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

(Together with the condensed consolidated interim financial statements and the consolidated interim directors' report of Banco de Sabadell, S.A. and Subsidiaries for the period ended 30 June 2024)

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

KPMG Auditores, S.L.
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08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Condensed Consolidated Interim 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Opinion

We have audited the condensed consolidated interim financial statements of Banco de Sabadell, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form the Banco de Sabadell Group (hereinafter the "Group"), which comprise the balance sheet at 30 June 2024, and the income statement, statement of recognised income and expense, statement of total changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes (all condensed and consolidated).

In our opinion, the accompanying condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2024 have been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim 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 condensed consolidated interim 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the condensed consolidated interim financial statements of the current period. These matters were addressed in the context of our audit of the condensed consolidated interim 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, 4.2 and 10 to the condensed consolidated interim 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 157,426 million at 30 June 2024, while allowances and provisions recognised at that date for impairment total Euros 3,107 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 their credit risk since initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3) or whether neither of the foregoing circumstances apply (Stage 1). For the Group, establishing this classification is a relevant process inasmuch as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Allowances and provisions for credit risk determined individually consider estimates of future business performance and the market value of collateral provided for credit transactions. 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	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 assessed 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: – Identifying the credit risk management framework and assessing the compliance of the Group's accounting policies with the applicable regulations. – Evaluating the appropriateness of the 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. – Assessing the relevant controls relating to the monitoring of transactions. – Evaluating whether the internal models for estimating both individual and collective allowances and provisions for credit risk, and for the management and valuation of collateral, are functioning correctly. – Assessing whether the aspects observed by the Internal Validation Unit in its periodic reviews and in the tests of the models used to estimate collective allowances and provisions

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Impairment of loans and advances to customers

See notes 1, 4.2 and 10 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
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 to the uncertainty of the macroeconomic environment. These adjustments are of a temporary nature. 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 subjectivity and complexity of calculating expected losses.	for impairment have been taken into consideration. – Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place. – Assessing the process for reviewing the updates of the additional temporary adjustments to the expected loss models recognised by the Group. Our tests of detail on the estimated expected losses included the following: – Regarding whether the loans and advances to customers portfolio has been appropriately classified based on credit risk, in accordance with the criteria defined by the Group, we selected a sample and assessed the appropriateness of accounting classification for credit risk. – With regard to the impairment of individually significant transactions, we analysed the 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 evaluated the methodology used by the Group, assessing the integrity and accuracy of the input balances for the process and whether the calculation engine is functioning correctly 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 considered the macroeconomic scenario variables used by the Group in its internal models to estimate expected losses.

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Impairment of loans and advances to customers See notes 1, 4.2 and 10 to the condensed consolidated interim financial statements	
Key audit matter	*How the matter was addressed in our audit*
	– We analysed a sample of guarantees associated with credit transactions, checking their valuation, and to this end we brought in our real estate valuation specialists. – We evaluated the additional adjustments to the internal models used to estimate expected losses recognised by the Group at 30 June 2024. We also analysed whether the disclosures in the explanatory notes to the condensed consolidated interim financial statements were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group operates in a complex technological environment that is constantly evolving and which must efficiently and reliably meet business requirements. The high level of dependence 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.

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Emphasis of Matter

We draw your attention to explanatory note 1 to the accompanying condensed consolidated interim financial statements, which states that such condensed consolidated interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed consolidated interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2023. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Interim Directors' Report

Other information solely comprises the consolidated interim directors' report for the six-month period ended 30 June 2024, the preparation of which is the responsibility Bank's Directors and which does not form an integral part of the condensed consolidated interim financial statements.

Our audit opinion on the condensed consolidated interim financial statements does not encompass the consolidated interim directors' report. Our responsibility for the consolidated interim directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the consolidated interim directors' report with the condensed consolidated interim financial statements, based on knowledge of the Group obtained during the audit of the aforementioned condensed consolidated interim financial statements and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the consolidated interim directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we have observed that the information contained in the consolidated interim directors' report is consistent with that disclosed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2024 and the content and presentation of the report are in accordance with applicable legislation.

Responsibilities of the Bank's Directors' and the Audit and Control Committee for the Condensed Consolidated Interim Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information, and for such internal control as they determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated interim 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.

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

Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements, including the disclosures, and whether the condensed consolidated interim financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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- Plan and execute the audit of the Group to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as the basis to form an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and review of the work performed for the Group audit. We remain solely responsible for our audit.

We communicate with the Bank's Audit and Control Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Bank's Audit and Control Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Bank's Audit and Control Committee, we determine those that were of most significance in the audit of the condensed consolidated interim financial statements for the six-month period ended 30 June 2024 and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting 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 accounts since the year ended 31 December 2020.

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Services Provided

Non-audit services provided by KPMG Auditores, S.L. to the Group in the six-month period ended 30 June 2024 consisted of the issuance of comfort letters in debt issue processes, reports on agreed-upon procedures and work in connection with different regulatory requirements prescribed by supervisors.

KPMG Auditores, S.L.
On the Spanish Official Register of 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

30 July 2024

"Translation of the Condensed interim consolidated financial statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy the Spanish-language version prevails."

Contents of the condensed consolidated interim financial statements and consolidated interim Directors' Report of Banco Sabadell Group for the six-month period ended 30 June 2024

Condensed consolidated interim financial statements

Explanatory notes to the condensed consolidated interim financial statements

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2024 and 31 December 2023

Thousand euro

Assets	Note	30/06/2024	31/12/2023 (*)
Cash, cash balances at central banks and other demand deposits (**)	**7**	**29,501,930**	**29,985,853**
Financial assets held for trading		**2,949,768**	**2,706,489**
Derivatives		2,294,766	2,563,994
Equity instruments		—	—
Debt securities	8	655,002	142,495
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*180,828*	*1,915*
Non-trading financial assets mandatorily at fair value through profit or loss		**159,758**	**153,178**
Equity instruments	9	62,791	52,336
Debt securities	8	71,397	65,744
Loans and advances	10	25,570	35,098
Central banks		—	—
Credit institutions		—	—
Customers		25,570	35,098
Memorandum item: loaned or pledged as security with sale or pledging rights		—	—
Financial assets designated at fair value through profit or loss		**—**	**—**
Debt securities		—	—
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		—	—
Financial assets at fair value through other comprehensive income		**6,527,876**	**6,269,297**
Equity instruments	9	200,784	183,938
Debt securities	8	6,327,092	6,085,359
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*1,950,900*	*557,303*
Financial assets at amortised cost		**190,489,286**	**180,913,793**
Debt securities	8	22,638,784	21,500,927
Loans and advances	10	167,850,502	159,412,866
Central banks		—	156,516
Credit institutions		10,424,983	6,995,951
Customers		157,425,519	152,260,399
Memorandum item: loaned or pledged as security with sale or pledging rights		*16,508,749*	*5,996,602*
Derivatives – Hedge accounting		**2,600,876**	**2,424,598**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(885,088)**	**(567,608)**
Investments in joint ventures and associates		**461,874**	**462,756**
Joint ventures		—	—
Associates		461,874	462,756
Assets under insurance or reinsurance contracts		**—**	**—**
Tangible assets	**11**	**2,215,795**	**2,296,704**
Property, plant and equipment		2,001,584	2,067,106
For own use		1,993,094	2,058,058
Leased out under operating leases		8,490	9,048
Investment properties		214,211	229,598
Of which: leased out under operating leases		*214,211*	*229,598*
Memorandum item: acquired through leases		*851,852*	*872,305*
Intangible assets	**12**	**2,493,738**	**2,483,074**
Goodwill		1,018,311	1,018,311
Other intangible assets		1,475,427	1,464,763
Tax assets		**6,492,052**	**6,837,820**
Current tax assets		542,098	452,289
Deferred tax assets	32	5,949,954	6,385,531
Other assets	**13**	**462,251**	**436,123**
Insurance contracts linked to pensions		78,747	80,693
Inventories		54,235	62,344
Rest of other assets		329,269	293,086
Non-current assets and disposal groups classified as held for sale	**14**	**857,685**	**770,878**
TOTAL ASSETS		**244,327,801**	**235,172,955**

(*) Shown for comparative purposes only (see Note 1.5).

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated balance sheet as at 30 June 2024.

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2024 and 31 December 2023

Thousand euro

Liabilities	**Note**	**30/06/2024**	**31/12/2023 (*)**
Financial liabilities held for trading		**2,862,400**	**2,867,459**
Derivatives		2,461,699	2,530,086
Short positions		400,701	337,373
Deposits		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Debt securities issued		—	—
Other financial liabilities		—	—
Financial liabilities designated at fair value through profit or loss		**—**	**—**
Deposits		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Debt securities issued		—	—
Other financial liabilities		—	—
Memorandum item: subordinated liabilities		—	—
Financial liabilities at amortised cost		**225,027,229**	**216,071,766**
Deposits		192,638,382	183,947,196
Central banks	15	3,283,137	9,776,360
Credit institutions	15	13,807,211	13,840,183
Customers	16	175,548,034	160,330,653
Debt securities issued	17	25,395,988	25,791,284
Other financial liabilities		6,992,859	6,333,286
Memorandum item: subordinated liabilities		*4,097,971*	*3,607,858*
Derivatives – Hedge accounting		**981,110**	**1,171,957**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(544,748)**	**(422,347)**
Liabilities under insurance or reinsurance contracts		**—**	**—**
Provisions	**18**	**478,746**	**536,092**
Pensions and other post employment defined benefit obligations		54,668	58,308
Other long term employee benefits		37	69
Pending legal issues and tax litigation		69,287	60,550
Commitments and guarantees given		138,346	165,376
Other provisions		216,408	251,789
Tax liabilities		**388,537**	**332,951**
Current tax liabilities		277,460	217,981
Deferred tax liabilities	32	111,077	114,970
Share capital repayable on demand		**—**	**—**
Other liabilities	**13**	**677,658**	**722,524**
Liabilities included in disposal groups classified as held for sale	**14**	**59,010**	**13,347**
TOTAL LIABILITIES		**229,929,942**	**221,293,749**

(*) Shown for comparative purposes only (see Note 1.5).

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated balance sheet as at 30 June 2024.

