNE 2013

This information has been prepared pursuant to Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and the transposition thereof into Spanish national legislation in accordance with Article 87 and Transitional Provision 12 of Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions, published in the Official State Gazette of 27 June 2014.

In accordance with the above regulations, the following information is presented on a consolidated basis and corresponds to the end of the 2024 financial year:

Thousand euro

	Volumen de negocio	Nº empleados equivalentes a tiempo completo (*)	Profit or loss before tax	Tax expense related to profit or loss from continuing operations
Spain	4,533,148	13,082	1,825,882	(509,860)
United Kingdom	1,289,825	4,463	400,486	(113,317)
United States	242,888	252	173,396	(42,245)
Mexico	217,938	526	65,718	(6,489)
France	37,994	21	39,212	(9,420)
Portugal	9,888	14	5,404	(2,289)
Morocco	5,677	14	4,046	(1,652)
Jersey	4	—	2	—
Andorra (**)	—	—	(16)	—
Luxembourg	—	—	(90)	—
Bahamas (**)	—	—	(142)	—
Total	**6,337,362**	**18,372**	**2,513,898**	**(685,272)**

(*) Does not include 24 employees in representative offices.

(**) In liquidation.

As at 31 December 2024, the return on Group assets, calculated by dividing consolidated profit or loss for the year by total assets on the consolidated balance sheet, amounts to 0.7624%.

The name, geographical location and nature of the business activity of the companies operating in each jurisdiction are set out in Schedule I to these consolidated annual financial statements.

As can be seen in Schedule I, the main activity carried out by the Group in the different jurisdictions in which it operates is banking, and fundamentally commercial banking through a wide range of products and services for large and medium-sized enterprises, SMEs, small retailers and self-employed workers, professional groups, other individuals and bancassurance.

For the purposes of this information, business turnover is regarded as the gross margin recognised on the consolidated income statement as at 2024 year-end. Data on full-time equivalent employees have been obtained from the workforce of each company/country as at the end of 2024.

The amount of public subsidies and aid received in 2024 for training activities in Spain was 1,387 thousand euros.

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

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

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

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

Independent Auditor's Report on the Consolidated Annual Financial Statements

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

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

REPORT ON THE CONSOLIDATED FINANCIAL ANNUAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated annual financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

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

Key Audit Matters

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

Impairment of loans and advances to customers

See notes 1.3.4.1, 4.4.2 and 11 to the consolidated annual financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to customers classified as financial assets at amortised cost reflects a net balance of Euros 158,872 million at 31 December 2024, while allowances and provisions recognised at that date for impairment total Euros 2,844 million. For the purposes of estimating impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3) or whether neither of the foregoing circumstances apply (Stage 1). For the Group, establishing this classification is a relevant process inasmuch as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on models for estimating expected losses, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Allowances and provisions for credit risk determined individually consider estimates of future business performance and the market value of collateral provided for credit transactions.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default, probability of default and loss given default; and determining the future macroeconomic scenarios. We also reviewed the mathematical accuracy of the calculations of expected losses and the reliability of the data used. To this end, we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: – Credit risk management framework and assessing the compliance of the Group's accounting policies with the applicable regulations. – Classification of the loans and advances to customers portfolio based on credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. – Relevant controls relating to the monitoring of transactions. – Correct functioning of the internal models for estimating both individual and collective allowances and provisions for credit risk, and for the management and valuation of collateral. – Aspects observed by the internal validation unit in its periodic reviews and in the contrast testing of the models for estimating collective allowances and provisions. – Integrity, accuracy and updating of the data used and of the control and management process in place. – Governance over the estimate of additional adjustments to the expected loss models recorded by the Group and review of the updates by the internal validation unit.

Impairment of loans and advances to customers

See notes 1.3.4.1, 4.4.2 and 11 to the consolidated annual financial statements

Key audit matter	*How the matter was addressed in our audit*
In the case of allowances and provisions calculated collectively, expected losses are estimated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past and present information and future forecasts to be considered. The Group regularly conducts tests of its internal models in order to improve their predictive capabilities based on actual historical experience. Moreover, the Group applies a number of additional adjustments to the results of its credit risk models, known as post model adjustments or overlays, in order to address situations in which the results of these models are not sufficiently sensitive. The consideration of this matter as a key audit matter is based both on the significance of the Group's loans and advances to customers portfolio, and thus of the related allowance and provision for impairment, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the complexity and judgement applied to calculating expected losses.	Our tests of detail on the estimated expected losses included the following: – With regard to the appropriate classification of the portfolio of loans and advances to customers based on credit risk, we assessed the accounting classification methodology and criteria used by the Group. We also replicated the accounting classification process applied by the Group, including a review of the appropriate accounting classification for a sample of transactions. – With regard to the impairment of individually significant transactions, we reviewed the methodology and appropriateness of the discounted cash flow models used by the Group. We also selected a sample from the population of significant transactions and assessed the appropriateness of both the credit risk classification and the corresponding allowance and provision recognised. – With respect to the allowances and provisions for impairment estimated collectively, we reviewed the methodology used by the Group, testing the integrity and accuracy of the input data for the process and the correct functioning of the calculation engine by replicating the calculation process, taking into account the segmentation and assumptions used by the Group. – We evaluated the methods and assumptions used to estimate exposure at default, probability of default and loss given default. – We reviewed the macroeconomic scenario variables used by the Group in its internal models to estimate expected losses. – We analysed a sample of guarantees associated with credit transactions, checking their valuation, with the involvement of our real estate valuation specialists. – We reviewed the main additional adjustments to the internal expected loss estimation models recorded by the Group at 31 December 2024, assessing the calculation methodology applied as well as the completeness and accuracy of the data used in estimating these adjustments. Likewise, we analysed whether the disclosures in the notes to the consolidated annual financial statements were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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

Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group operates in a complex technological environment that is constantly evolving and which must efficiently and reliably meet business requirements. The high level of dependence on these systems with regard to the processing of the Group's financial and accounting information make it necessary to ensure that these systems function correctly. In this context, it is critical to ensure that management of the technological risks that could affect information systems is adequately coordinated and harmonised in relevant areas such as data and program security, systems operation, and development and maintenance of IT applications and systems used to the prepare financial information. We have therefore considered the risks associated with information technology to be a key audit matter.	With the assistance of our specialists in information systems, we carried out tests, at each of the Group entities that are considered relevant for the purpose of the audit, relating to the internal control over the processes and systems involved in generating financial information in the following areas: – Understanding of the information flows and identification of the key controls that ensure the appropriate processing of the financial information. – Testing of the key automated processes that are involved in generating the financial information. – Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of those applications and systems. – Testing of the controls over the operation, maintenance and development of applications and systems.

Other Information: Consolidated Directors' Report

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

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

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

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual financial statements for 2024, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.

– Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Bank’s Audit and Control Committee with a statement that we have complied with the applicable ethical requirements regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

From the matters communicated to the Bank’s Audit and Control Committee, we determine those that were of most significance in the audit of the consolidated annual financial statements of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Banco de Sabadell, S.A. and its subsidiaries for 2024 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual financial statements for the aforementioned year and the XBRL files tagged by the Bank, which will form part of the annual financial report.

The Directors of Banco de Sabadell, S.A. are responsible for the presentation of the 2024 annual report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the “ESEF Regulation”). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors’ Remuneration by means of a reference thereto in the consolidated directors’ report.

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

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

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

Additional Report to the Bank's Audit and Control Committee

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

Contract Period

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

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

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

(Signed on original in Spanish)

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

10 February 2025