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2024 and 31 December 2023

Thousand euro

Equity	Note	30/06/2024	31/12/2023 (*)
Shareholders' equity		**14,819,570**	**14,343,946**
Capital	19	680,028	680,028
Paid up capital		680,028	680,028
Unpaid capital called up		—	—
Memorandum item: capital not called up		—	—
Share premium		7,695,227	7,695,227
Equity instruments issued other than capital		—	—
Equity component of compound financial instruments		—	—
Other equity instruments issued		—	—
Other equity		21,324	21,268
Retained earnings		7,356,076	6,401,782
Revaluation reserves		—	—
Other reserves		(1,604,987)	(1,584,816)
Reserves or accumulated losses of investments in joint ventures and associates		94,275	54,836
Other		(1,699,262)	(1,639,652)
(-) Treasury shares		(119,266)	(39,621)
Profit or loss attributable to owners of the parent		791,168	1,332,181
(-) Interim dividends		—	(162,103)
Accumulated other comprehensive income		**(456,650)**	**(498,953)**
Items that will not be reclassified to profit or loss		(19,596)	(30,596)
Actuarial gains or (-) losses on defined benefit pension plans		(3,377)	(3,313)
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		(16,219)	(27,283)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		—	—
Items that may be reclassified to profit or loss		(437,054)	(468,357)
Hedge of net investments in foreign operations [effective portion]		73,456	77,997
Foreign currency translation		(316,373)	(384,086)
Hedging derivatives. Cash flow hedges reserve [effective portion]		(59,227)	(49,215)
Fair value changes of debt instruments measured at fair value through other comprehensive income		(166,132)	(145,732)
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		31,222	32,679
Minority interests [non-controlling interests]		**34,939**	**34,213**
Accumulated other comprehensive income		—	—
Other items		34,939	34,213
TOTAL EQUITY		**14,397,859**	**13,879,206**
TOTAL EQUITY AND TOTAL LIABILITIES		**244,327,801**	**235,172,955**

Memorandum item: off-balance sheet exposures			
Loan commitments given	**20**	**27,631,400**	**27,035,812**
Financial guarantees given	**20**	**1,903,075**	**2,064,396**
Other commitments given	**20**	**8,327,242**	**7,942,724**

(*) Shown for comparative purposes only (see Note 1.5).

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated balance sheet as at 30 June 2024.

Condensed consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	Note	30/06/2024	30/06/2023 (*)
Interest income	21	4,844,582	3,950,670
Financial assets at fair value through other comprehensive income		103,204	57,760
Financial assets at amortised cost		4,309,362	3,531,941
Other interest income		432,016	360,969
(Interest expenses)	21	(2,351,226)	(1,680,675)
(Expenses on share capital repayable on demand)		—	—
Net interest income		**2,493,356**	**2,269,995**
Dividend income		1,648	7,167
Profit or loss of entities accounted for using the equity method		85,006	64,705
Fee and commission income	22	839,860	831,956
(Fee and commission expenses)	22	(165,537)	(134,842)
Net profit or net loss on financial operations	23	(136,652)	34,837
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		6,932	1,229
Financial assets at amortised cost		565	(3,923)
Other financial assets and liabilities		6,367	5,152
Gains or (-) losses on financial assets and liabilities held for trading, net		(134,151)	26,627
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		(134,151)	26,627
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net		6,902	12,891
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		6,902	12,891
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		—	—
Gains or (-) losses from hedge accounting, net		(16,335)	(5,910)
Exchange differences [gain or (-) loss], net	23	173,849	(3,409)
Other operating income	24	43,142	38,568
(Other operating expenses)	25	(273,390)	(299,836)
Income from assets under insurance or reinsurance contracts		—	—
(Expenses on liabilities under insurance or reinsurance contracts)		—	—
Gross income		**3,061,282**	**2,809,141**

(*) Shown for comparative purposes only (see Note 1.5).

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2024.

Condensed consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	Note	30/06/2024	30/06/2023 (*)
(Administrative expenses)		(1,266,212)	(1,204,029)
(Staff expenses)	26	(743,889)	(716,983)
(Other administrative expenses)	26	(522,323)	(487,046)
(Depreciation and amortisation)		(249,140)	(273,855)
(Provisions or (-) reversal of provisions)	18	497	(2,572)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	27	(360,677)	(436,938)
(Financial assets at fair value through other comprehensive income)		182	852
(Financial assets at amortised cost)		(360,859)	(437,790)
Profit/(loss) on operating activities		**1,185,750**	**891,747**
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)		—	—
(Impairment or (-) reversal of impairment on non-financial assets)	28	(6,417)	(7,539)
(Tangible assets)		(3,137)	(1,138)
(Intangible assets)		—	—
(Other)		(3,280)	(6,401)
Gains or (-) losses on derecognition of non-financial assets, net	29	(526)	(11,078)
Negative goodwill recognised in profit or loss		—	—
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	30	(24,732)	(23,820)
Profit or (-) loss before tax from continuing operations		**1,154,075**	**849,310**
(Tax expense or (-) income related to profit or loss from continuing operations)		(362,183)	(284,912)
Profit or (-) loss after tax from continuing operations		**791,892**	**564,398**
Profit or (-) loss after tax from discontinued operations		—	—
PROFIT OR LOSS FOR THE PERIOD		**791,892**	**564,398**
Attributable to minority interests [non-controlling interests]		724	679
Attributable to owners of the parent		791,168	563,719
Earnings per share (euros)	**3**	**0.14**	**0.09**
Basic (euros)		0.14	0.09
Diluted (euros)		0.14	0.09

(*) Shown for comparative purposes only (see Note 1.5).

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2024.

Condensed consolidated statements of recognised income and expenses of Banco Sabadell Group

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	30/06/2024	30/06/2023 (*)
Profit or loss for the period	**791,892**	**564,398**
Other comprehensive income	**42,303**	**79,298**
Items that will not be reclassified to profit or loss	11,000	(2,944)
Actuarial gains or (-) losses on defined benefit pension plans	(91)	27
Non-current assets and disposal groups held for sale	—	—
Share of other recognised income and expense of investments in joint ventures and associates	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	14,241	(2,527)
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Income tax relating to items that will not be reclassified	(3,150)	(444)
Items that may be reclassified to profit or loss	31,303	82,242
Hedge of net investments in foreign operations [effective portion]	(4,541)	(60,485)
Valuation gains or (-) losses taken to equity	(4,541)	(60,485)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	67,715	149,468
Translation gains or (-) losses taken to equity	67,715	149,468
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	(14,581)	(36,390)
Valuation gains or (-) losses taken to equity	(10,225)	(35,324)
Transferred to profit or loss	(4,356)	(2,799)
Transferred to initial carrying amount of hedged items	—	1,733
Other reclassifications	—	—
Hedging instruments [not designated elements]	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Debt instruments at fair value through other comprehensive income	(28,274)	(3,546)
Valuation gains or (-) losses taken to equity	(21,591)	1,555
Transferred to profit or loss	(6,683)	(5,101)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Share of other recognised income and expense of investments in joint ventures and associates	(1,457)	22,047
Income tax relating to items that may be reclassified to profit or (-) loss	12,441	11,148
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**834,195**	**643,696**
Attributable to minority interests [non-controlling interests]	724	678
Attributable to owners of the parent	833,471	643,018

(*) Shown for comparative purposes only (see Note 1.5).

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated statement of recognised income and expenses for the six-month period ended 30 June 2024.

Condensed consolidated statements of total changes in equity of Banco Sabadell Group

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests : Other items	**Total**
Closing balance 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**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Opening balance 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**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**791,168**		**42,303**	**—**	**724**	**834,195**
Other equity changes	**—**	**—**	**—**	**56**	**954,294**	**—**	**(20,171)**	**(79,645)**	**(1,332,181)**	**162,103**	**—**	**—**	**2**	**(315,542)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	(164,310)	—	—	—	—	—	—	—	—	**(164,310)**
Purchase of treasury shares	—	—	—	—	—	—	—	(111,229)	—	—	—	—	—	**(111,229)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	1,350	31,584	—	—	—	—	—	**32,934**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	1,170,078	—	—	—	(1,332,181)	162,103	—	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	56	—	—	—	—	—	—	—	—	—	**56**
Other increase or (-) decrease in equity	—	—	—	—	(51,474)	—	(21,521)	—	—	—	—	—	2	**(72,993)**
Closing balance 30/06/2024	**680,028**	**7,695,227**	**—**	**21,324**	**7,356,076**	**—**	**(1,604,987)**	**(119,266)**	**791,168**	**—**	**(456,650)**	**—**	**34,939**	**14,397,859**

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated statement of total changes in equity for the six-month period ended 30 June 2024.

Condensed consolidated statements of total changes in equity of Banco Sabadell Group

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests : Other items	**Total**
Closing balance 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**
Effects of corrections of errors	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Effects of changes in accounting policies	–	–	–	–	–	–	(236,302)	–	30,750	–	67,247	–	–	**(138,305)**
Opening balance 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**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**563,719**	**–**	**79,299**	**(1)**	**679**	**643,696**
Other equity changes	**–**	**–**	**–**	**(3,102)**	**526,887**	**–**	**66,184**	**(22,007)**	**(889,392)**	**112,040**	**–**	**–**	**26**	**(209,364)**
Issuance of ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Issuance of preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Issuance of other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Exercise or expiration of other equity instruments issued	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Conversion of debt to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Capital reduction	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Dividends (or shareholder remuneration)	–	–	–	–	(111,645)	–	–	–	–	–	–	–	–	**(111,645)**
Purchase of treasury shares	–	–	–	–	–	–	–	(60,887)	–	–	–	–	–	**(60,887)**
Sale or cancellation of treasury shares	–	–	–	–	–	–	1,349	38,880	–	–	–	–	–	**40,229**
Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Transfers among components of equity	–	–	–	–	777,352	–	–	–	(889,392)	112,040	–	–	–	**–**
Equity increase or (-) decrease resulting from business combinations	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Share based payments	–	–	–	(3,102)	–	–	–	–	–	–	–	–	–	**(3,102)**
Other increase or (-) decrease in equity	–	–	–	–	(138,820)	–	64,835	–	–	–	–	–	26	**(73,959)**
Closing balance 30/06/2023	**703,371**	**7,899,227**	**–**	**18,446**	**6,386,407**	**–**	**(1,535,895)**	**(45,774)**	**563,719**	**–**	**(504,101)**	**(1)**	**35,049**	**13,520,448**

Shown for comparative purposes only (see Note 1.5).

(*) Correspond to balances included in the consolidated annual financial statements for 2022 signed off by the directors of Banco de Sabadell, S.A.

Condensed consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	Note	30/06/2024	30/06/2023 (*)
Cash flows used in operating activities		**(627,027)**	**(10,797,092)**
Profit or loss for the period		791,892	564,398
Adjustments to obtain cash flows from operating activities		920,956	976,909
Depreciation and amortisation		249,140	273,855
Other adjustments		671,816	703,054
Net increase/decrease in operating assets		(10,085,030)	(3,183,054)
Financial assets held for trading		(243,279)	(20,485)
Non-trading financial assets mandatorily at fair value through profit or loss		(6,580)	(19,154)
Financial assets designated at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		(267,735)	185,192
Financial assets at amortised cost		(9,965,982)	(3,231,704)
Other operating assets		398,546	(96,903)
Net increase/decrease in operating liabilities		7,772,532	(9,081,018)
Financial liabilities held for trading		(5,059)	269,533
Financial liabilities designated at fair value through profit or loss			—
Financial liabilities at amortised cost		8,455,462	(9,215,894)
Other operating liabilities		(677,871)	(134,657)
Cash payments or refunds of income taxes		(27,377)	(74,327)
Cash flows used in investing activities		**(61,243)**	**(125,492)**
Payments		(244,081)	(236,134)
Tangible assets		(108,729)	(130,591)
Intangible assets		(135,352)	(105,518)
Investments in joint ventures and associates		—	(25)
Subsidiaries and other business units		—	—
Non-current assets and liabilities classified as held for sale		—	—
Other payments related to investing activities		—	—
Collections		182,838	110,642
Tangible assets		57,234	51,407
Intangible assets		—	—
Investments in joint ventures and associates		84,093	13,682
Subsidiaries and other business units		—	—
Non-current assets and liabilities classified as held for sale		41,511	45,553
Other collections related to investing activities		—	—

(*) Shown for comparative purposes only (see Note 1.5).
Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated cash flow statement for the six-month period ended 30 June 2024.

Condensed consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	Note	30/06/2024	30/06/2023 (*)
Cash flows from financing activities		**144,020**	**353,678**
Payments		(388,914)	(686,552)
Dividends	3	(164,310)	(111,645)
Subordinated liabilities		—	(400,000)
Redemption of own equity instruments		—	—
Acquisition of own equity instruments		(111,229)	(60,887)
Other payments related to financing activities		(113,375)	(114,020)
Collections		532,934	1,040,230
Subordinated liabilities	4	500,000	1,000,000
Issuance of own equity instruments		—	—
Disposal of own equity instruments		32,934	40,230
Other collections related to financing activities		—	—
Effect of changes in foreign exchange rates		**60,327**	**63,961**
Net increase (decrease) in cash and cash equivalents		**(483,923)**	**(10,504,945)**
Cash and cash equivalents at the beginning of the period	**7**	**29,985,853**	**41,260,395**
Cash and cash equivalents at the end of the period	**7**	**29,501,930**	**30,755,450**

Memorandum item			
CASH FLOWS CORRESPONDING TO:			
Interest received		3,964,650	3,858,766
Interest paid		2,031,265	1,080,859
Dividends received		1,648	7,167
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
Cash on hand	7	613,621	632,042
Cash equivalents in central banks	7	28,216,210	29,187,973
Other demand deposits	7	672,099	935,435
Other financial assets		—	—
Less: bank overdrafts repayable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**29,501,930**	**30,755,450**
Of which: held by Group entities but not available for the Group		—	—

(*) Shown for comparative purposes only (see Note 1.5).
Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated cash flow statement for the six-month period ended 30 June 2024.

Explanatory notes to the condensed consolidated interim financial statements of Banco Sabadell Group for the six-month period ended 30 June 2024

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

1.1 Activity

Banco de Sabadell, S.A. (hereinafter also "Banco Sabadell", "the Bank", "the Institution", or "the Company"), with tax identification number (NIF) A08000143 and with registered office in Alicante, Avenida Óscar Esplá, 37, engages in banking business and is subject to the standards and regulations governing banking institutions operating in Spain. The supervision of Banco Sabadell on a consolidated basis is performed by the European Central Bank (ECB).

The Institution is entered in the Companies Register of Alicante under Volume 4070, Folio 1, Sheet A-156980 and 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 Schedule I to the 2023 consolidated annual financial statements and Note 2) whose activity it controls directly or indirectly and which comprise, together with the Bank, Banco Sabadell Group (hereinafter, "the Group").

1.2 Basis of presentation

The Group's consolidated annual financial statements for 2023 were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) applicable at the end of 2023, 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 2023 and the results of its operations, recognised income and expenses, changes in equity and cash flows (all consolidated) in 2023.

Note 1 to the consolidated annual financial statements for 2023 includes a summary of the principles, accounting policies and measurement criteria applied by the Group. The aforesaid consolidated annual financial statements were signed off by the directors of Banco Sabadell at the Board meeting of 22 February 2024 and approved at the Annual General Meeting of 10 April 2024.

These condensed consolidated interim financial statements for the six-month period ended 30 June 2024 have been prepared and are presented in accordance with IAS 34 "Interim financial reporting", as set out in the EU IFRS, and they were signed off by the Bank's directors on 22 July 2024, taking into account Bank of Spain Circular 4/2017 of 27 November and its subsequent amendments.

The condensed consolidated interim financial statements have been prepared applying the same consolidation principles, accounting policies and measurement criteria as those applied by the Group in the consolidated annual financial statements for the financial year 2023, taking into consideration the standards and interpretations that have come into force since 1 January 2024 (see Note 1.3), so that they fairly present the Group's consolidated equity and consolidated financial situation as at 30 June 2024 and the consolidated results of its operations and consolidated cash flows materialising in the Group over the six-month period from 1 January to 30 June 2024.

In accordance with that set forth in IAS 34, the interim financial information is prepared with the sole purpose of explaining the significant events and changes that occurred in the six-month period, without duplicating the information already published in the most recent consolidated annual financial statements. Therefore, for a proper comprehension of the information included in the condensed consolidated interim financial statements, they should be read together with the Group's consolidated annual financial statements for 2023.

These condensed consolidated interim 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 policies and measurement criteria applied by the Group.

There are no cases in which accounting principles or measurement criteria whose application is mandatory have not been applied because of a significant effect on the condensed consolidated interim financial statements.

Except as otherwise indicated, these condensed consolidated interim 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.

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

1.3 Regulatory amendments in the first half of 2024

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

In the first half of 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 and Interpretations	Title
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 consolidated annual financial statements for the year 2023 include a brief description of these amendments.

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

Standards and Interpretations issued by the IASB not yet in force

As at the sign-off date of these condensed consolidated interim financial statements, the most significant standards and interpretations published by the IASB but which have not yet entered into force, because their effective implementation date is later than the date of these condensed consolidated interim financial statements and they have not yet been adopted by the European Union, are the following:

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

(*) The consolidated annual financial statements for the year 2023 include a brief description of these amendments.

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.

Not approved for application in the EU

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 limited changes, 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. Early 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) and whose parent company produces consolidated financial statements available for public use that comply with IFRS accounting standards. Early application of this standard is permitted.

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 features 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.

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”.

1.4 Use of judgements and estimates in preparing the condensed consolidated interim financial statements

The preparation of the condensed consolidated interim financial statements requires certain accounting estimates to be made. It also requires the use of professional 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 condensed consolidated interim financial statements, as well as the income and expenses during the period to which they relate.

The main judgements and estimates made in these condensed consolidated interim financial statements relate to the following items:

- Corporation tax expense, which, in accordance with IAS 34, is recognised in interim periods based on the best estimate of the weighted average tax rate that the Group expects for the full financial year.
- The accounting classification of financial assets according to their credit risk (see Notes 8 and 10).
- Impairment losses on certain financial assets (see Notes 8, 10 and 20).
- The assumptions used in actuarial calculations of liabilities and post-employment obligations (see Note 18).
- The measurement of consolidated goodwill (see Note 12).
- The useful life and impairment losses of tangible assets and other intangible assets (see Notes 11 and 12).
- The provisions and consideration of contingent liabilities (see Note 18).
- The fair value of certain unquoted financial assets (see Note 6).
- The fair value of real estate assets held on the balance sheet (see Note 6).
- The recoverability of non-monetisable deferred tax assets and tax credits (see Note 32).

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

The main changes in judgements and estimates occurring during the first half of 2024 are described below:

Macroeconomic scenarios used to determine loan book impairment

The macroeconomic and financial scenarios used to calculate losses on the loan book have been determined by the current restrictive monetary policy environment and the uncertain geopolitical context.

In the three main scenarios considered, the probabilities of occurrence in the baseline scenario, alternative scenario 1 and alternative scenario 2 are 65%, 15% and 20%, respectively (in the case of the subsidiary TSB, the probability of the baseline scenario is 60%, for alternative scenario 1 it is 10% and for alternative scenario 2 it is 20%. A more severe scenario is also included for this subsidiary, with a probability of 10%, featuring an interest rate hike). A 5-year time horizon has been used to carry out the forecasts of these scenarios. The main variables considered are changes in GDP, the unemployment rate and house prices. In 2023, the Group also considered three macroeconomic scenarios, weighted at 60% for the baseline scenario, 10% for alternative scenario 1 and at 30% for alternative scenario 2. The improved weighting of the scenarios is the result of updating the quantitative model with the new GDP forecasts for Spain.

The scenarios consider the consequences of the significant cycle of interest rate hikes in an environment where geopolitical uncertainty remains high. Thus, the main driver setting the scenarios apart lies in the impacts of monetary tightening and global geopolitical developments, in particular the conflict in Ukraine and the hostilities between Israel and Hamas.

The baseline scenario presents a fragile economic situation, constrained by the impacts of monetary policy tightening and a turbulent geopolitical context on a global scale. In the Eurozone, the German economy remains weak, contrasting with the good performance of the European periphery countries. In particular, Spain continues to stand out in a positive light in the Eurozone. Following the recent inflationary period, the scenario considers a progressive return to normality, with inflation gradually easing towards central bank targets during 2024 and with gradual cuts bringing official interest rates down from their present levels. Financial conditions remain restrictive, although they begin to ease as interest rates are lowered by central banks. Long-term government bond yields remain stable, while the risk premiums of the European periphery countries remain contained and in line with their respective ratings.

Alternative scenario 1 is more optimistic than the baseline scenario and is based on improved global supply-side conditions (geopolitics, energy, etc.) and productivity improvements. Recent developments in artificial intelligence may be a future catalyst of this scenario, due to its potential positive impact on productivity. In this scenario, economic growth is vigorous, inflation falls back faster than in the baseline scenario and is maintained at levels close to the monetary policy targets. As a result, central banks are less aggressive than in the baseline scenario and rates quickly return to levels in line with monetary neutrality. Global financing conditions remain lax, with no episodes of risk aversion. The economic and financial environment allows risk premiums to remain contained.

Alternative scenario 2 is more pessimistic than the baseline scenario and considers additional monetary and financial tightening in the short term, stemming from an incomplete disinflation process. This gives rise to financial instability, with impacts on the real economy. Inflation, which initially remains excessively high, ends up falling due the damage caused to the credit channel, dislocation in financial markets and the economic recession. Central banks eventually address the financial instability with an expansionary monetary policy and introduce interest rate cuts when inflation falls. In relation to financial markets, the yields on core government bonds fall and the risk premiums on European periphery bonds rebound.

As at 30 June 2024 and 31 December 2023, the main forecast variables considered for Spain and the United Kingdom are those shown below:

%

	30/06/2024									
	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										
Baseline scenario	2.2	2.0	1.8	1.6	1.6	0.5	1.2	1.3	1.4	1.4
Alternative scenario 1	3.6	4.1	2.4	2.0	2.0	0.8	2.7	1.7	1.6	1.6
Alternative scenario 2	0.9	-1.4	0.7	1.2	1.2	0.0	-1.7	0.3	1.5	1.2
Unemployment rate										
Baseline scenario	11.4	11.2	10.9	10.7	10.5	4.4	4.5	4.5	4.5	4.5
Alternative scenario 1	10.9	9.2	8.4	8.1	8.0	4.1	3.6	3.5	3.5	3.5
Alternative scenario 2	14.1	16.3	14.8	13.4	11.8	4.6	6.2	6.4	5.9	5.3
House price growth (*)										
Baseline scenario	2.7	1.7	1.8	1.9	1.9	0.4	1.1	2.4	3.0	3.0
Alternative scenario 1	5.4	4.9	3.6	3.5	3.5	3.0	5.1	5.0	5.0	5.0
Alternative scenario 2	-0.8	-3.1	-0.8	1.5	1.9	-3.2	-13.6	-1.4	0.0	4.6

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

%

	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										
Baseline scenario	1.6	1.9	1.8	1.6	1.6	0.6	1.2	1.3	1.4	1.4
Alternative scenario 1	4.1	3.5	2.2	2.0	2.0	1.3	2.7	1.7	1.6	1.6
Alternative scenario 2	-0.2	-1.0	1.0	1.2	1.2	-0.6	-1.1	1.2	1.4	1.2
Unemployment rate										
Baseline scenario	11.4	11.2	10.9	10.7	10.5	4.5	4.7	4.6	4.3	4.3
Alternative scenario 1	10.3	9.0	8.4	8.1	8.0	4.0	3.6	3.5	3.5	3.5
Alternative scenario 2	15.3	16.0	14.5	13.0	11.5	5.2	6.6	6.2	5.6	5.0
House price growth (*)										
Baseline scenario	0.5	1.7	1.8	1.9	1.9	-6.5	-2.4	1.9	2.5	2.5
Alternative scenario 1	5.6	4.6	3.5	3.5	3.5	-2.5	0.5	1.0	1.6	3.4
Alternative scenario 2	-3.6	-2.1	0.0	1.9	1.9	-7.8	-9.5	-0.4	0.0	1.6

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

The Group applies a series of additional adjustments to the results of its credit risk models, referred to as post model adjustments (PMAs) or overlays, in order to address situations in which the results of the models are not sufficiently sensitive to the uncertainty of the macroeconomic environment. These adjustments are temporary and remain in place until the reasons for which they were originally applied cease to exist. The application of these adjustments is subject to the governance principles established by the Group. Specifically, as at 31 December 2023, the impairment losses of the loan portfolio included a series of additional provisions that incorporated specific features of the macroeconomic environment, in the amount of 80 million euros, the remaining balance sheet adjustment being 70 million euros as at 30 June 2024. The balance variation during the year is mainly due to the specific way in which those adjustments were made, after having completed the recurring updates of internal provisioning models and their parameters.

1.5 Comparability

The information contained in the condensed consolidated interim financial statements and explanatory notes corresponding to 31 December 2023 and 30 June 2023 is shown solely and exclusively for purposes of comparison against the information relating to the six-month period ended 30 June 2024.

1.6 Seasonality of the Group's transactions

Given the activities engaged in by the Group's companies, their transactions are neither cyclical nor seasonal. Consequently, these explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2024 do not contain specific disclosures in that regard.

1.7 Other information

Merger proposal and voluntary tender offer for the acquisition of shares of Banco de 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 4 to its shareholders. The overall excess capital amount to be generated over 2024 and 2025, together with recurrent dividends during this period according to a successful completion of the current business plan, was projected to be 2.4 billion euros, with part of the distribution to shareholders potentially subject to supervisory approval.

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

On 9 May 2024, BBVA sent the CNMV the prior announcement of a tender offer for the acquisition of all shares issued by Banco Sabadell, conditional upon its acceptance by 50.01% of the share capital of Banco Sabadell, 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 consists of one newly issued BBVA share for every 4.83 shares of Banco Sabadell.

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.

As at the sign-off date of these condensed consolidated interim financial statements, the tender offer remains pending receipt of regulatory authorisations from the CNMV, the CNMC and the PRA, of evidence of BBVA's receipt of a statement of non-opposition from the ECB, and of the offer's acceptance, in a sufficient percentage, by Banco Sabadell shareholders.

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

Note 2 – Banco Sabadell Group

Schedule I to the consolidated annual financial statements for the year ended 31 December 2023 contains material disclosures about the Group companies that were consolidated as at that date and those accounted for using the equity method.

Schedule I to these condensed consolidated interim financial statements gives details of the business combinations, acquisitions and sales of equity holdings in other institutions (subsidiaries and/or associates) carried out by the Group during the six-month period ended 30 June 2024.

Changes in the scope of consolidation during the first half of 2024

No material changes in the scope of consolidation have taken place during the first half of 2024.

Other corporate transactions

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 targets.

As at the sign-off date of these condensed consolidated interim 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 1.7, is known.

Note 3 – Shareholder remuneration and earnings per share

Details are provided here below about the dividends paid out by the Bank during the six-month period ended 30 June 2024:

	30/06/2024		
	% of par	**Euro per share**	**Amount (thousand euro) (*)**
Ordinary shares	24 %	0.03	164,310
Other shares (non-voting, redeemable, etc.)	—	—	—
Total dividends paid	24 %	0.03	164,310
a) Dividends charged to results	24 %	0.03	164,310
b) Dividends charged to reserves or share premium	—	—	—
c) Dividends in kind	—	—	—

(*) Includes the treasury stock dividend.

On 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.

At the aforesaid meeting of 31 January 2024, the Board of Directors of Banco Sabadell, having obtained the prior permission of the competent authority, agreed to establish a treasury share buyback programme for the subsequent redemption of those shares through a share capital reduction, which was also approved by the Annual General Meeting of 10 April 2024, of up to a maximum amount of 340 million euros, whose terms, once set by the Board of Directors, were communicated in an Inside Information disclosure dated 25 April 2024, prior to initiating its execution.

In accordance with the foregoing, the total shareholder remuneration corresponding to 2023, which combines the cash dividend and the share buyback programme, would therefore reach an amount equivalent to 50% of the profit attributable to the owners of the parent company, in line with the Bank's shareholder remuneration policy.

Share buyback programme

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 amount of 340 million euros.

Thereafter, on 25 April 2024, Banco Sabadell disclosed, 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.

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 1.7).

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, with approximately 72.69% of the said maximum amount therefore remaining to be executed.

Interim dividend

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 in 2024, of 0.08 euros (gross) per share, which will be paid on 1 October 2024.

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

Thousand euro

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

(*) This amount may vary slightly depending on the available treasury stock balance at the time this dividend is paid.

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

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

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:

	30/06/2024	**30/06/2023**
Profit or loss attributable to owners of the parent (thousand euro)	791,168	563,719
Adjustment: Remuneration of other equity instruments (thousand euro)	(56,445)	(58,711)
Profit or (-) loss after tax from discontinued operations (thousand euro)	—	—
Profit or loss attributable to owners of the parent, adjusted (thousand euro)	734,723	505,008
Weighted average number of ordinary shares outstanding (*)	5,391,687,023	5,589,218,277
Assumed conversion of convertible debt and other equity instruments	—	—
Weighted average number of ordinary shares outstanding, adjusted	5,391,687,023	5,589,218,277
Earnings per share (euro)	0.14	0.09
Basic earnings per share adjusted for the effect of mandatory convertible bonds (euro)	0.14	0.09
Diluted earnings per share (euro)	0.14	0.09

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

As at 30 June 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 per share for the periods presented. For this reason, basic earnings per share coincide with diluted earnings per share.

Note 4 – Risk management

Note 4 "Risk management" in the consolidated annual financial statements for 2023 gives information about the corporate risk culture, the Global Risk Framework and the overall organisation of the risk function, as well as the management and monitoring of the main financial and non-financial risks.

Material disclosures updated as at 30 June 2024 in relation to risk management are provided here below.

4.1 Macroeconomic, political and regulatory environment

Macroeconomic environment

- Global economic growth displayed good momentum in the first half of the year, with an improved economic outlook in most of the developed economies.
- Spain continued to outperform other Eurozone countries, supported by the good performance of private consumption, investment and the foreign sector. Job creation continued to steadily increase and new record highs were reached in job occupancy numbers.
- In the United Kingdom, after a largely stagnant economy in 2023, things started to improve this year. In the political arena, the Labour party won a comfortable majority in the latest UK parliamentary elections, enabling them to return to power after fourteen years in opposition.
- Inflation in the major economies has gradually been returning to normal, although this process remains uneven, with continuing upward pressure from some parts of the services sector.
- The military conflicts that are still ongoing today, together with the large number of countries that have held or will hold elections this year, all resulted in geopolitics remaining one of the main sources of uncertainty for the economy and the markets. The recent elections in the United Kingdom, France and Mexico, and the poor market performance stemming from these, are a clear example of this.

- In terms of monetary policy, the first six months of the year were dominated by the debate regarding when exactly central banks would introduce their first interest rate cuts and how interest rates would change going forward. Towards the end of the first half-year, progress with the disinflation process allowed some central banks to begin making cuts to interest rates. In particular, the European Central Bank cut official rates by 25 basis points, placing the deposit facility rate at 3.75%.

- During the first half of the year, the markets made a significant upward adjustment to the expected path of official rate cuts for 2024, on the back of solid economic activity data and some upside surprises in prices. This explains the upswing in yields on core long-term government bonds of around 40-60 basis points.

- The risk premiums on European periphery bonds remained relatively stable and at contained levels.

- Risk assets ended the first half of 2024 with gains. Various stock market indices reached new record highs (driven by the good performance of tech stocks), while corporate bond spreads remained contained. The euro depreciated by around 3% against the dollar.

4.2 Credit risk

Credit risk exposure

The table below shows the distribution, by headings of the condensed consolidated balance sheet and off-balance sheet exposures, of the Group's maximum gross credit risk exposure as at 30 June 2024 and 31 December 2023, without deducting collateral or credit enhancements obtained 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 gross credit risk exposure	Note	30/06/2024	31/12/2023
Financial assets held for trading		**655,002**	**142,495**
Equity instruments		—	—
Debt securities	8	655,002	142,495
Non-trading financial assets mandatorily at fair value through profit or loss		**159,758**	**153,178**
Equity instruments	9	62,791	52,336
Debt securities	8	71,397	65,744
Loans and advances	10	25,570	35,098
Financial assets at fair value through other comprehensive income		**6,648,632**	**6,387,869**
Equity instruments	9	321,540	302,510
Debt securities	8	6,327,092	6,085,359
Financial assets at amortised cost		**193,598,416**	**184,116,175**
Debt securities	8	22,638,912	21,501,203
Loans and advances	10	170,959,504	162,614,972
Derivatives		**4,895,642**	**4,988,592**
Total risk due to financial assets		**205,957,450**	**195,788,309**
Loan commitments given	20	27,631,400	27,035,812
Financial guarantees given	20	1,903,075	2,064,396
Other commitments given	20	8,327,242	7,942,724
Total off-balance sheet exposures		**37,861,717**	**37,042,932**
Total maximum gross credit risk exposure		**243,819,167**	**232,831,241**

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

The values of the guarantees received to ensure collection, as at 30 June 2024 and 31 December 2023, are as follows:

Thousand euro

	30/06/2024	31/12/2023
Value of collateral	96,516,868	94,323,862
Of which: securing stage 2 loans	*7,540,063*	*7,180,750*
Of which: securing stage 3 loans	*1,743,987*	*1,873,003*
Value of other guarantees	15,473,082	14,975,715
Of which: securing stage 2 loans	*1,897,011*	*1,881,539*
Of which: securing stage 3 loans	*1,070,379*	*1,054,019*
Total value of guarantees received	**111,989,950**	**109,299,577**

Credit quality of financial assets

The breakdown of total exposures rated according to the various internal rating levels, as at 30 June 2024 and 31 December 2023, is set out here below:

Million euro

Breakdown of exposure by rating	Note	Exposures assigned rating/score 30/06/2024				
		Stage 1	***Stage 2***	***Stage 3***	***Of which: purchased credit-impaired***	**Total**
AAA/AA		26,494	154	–	*1*	26,647
A		15,054	25	13	–	15,092
BBB		91,214	239	–	–	91,454
BB		29,286	328	3	*1*	29,617
B		16,506	2,297	6	*39*	18,809
Other		3,445	8,534	5,167	*65*	17,146
No rating/score assigned		2,592	24	–	–	2,616
Total gross amount	**10**	**184,591**	**11,601**	**5,189**	**106**	**201,381**
Impairment allowances	**10**	**(346)**	**(440)**	**(2,324)**	***(1)***	**(3,109)**
Total net amount		**184,245**	**11,161**	**2,866**	***106***	**198,272**

Million euro

Breakdown of exposure by rating	Note	Exposures assigned rating/score 31/12/2023				
		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 gross amount	**10**	**174,039**	**11,672**	**5,473**	***109***	**191,185**
Impairment allowances	**10**	**(373)**	**(471)**	**(2,359)**	***(1)***	**(3,202)**
Total net amount		**173,666**	**11,202**	**3,114**	***108***	**187,982**

The breakdown of total off-balance sheet exposures rated based on the various internal rating levels as at 30 June 2024 and 31 December 2023 is as follows:

Million euro

Breakdown of exposure by rating	Note	Exposures assigned rating/score				
		30/06/2024				
		Stage 1	*Stage 2*	*Stage 3*	*Of which: purchased credit-impaired*	Total
AAA/AA		1,822	32	—	—	1,855
A		3,882	—	—	—	3,883
BBB		14,869	32	2	—	14,902
BB		8,205	46	3	*1*	8,254
B		7,256	422	7	*24*	7,686
Other		107	753	287	*128*	1,147
No rating/score assigned		134	1	—	—	135
Total gross amount	**20**	**36,276**	**1,288**	**298**	***153***	**37,862**
Provisions recognised on liabilities side of the balance	**20**	**(39)**	**(24)**	**(75)**	**—**	**(138)**
Total net amount		**36,237**	**1,264**	**223**	***153***	**37,724**

Million euro

Breakdown of exposure by rating	Note	Exposures assigned rating/score				
		31/12/2023				
		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 gross amount	**20**	**35,154**	**1,524**	**365**	**178**	**37,043**
Provisions recognised on liabilities side of the balance	**20**	**(48)**	**(30)**	**(86)**	**—**	**(165)**
Total net amount		**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 the consolidated annual financial statements for 2023.

Exposures classified as stage 3 decreased by 339 million euros in the first half of 2024. Consequently, the Group's NPL ratio fell during this period, as shown in the table below:

%

	30/06/2024	Proforma 30/06/2024 (*)	31/12/2023	Proforma 31/12/2023 (*)
NPL ratio	3.21	3.80	3.52	4.22
Stage 3 coverage ratio	44.11	48.31	42.33	45.55
Stage 3 coverage ratio, with total provisions	59.71	62.86	58.29	60.25

(*) Corresponds to the ratio excluding TSB.

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

%

	30/06/2024	Proforma 30/06/2024 (*)	31/12/2023	Proforma 31/12/2023 (*)
Real estate development and construction	6.27	6.31	6.44	6.48
Non-real estate construction	4.51	4.51	5.25	5.25
Corporates	1.90	1.90	2.47	2.47
SMEs and self-employed	8.74	8.80	8.52	8.58
Individuals with 1st mortgage guarantee	1.96	2.42	2.29	3.12
Group NPL ratio	**3.21**	**3.80**	**3.52**	**4.22**

(*) Corresponds to the NPL ratio excluding TSB.

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

4.3 Financial risks

4.3.1 Liquidity risk

Assessment of liquidity needs and funding policy

The Group's liquidity position remained at comfortable levels during the first half of 2024. During this period, the funding gap generated at the Group level was negative due to a greater increase in lending than in customer funds as a result of customers' increased financing needs.

In the first half of 2024, Banco Sabadell's medium- and long-term maturities of wholesale debt amounted to 2.73 billion euros (not including partial and total redemptions of securitisations placed in the market) and it carried out four wholesale market issues amounting to a value of 2.75 billion euros. In particular, on 15 January 2024, an issue of senior preferred bonds was carried out for 750 million euros with a 6-year maturity and an early call option in the fifth year; on 13 March 2024 a senior non-preferred issue was carried out in green format for 500 million euros with a 6.5-year maturity and an early call option at 5.5 years; on 27 March 2024 an issue of subordinated bonds was executed for 500 million euros with a maturity of 10 years and 3 months and with an early call option after 5 years; and on 5 June 2024 an issue of mortgage covered bonds was carried out for 1 billion euros with a 10-year maturity.

In the second half of 2024, the Bank has scheduled maturities of medium- and long-term wholesale debt amounting to 250 million euros (not including partial and total redemptions of securitisations placed in the market).

With regard to asset securitisation transactions, Banco Sabadell did not proceed to early liquidation of any fund in the first half of 2024. In May 2024, TSB issued the fund RMBS Duncan Funding 2024-1 PLC, for 561.8 million pounds sterling. The senior tranche was fully placed in the market, and TSB retained the junior tranche. The fund was registered as an STS transaction under UK securitisation regulations.

TSB's medium- and long-term debt maturities in the wholesale market amounted to 500 million pounds in the half-year, and on 5 March 2024 it carried out an issue of covered bonds for 500 million euros with a 5-year maturity. No maturities are anticipated in the second half of the year.

As at 30 June 2024, there was no balance drawn down from monetary policy operations with the European Central Bank.

On the other hand, as at 30 June 2024, the total amount drawn from the Bank of England stood at 2,740 million pounds (4,005 million pounds as at 31 December 2023), of which 2,735 million pounds correspond to the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) and 5 million pounds correspond to the Indexed Long Term Repo (ILTR) facility.

Capital markets

The Group has a number of funding programmes in operation in capital markets, with a view to diversifying its different funding sources. Specifically with regard to short-term funding, it has a corporate commercial paper programme registered with the Spanish National Securities Market Commission (CNMV), and with regard to medium- and long-term funding, the Institution has a Euro Medium Term Notes (EMTN) programme registered with the Irish Stock Exchange and a Base Prospectus of Non-Equity Securities registered with the CNMV.

The level of funding in capital markets has remained stable. The Institution maintains a comfortable MREL (Minimum Requirement for own funds and Eligible Liabilities) level above the regulatory requirements. As indicated previously, in the first half of the year, Banco Sabadell carried out four issues in the wholesale market for 2.75 billion euros and TSB carried out an additional issue for 500 million euros, managing the respective maturities in the capital markets.

The outstanding nominal balance of the Group's funding in capital markets, by type of product, as at 30 June 2024 and 31 December 2023 is shown below:

Million euro

	30/06/2024	31/12/2023
Outstanding nominal balance	**24,935**	**24,596**
Covered bonds	10,369	10,975
Of which: TSB	*3,158*	*3,164*
Commercial paper and ECP	1	6
Senior debt	4,230	4,215
Senior non-preferred debt	4,530	4,425
Subordinated debt and preferred securities	4,065	3,565
Asset-backed securities	1,740	1,410
Of which: Sabadell Consumer Finance	*371*	*494*
Of which: TSB	*591*	—

Maturities of the Group's issues in capital markets, by type of product (excluding securitisations and commercial paper), and considering their legal maturity, as at 30 June 2024 and 31 December 2023, are analysed below:

Million euro

	3Q24	4Q24	2025	2026	2027	2028	2029	>2029	Balance outstanding
Mortgage bonds and covered bonds (*)	—	250	835	1,390	2,282	2,462	1,450	1,700	10,369
Senior debt	—	—	1,480	—	500	750	750	750	4,230
Senior non-preferred debt	—	—	500	1,317	18	500	1,500	695	4,530
Subordinated debt and preferred securities	—	—	—	500	—	—	—	3,565	4,065
Total	**—**	**250**	**2,815**	**3,207**	**2,800**	**3,712**	**3,700**	**6,710**	**23,194**

(*) Collateralised 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**

(*) Collateralised issues.

As at 30 June 2024, the Bank had outstanding issues of mortgage covered bonds amounting to 15,276 million euros (15,876 million euros as at 31 December 2023), which are secured by eligible mortgage loans and credit in the amount of 24,383 million euros (24,677 million euros at 31 December 2023). The mortgage covered bonds therefore have an overcollateralisation ratio of 160% (161% as at 31 December 2023), with all their collateral denominated in euros. More information can be found on the corporate website at www.grupbancsabadell.com (see section "Shareholders and Investors - Fixed income investors").

Liquid assets

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

Million euro

	30/06/2024	31/12/2023
Cash(*) + Net interbank position	24,716	25,036
Funds available in Bank of Spain facility	17,567	15,363
ECB eligible assets not pledged in facility	7,543	11,419
Other non-ECB eligible marketable assets (**)	6,931	6,740
Memorandum item:		
Balance drawn from Bank of Spain facility (***)	*—*	*5,000*
Balance drawn from Bank of England Term Funding Scheme (****)	*3,237*	*4,608*
Total Liquid Assets Available	**56,757**	**58,558**

(*) Excess reserves and Marginal Deposit Facility in Central Banks.

(**) Market value, and after applying the Liquidity Coverage Ratio (LCR) haircut. Includes fixed income qualifying as a high quality liquid asset according to LCR (HQLA) and other marketable assets from different Group entities.

(***) Correspond to TLTRO-III facility.

(****) As at 30 June 2024, includes 2,735 million pounds borrowed from the TFSME and 5 million pounds borrowed from the ILTR (4,000 million pounds from the TFSME and 5 million from the ILTR as at 31 December 2023).

Compared to 2023 year-end, the Group's first line of liquidity decreased in the first half of 2024 by 1,801 million euros. The balance of reserves and of the marginal deposit facility in central banks and the net interbank position showed a decline of 320 million euros in the first half of 2024, while ECB-eligible liquid assets decreased by 1,672 million euros, and the available non-ECB eligible assets increased by 191 million euros, the main reasons for these variations being a negative funding gap due to a greater increase in lending than in funds as a result of customers' increased financing needs.

It should be noted that the Group follows a decentralised liquidity management model. This model tends to restrict the transfer of liquidity between the different subsidiaries involved in liquidity management, thereby limiting intragroup 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 Liquidity Management Unit (LMU) monitors its liquidity buffer with an internal conservative criterion, referred to as the counterbalancing capacity. In the case of the BSab LMU (includes Banco de Sabadell S.A., which in turn includes activity in foreign branches as well as the businesses of Banco de Sabadell S.A. in Mexico), this liquidity buffer comprises the first and second lines of liquidity. As at 30 June 2024, the second line of liquidity added a volume of 13,513 million euros to the liquidity buffer (12,155 million euros as at 31 December 2023), 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.

For the TSB LMU, this metric is calculated as the sum of the first line of liquidity plus assets pre-positioned with the Bank of England to obtain funding. As at 30 June 2024, the second line of liquidity, considering the amount of loans pre-positioned with the Bank of England, amounted to 5,779 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, the 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 liquidity risk control arrangements in all 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, the LCR has consistently been well above 100%, remaining stable over time. As at 30 June 2024, the LCR stood at 180% in the TSB LMU, 234% in Banco Sabadell Spain and 198% at the Group level (203%, 274% and 228%, respectively, as at 31 December 2023).

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 30 June 2024, the NSFR stood at 152% in the TSB LMU, 142% in Banco Sabadell Spain and 146% at the Group level (152%, 134% and 140%, respectively, as at 31 December 2023).

4.3.2 Market risk

Trading activity

Market risk incurred in trading activity is measured using the Value at Risk (VaR) and stressed VaR methodologies, which allow risks to be standardised across different types of financial market transactions.

The market risk incurred in trading activity in terms of 1-day VaR with a 99% confidence interval for the first half of 2024 and the full year 2023 was as follows:

Million euro

	30/06/2024			31/12/2023		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest rate risk	2.19	5.29	0.99	1.98	3.96	1.00
Foreign exchange risk (trading)	1.66	2.04	—	2.26	2.52	1.81
Equity	—	—	—	—	—	—
Credit spread	0.34	0.79	0.10	0.27	0.72	0.09
Aggregate VaR	**4.19**	**7.51**	**1.25**	**4.51**	**5.94**	**3.25**

The VaR figures for trading activity saw a slight decline in the first half of 2024, mainly in foreign exchange trading, due to the trading desks' reduced exposure to this risk factor.

Structural interest rate risk

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 practices and current regulations. In particular, throughout the first half of 2024, the Institution has continued to implement and monitor management actions to keep metrics within their target risk thresholds; this applies to both net interest income and economic value of equity. In addition, work has continued on the review and continuous improvement of systems and behavioural models in accordance with the guidelines established by the European Banking Authority (hereinafter, "EBA").

With regard to the evolution of interest rates, the first half of 2024 was characterised by the stability of benchmark rates in the short term (up to 2 years) and by the 40-60 basis point increase, depending on the currency, in the medium and long term. In the specific case of the euro, the 12-month Euribor stood at 3.58% as at the end of June 2024 (vs. 3.51% as at year-end 2023). The deposit facility rate of the European Central Bank ended the six-month period to 30 June 2024 at 3.75% (-25 basis points over the year), while the base rate of the Bank of England ended at 5.25% (stable over the year).

In 2024, the Bank's gross performing loans to customers continued to trend towards a higher proportion of fixed-rate transactions (mainly mortgages and business loans), while on the liabilities side, the shift of balances from non-interest-bearing demand deposits to other interest-bearing products, such as term deposits, continued. In addition, ECB funding obtained through the TLTRO III facility matured in full (5 billion euros) in March 2024.

Furthermore, the Group continues to monitor customer behaviour in response to interest rate movements and 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 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).

4.3.3 Structural foreign exchange risk

Structural foreign exchange risk occurs when changes in market exchange rates between different currencies generate losses on permanent investments in foreign branches and subsidiaries with functional currencies other than the euro.

The purpose of managing structural foreign exchange risk is to minimise the impact on the value of the Institution's portfolio/equity in the event of any adverse movements in currency markets. The foregoing takes into account the potential impacts on the capital (CET1) ratio and on the net interest margin, subject to the risk appetite set out in the Risk Appetite Statement (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 1-month time horizon, with a 99% confidence level and in stressed market conditions.

Compliance with, and the effectiveness of, the Group's targets and policies are monitored and reported on a monthly basis to the Board Risk Committee.

The Bank's Financial Division, through the Asset and Liability Committee (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 made 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 1,489 million as at 30 June 2024. In relation to this position, as at 30 June 2024, a buffer of 40% of total investment is maintained.

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 9,153 million Mexican pesos as at 30 June 2024 (of a total exposure of 16,863 million Mexican pesos), representing 54% of the total investment made.

As regards permanent investments in pounds sterling, the capital buffer has decreased from 393 million pounds sterling as at 31 December 2023 to 283 million pounds sterling as at 30 June 2024 (total exposure has gone from 2,105 million pounds sterling as at 31 December 2023 to 2,073 million pounds sterling as at 30 June 2024), representing 14% of the total investment made (excluding intangibles).

Currency hedges are continuously reviewed in light of market movements.

The net position of foreign currency assets and liabilities includes the structural position of the Institution, valued as at 30 June 2024, which amounted to 3,399 million euros, of which 2,114 million euros corresponded to permanent equity holdings in pounds sterling, 840 million euros corresponded to permanent equity holdings in US dollars and 394 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 risk management policy.

As at 30 June 2024, the sensitivity of the equity exposure to a 2.5% exchange rate depreciation against the euro of the main currencies to which exposure exists, calculated based on quarterly exchange rate volatility over the past three years, amounted to 85 million euros, of which 62% corresponds to the pound sterling, 25% to the US dollar and 12% to the Mexican peso.

Note 5 – Minimum own funds and capital management

Capital ratios

The Group calculates minimum capital requirements based on Directive 2013/36/EU, amended by Directive 2019/878/EU (hereinafter, "CRD-V"), and Regulation (EU) 575/2013, amended by Regulation (EU) 2019/876 (hereinafter, "CRR-II").

The Covid-19 health crisis prompted competent institutions in Europe to temporarily lower 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 will end in December 2024, as established in Regulation (EU) 2020/873, although currently these have no impact on the Institution as phase-in ratios coincide with 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, is 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%).

As at 30 June 2024, the Group's phase-in CET1 ratio stood at 13.48%, comfortably exceeding the aforementioned requirements.

On 19 June 2024, the new regulation that updates the Capital Requirements Regulation (CRR-III) and the Capital Requirements Directive (CRD-VI) was published in the Official Journal of the European Union, thus completing the incorporation of the Basel III accord into EU law. The implementation of this regulation will be phased in. Generally speaking, the Capital Requirements Regulation will enter into force on 1 January 2025. The Capital Requirements Directive must be transposed by Member States by 10 January 2026 at the latest and will generally apply from 11 January 2026.

At the macroprudential level, on 16 May 2024 the Bank of Spain announced the start of a procedure to review the framework for setting the countercyclical capital buffer and to establish its corresponding percentage from the fourth quarter of 2024 onwards. Specifically, it envisages establishing a level of 0.5%, to be applied as from 1 October 2025. Thereafter, if cyclical systemic risks remain at a standard level, the Bank of Spain will likely increase that level to 1% as from the fourth quarter of 2025, applicable from 1 October 2026.

The following table shows the phase-in capital ratios and eligible own funds of the Group as at 30 June 2024 and 31 December 2023:

Thousand euro

	30/06/2024	31/12/2023	Change (%)
Capital	680,028	680,028	—
Reserves	13,536,114	13,198,328	2.56
Valuation adjustments	(417,516)	(471,695)	(11.49)
Deductions	(3,001,209)	(3,059,900)	(1.92)
CET1 capital	**10,797,417**	**10,346,761**	**4.36**
CET1 (%)	13.48	13.19	2.20
Preference shares, convertible bonds and deductions	1,750,000	1,750,000	—
AT1 capital	**1,750,000**	**1,750,000**	**—**
AT1 (%)	2.19	2.23	(1.79)
Tier 1 capital	**12,547,417**	**12,096,761**	**3.73**
Tier 1 (%)	15.67	15.42	1.62
Tier 2 capital	**2,294,112**	**1,829,460**	**25.40**
Tier 2 (%)	2.87	2.33	23.18
Capital base	**14,841,529**	**13,926,221**	**6.57**
Minimum capital requirement	10,664,694	10,445,833	2.10
Capital surplus	**4,176,835**	**3,480,388**	**20.01**
Total capital ratio (%)	**18.54**	**17.76**	**4.39**
Risk-weighted assets (RWAs)	**80,070,833**	**78,427,616**	**2.10**

Common Equity Tier 1 (CET1) capital accounts for 72.75% of eligible capital. Deductions are mainly comprised of intangible assets, goodwill and deferred tax assets.

Tier 1 comprises, in addition to CET1 funds, items that largely make up Additional Tier 1 capital (11.79% of own funds), which are capital items comprised of preferred securities.

Tier 2 capital provides 15.46% of the solvency ratio and is essentially made up of subordinated debt. With regard to subordinated debt, the new issue of Subordinated Debt 1/2024 for 500 million euros carried out on 27 March 2024 is worthy of note.

As for risk-weighted assets (RWAs), these increased by 1,643 million euros in the period. At Banco Sabadell ex-TSB, the increase in RWAs was mainly due to the growth of lending and to the front-loading of impacts related mainly to changes in the parameters of models used for SMEs, corporates and groups. These impacts were partially offset by a synthetic securitisation carried out in June 2024 on a 1.1 billion euro project finance portfolio. The reduction of RWAs as a result of the natural improvement of the portfolio's risk profile over time is also worth mentioning. In TSB, it is worth noting the increases in RWAs as a result of lending growth and the appreciation of the pound against the euro.

Leverage ratio

The leverage ratio aims to reinforce capital requirements by providing a supplementary measure that is not linked to the level of risk. Article 92 of the CRR-II regulation establishes that a minimum leverage ratio of 3% is required as from June 2021; this percentage is comfortably exceeded by the Group as at 30 June 2024.

The leverage ratio as at 30 June 2024 and 31 December 2023 is shown below:

Thousand euro

	30/06/2024	31/12/2023
Tier 1 capital	12,547,417	12,096,761
Exposure	239,930,290	233,254,941
Leverage ratio	**5.23 %**	**5.19 %**

During the first half of 2024, the leverage ratio increased by 4 basis points compared to the leverage ratio as at 31 December 2023, mainly due to the positive evolution of Common Equity Tier 1 (CET1) capital thanks to the profit earned during the period, the evolution of tax assets that must be deducted from CET1 and the evolution of valuation adjustments. The improvement in CET1 was partially offset by increased exposure, mainly due to the growth of lending and of deposits in central banks.

For more information on capital ratios and the leverage ratio, their composition, parameters and their management, see the Pillar III Disclosures report, which is published every quarter and is available on the Bank's website (www.grupbancsabadell.com) in the section "Shareholders and Investors / Economic and financial information".

MREL

On 19 December 2023, Banco Sabadell received a communication from the Bank of Spain regarding the decision made by the Single Resolution Board (SRB) concerning the minimum requirement for own funds and eligible liabilities (MREL) and the subordination requirement applicable on a consolidated basis.

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

- The MREL is 22.52% of the total risk exposure amount (TREA) and 6.35% of the leverage ratio exposure (LRE).
- The subordination requirement is 17.31% of the TREA and 6.35% 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.

As at 30 June 2024, Banco Sabadell was compliant with the MREL requirements established by the Single Resolution Board (SRB) and in force as from 1 January 2024.

The table shown below sets out details of the Group's MREL as a percentage of the TREA, as at 30 June 2024 and 31 December 2023:

	30/06/2024	31/12/2023
CET1, phase-in	13.48 %	13.19 %
AT1, phase-in	2.19 %	2.23 %
Tier 2, phase-in and subordinated liabilities	3.26 %	2.68 %
Senior non-preferred debt	5.03 %	5.14 %
Senior preferred debt	5.40 %	4.60 %
Total MREL	**29.36 %**	**27.84 %**

Note 6 – Fair value of assets and liabilities

Financial assets and financial liabilities

The methodology and classification of the fair value by hierarchy is explained in Note 6 to the Group's 2023 consolidated annual financial statements.

Determination of the fair value of financial instruments

A comparison between the value at which the Group's financial assets and financial liabilities are recognised on the condensed consolidated balance sheets, as at 30 June 2024 and 31 December 2023, and their corresponding fair values is shown below:

Thousand euro

		30/06/2024		31/12/2023	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets:					
Cash, cash balances at central banks and other demand deposits	7	29,501,930	29,501,930	29,985,853	29,985,853
Financial assets held for trading		2,949,768	2,949,768	2,706,489	2,706,489
Non-trading financial assets mandatorily at fair value through profit or loss	8, 9, 10	159,758	159,758	153,178	153,178
Financial assets at fair value through other comprehensive income	8, 9	6,527,876	6,527,876	6,269,297	6,269,297
Financial assets at amortised cost	8, 10	190,489,286	185,695,439	180,913,793	175,310,626
Derivatives – Hedge accounting		2,600,876	2,600,876	2,424,598	2,424,598
Total assets		**232,229,494**	**227,435,647**	**222,453,208**	**216,850,041**

Thousand euro

		30/06/2024		31/12/2023	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liabilities:					
Financial liabilities held for trading		2,862,400	2,862,400	2,867,459	2,867,459
Financial liabilities at amortised cost	15, 16, 17	225,027,229	224,868,895	216,071,766	215,366,894
Derivatives – Hedge accounting		981,110	981,110	1,171,957	1,171,957
Total liabilities		**228,870,739**	**228,712,405**	**220,111,182**	**219,406,310**

As shown in the first table of this Note, as at 30 June 2024 the fair value of financial assets at amortised cost is approximately 4.8 billion 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 condensed consolidated balance sheets, broken down by the IFRS 13 level to which they have been assigned:

Thousand euro

		30/06/2024			
	Note	Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		556,141	2,393,627	—	2,949,768
Derivatives		—	2,294,766	—	2,294,766
Equity instruments		—	—	—	—
Debt securities	8	556,141	98,861	—	655,002
Loans and advances – Customers		—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		34,653	22,155	102,950	159,758
Equity instruments	9	21,442	21,187	20,162	62,791
Debt securities	8	13,211	968	57,218	71,397
Loans and advances		—	—	25,570	25,570
Financial assets at fair value through other comprehensive income		4,854,019	1,587,266	86,591	6,527,876
Equity instruments	9	470	145,814	54,500	200,784
Debt securities	8	4,853,549	1,441,452	32,091	6,327,092
Loans and advances		—	—	—	—
Derivatives – Hedge accounting		—	2,600,876	—	2,600,876
Total assets		**5,444,813**	**6,603,924**	**189,541**	**12,238,278**

Thousand euro

		30/06/2024			
	Note	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		400,701	2,461,699	—	2,862,400
Derivatives		—	2,461,699	—	2,461,699
Short positions		400,701	—	—	400,701
Deposits with credit institutions		—	—	—	—
Derivatives – Hedge accounting		—	981,110	—	981,110
Total liabilities		**400,701**	**3,442,809**	**—**	**3,843,510**

Thousand euro

		31/12/2023			
	Note	Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		142,495	2,563,994	—	2,706,489
Derivatives		—	2,563,994	—	2,563,994
Equity instruments		—	—	—	—
Debt securities	8	142,495	—	—	142,495
Loans and advances – Customers		—	—	—	—
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
Loans and advances		—	—	—	—
Derivatives – Hedge accounting		—	2,424,598	—	2,424,598
Total assets		**4,830,739**	**6,527,554**	**195,269**	**11,553,562**

Thousand euro

	Note	31/12/2023 Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		337,373	2,530,086	—	2,867,459
Derivatives		—	2,530,086	—	2,530,086
Short positions		337,373	—	—	337,373
Deposits with credit institutions		—	—	—	—
Derivatives – Hedge accounting		—	1,171,957	—	1,171,957
Total liabilities		**337,373**	**3,702,043**	**—**	**4,039,416**

Movements in the balances of financial assets and financial liabilities classified as Level 3 that are disclosed in the accompanying condensed consolidated balance sheets are shown below:

Thousand euro

	Assets	Liabilities
Balance as at 31 December 2023	**195,269**	**—**
Valuation adjustments recognised in profit or loss (*)	8,423	—
Valuation adjustments not recognised in profit or loss	1,030	—
Purchases, sales and write-offs	(9,065)	—
Net additions/(removals) in Level 3	(432)	—
Exchange differences and other	(5,684)	—
Balance as at 30 June 2024	**189,541**	**—**

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

Income from sales of financial instruments classified as Level 3, recognised in the condensed consolidated income statement for the six-month period ended 30 June 2024, was not significant.

Details of financial instruments that were transferred to different valuation levels in the first half of 2024 are as follows:

Thousand euro

	30/06/2024					
From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets:						
Financial assets held for trading	—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	—	—	—	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	—	—	—	432
Derivatives	—	—	—	—	—	—
Liabilities:						
Financial liabilities held for trading	—	—	—	—	—	—
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**432**

Details of financial instruments that were transferred to different valuation levels in 2023 are as follows:

Thousand euro

		31/12/2023					
	From:	**Level 1**		**Level 2**		**Level 3**	
	To:	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Assets:							
Financial assets held for trading		—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		—	—	—	—	—	—
Financial assets designated at fair value through profit or loss		—	—	—	—	5,500	—
Financial assets at fair value through other comprehensive income		687,365	4,520	—	—	—	—
Derivatives		—	—	—	—	—	—
Liabilities:							
Financial liabilities held for trading		—	—	—	—	—	—
Derivatives – Hedge accounting		—	—	—	—	—	—
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 30 June 2024 and 31 December 2023, there were no derivatives using equity instruments as underlying assets or discretionary profit-sharing arrangements of significant amount in any companies.

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

	30/06/2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Financial assets at amortised cost:				
Debt securities	18,775,970	1,809,204	749,645	21,334,819
Loans and advances	—	22,746,926	141,613,694	164,360,620
Total assets	**18,775,970**	**24,556,130**	**142,363,339**	**185,695,439**

Thousand euro

	30/06/2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Financial liabilities at amortised cost (*):				
Deposits	—	192,636,190	—	192,636,190
Debt securities issued	22,982,154	2,257,692	—	25,239,846
Total liabilities	**22,982,154**	**194,893,882**	**—**	**217,876,036**

(*) As at 30 June 2024, the Group had other financial liabilities amounting to 6,992,859 thousand euros.

Thousand euro

	31/12/2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
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

	31/12/2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
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.

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 period 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 period-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 30 June 2024 and 31 December 2023, there were no equity instruments valued at their cost of acquisition that could be considered significant.

Non-financial assets

Real estate assets

The methodology used by the Group to determine the fair value of real estate assets is explained in Note 6 to the 2023 consolidated annual financial statements.

In the first half of 2024, there were no significant changes in the methods used to value the Group's real estate assets.

Note 7 – Cash, cash balances at central banks and other demand deposits

The composition of this heading in the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	**31/12/2023**
By nature:		
Cash	613,621	726,122
Cash balances at central banks	28,216,210	28,566,694
Other demand deposits	672,099	693,037
Total	**29,501,930**	**29,985,853**

Note 8 – Debt securities

Debt securities reported in the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 are analysed below:

Thousand euro

	30/06/2024	31/12/2023
By heading:		
Financial assets held for trading	655,002	142,495
Non-trading financial assets mandatorily at fair value through profit or loss	71,397	65,744
Financial assets at fair value through other comprehensive income	6,327,092	6,085,359
Financial assets at amortised cost	22,638,784	21,500,927
Total	**29,692,275**	**27,794,525**
By nature:		
General governments	27,079,374	26,250,576
Credit institutions	2,954,371	2,072,205
Other sectors	584,802	424,261
Stage 3 assets	899	899
Impairment allowances	(128)	(276)
Other valuation adjustments (interest, fees and commissions, other)	(927,043)	(953,140)
Total	**29,692,275**	**27,794,525**

The breakdown of debt securities classified according to their credit risk and the movement of impairment allowances associated with these instruments are included, together with those of other financial assets, in Note 10 to these condensed consolidated interim financial statements.

Note 9 – Equity instruments

Equity instruments reported in the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 are analysed below:

Thousand euro

	30/06/2024	31/12/2023
By heading:		
Non-trading financial assets mandatorily at fair value through profit or loss	62,791	52,336
Financial assets at fair value through other comprehensive income	200,784	183,938
Total	**263,575**	**236,274**
By nature:		
Resident sector	223,683	200,584
Credit institutions	12,078	9,408
Other	211,605	191,176
Non-resident sector	18,036	18,007
Credit institutions	—	—
Other	18,036	18,007
Participations in investment vehicles	21,856	17,683
Total	**263,575**	**236,274**

Note 10 – Loans and advances

Central banks and Credit institutions

The breakdown of the headings “Loans and advances – Central banks” and “Loans and advances – Credit institutions” of the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
By heading:		
Financial assets at amortised cost	10,424,983	7,152,467
Total	**10,424,983**	**7,152,467**
By nature:		
Deposits with agreed maturity	739,022	974,533
Reverse repos	9,177,467	5,601,564
Other	466,952	537,709
Stage 3 assets	2	—
Impairment allowances	(2,334)	(3,135)
Other valuation adjustments (interest, fees and commissions, other)	43,874	41,796
Total	**10,424,983**	**7,152,467**

Customers

The breakdown of the heading “Loans and advances – Customers” (General governments and Other sectors) of the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
By heading:		
Non-trading financial assets mandatorily at fair value through profit or loss	25,570	35,098
Financial assets at amortised cost	157,425,519	152,260,399
Total	**157,451,089**	**152,295,497**
By nature:		
Bank overdrafts and other short-term borrowings	3,594,802	2,769,073
Trade credit	8,030,855	7,465,119
Finance leases	2,385,720	2,236,140
Secured loans	93,291,060	91,226,348
Reverse repos	—	17,413
Other term loans	47,887,516	46,136,443
Stage 3 assets	5,188,218	5,472,296
Impairment allowances	(3,106,668)	(3,198,969)
Other valuation adjustments (interest, fees and commissions, other)(*)	179,586	171,634
Total	**157,451,089**	**152,295,497**
By sector:		
General governments	9,470,218	8,957,524
Other sectors	145,719,735	140,893,012
Stage 3 assets	5,188,218	5,472,296
Impairment allowances	(3,106,668)	(3,198,969)
Other valuation adjustments (interest, fees and commissions, other)(*)	179,586	171,634
Total	**157,451,089**	**152,295,497**

(*) Other valuation adjustments related to transactions classified as stage 3 amounted to 39,714 thousand euros as at 30 June 2024 and 37,236 thousand euros as at 31 December 2023.

Financial assets classified according to their credit risk

The breakdown of financial assets, not considering valuation adjustments, classified according to their credit risk as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

Stage 1	**30/06/2024**	**31/12/2023**
Debt securities	30,618,547	28,747,042
Loans and advances	153,972,389	145,291,906
Customers	143,589,227	138,178,496
Central banks and Credit institutions	10,383,162	7,113,410
Total stage 1	**184,590,936**	**174,038,948**
By sector:		
General governments	36,535,724	35,196,900
Central banks and Credit institutions	13,337,533	9,185,616
Other private sectors	134,717,679	129,656,433
Total stage 1	**184,590,936**	**174,038,948**

Stage 2	**30/06/2024**	**31/12/2023**
Debt securities	—	—
Loans and advances	11,601,005	11,672,436
Customers	11,600,726	11,672,041
Central banks and Credit institutions	279	396
Total stage 2	**11,601,005**	**11,672,436**
By sector:		
General governments	13,865	11,200
Central banks and Credit institutions	279	396
Other private sectors	11,586,861	11,660,840
Total stage 2	**11,601,005**	**11,672,436**

Stage 3	**30/06/2024**	**31/12/2023**
Debt securities	899	899
Loans and advances	5,188,220	5,472,297
Customers	5,188,218	5,472,296
Central banks and Credit institutions	2	—
Total stage 3	**5,189,119**	**5,473,196**
By sector:		
General governments	345	802
Central banks and Credit institutions	2	—
Other private sectors	5,188,772	5,472,394
Total stage 3	**5,189,119**	**5,473,196**
Total stages	**201,381,060**	**191,184,580**

Movements of gross values, excluding valuation adjustments, of assets subject to impairment by the Group during the six-month period ended 30 June 2024 were as follows:

Thousand euro

	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
Balance as at 31 December 2023	**174,038,948**	**11,672,436**	**5,473,196**	***109,133***	**191,184,580**
Transfers between stages	(1,303,428)	640,050	663,378	—	—
Stage 1	*2,399,816*	*(2,322,226)*	*(77,590)*	—	—
Stage 2	*(3,546,618)*	*3,753,630*	*(207,012)*	—	—
Stage 3	*(156,626)*	*(791,354)*	*947,980*	—	—
Increases	31,656,346	771,112	318,560	*2,986*	32,746,019
Decreases	(20,922,971)	(1,610,496)	(1,089,266)	*(8,570)*	(23,622,733)
Transfers to write-offs	—	—	(195,986)	—	(195,986)
Adjustments for exchange differences	1,122,040	127,903	19,237	*2,955*	1,269,180
Balance as at 30 June 2024	**184,590,936**	**11,601,005**	**5,189,119**	***106,504***	**201,381,060**

Movements of impaired financial assets derecognised from the asset side of the balance sheet as the likelihood of them being recovered during the six-month period ended 30 June 2024 was deemed to be remote were as follows:

Thousand euro

Balance as at 31 December 2023	**6,220,318**
Additions	**261,007**
Use of accumulated impairment balance	182,578
Directly recognised on income statement	13,408
Contractually payable interest	65,021
Other items	—
Disposals	**(171,435)**
Collections of principal in cash from counterparties	(25,684)
Collections of interest in cash from counterparties	(870)
Debt forgiveness	(10,858)
Expiry of statute-of-limitations period	—
Forbearance	—
Sales	(121,388)
Foreclosure of tangible assets	—
Other items	(12,635)
Exchange differences	**9,580**
Balance as at 30 June 2024	**6,319,470**

Allowances

Financial asset impairment allowances broken down by condensed consolidated balance sheet heading as at 30 June 2024 and 31 December 2023 were as follows:

Thousand euro

Stage 1	**30/06/2024**	**31/12/2023**
Debt securities	128	276
Loans and advances	345,639	372,373
Central banks and Credit institutions	2,333	2,752
Customers	343,306	369,621
Total stage 1	**345,767**	**372,649**
Stage 2		
Debt securities	—	—
Loans and advances	439,759	470,529
Central banks and Credit institutions	—	383
Customers	439,759	470,146
Total stage 2	**439,759**	**470,529**
Stage 3		
Debt securities	—	—
Loans and advances	2,323,604	2,359,203
Central banks and Credit institutions	1	—
Customers	2,323,603	2,359,202
Total stage 3	**2,323,604**	**2,359,203**
Total stages	**3,109,130**	**3,202,381**

The movement of impairment allowances allocated by the Group to cover credit risk during the six-month period ended 30 June 2024 was as follows:

Thousand euro

	Individually measured		**Collectively measured**			**Total**
	Stage 2	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	
Balance as at 31 December 2023	**11,786**	**500,083**	**372,650**	**458,743**	**1,859,119**	**3,202,381**
Movements reflected in impairment gains/(losses) (*)	**(2,083)**	**(24,428)**	**3,123**	**46,810**	**264,995**	**288,417**
Increases due to origination	—	—	153,824	—	—	153,824
Changes due to credit risk variance	(611)	11,687	(55,531)	54,361	261,951	271,857
Other movements	(1,472)	(36,115)	(95,170)	(7,551)	3,044	(137,264)
Movements not reflected in impairment gains/(losses)	**(6,010)**	**(37,643)**	**(30,499)**	**(69,930)**	**(238,619)**	**(382,700)**
Transfers between stages	(6,010)	(11,364)	(30,499)	(62,694)	110,567	—
Stage 1	*26*	*236*	*32,535*	*(30,498)*	*(2,299)*	—
Stage 2	*(3,694)*	*(2,935)*	*(58,052)*	*97,223*	*(32,542)*	—
Stage 3	*(2,342)*	*(8,665)*	*(4,982)*	*(129,419)*	*145,408*	—
Utilisation of allocated provisions	—	(26,279)	—	(7,236)	(346,113)	(379,628)
Other movements (**)	—	—	—	—	(3,072)	(3,072)
Adjustments for exchange differences	**(3)**	**(777)**	**493**	**445**	**874**	**1,032**
Balance as at 30 June 2024	**3,690**	**437,235**	**345,767**	**436,069**	**1,886,369**	**3,109,130**

(*) This figure, corresponding to the amortisation charged to results on impaired financial assets derecognised from the asset side of the balance sheet and the recovery of write-offs, has been recognised with a balancing entry under the heading "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains" (see Note 27).

(**) Corresponds to credit loss allowances transferred to non-current assets held for sale and investment properties.

Sensitivity analysis of the key variables of macroeconomic scenarios

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

Group			
	Change in the variable (*)	**Impact on expected loss**	
		Corporates	**Individuals**
GDP growth deviation	-100 bp	5.2%	2.0%
	+100 bp	-4.5%	-1.8%
Unemployment rate deviation	+100 bp	1.9%	2.5%
	-100 bp	-1.7%	-1.9%
House price growth deviation	-100 bp	0.7%	1.1%
	+100 bp	-0.7%	-1.0%

Spain			
	Change in the variable (*)	**Impact on expected loss**	
		Corporates	**Individuals**
GDP growth deviation	-100 bp	5.2%	2.6%
	+100 bp	-4.5%	-2.4%
Unemployment rate deviation	+100 bp	1.9%	0.9%
	-100 bp	-1.7%	-0.9%
House price growth deviation	-100 bp	0.7%	1.3%
	+100 bp	-0.7%	-1.2%

United Kingdom		
	Change in the variable (*)	**Impact on expected loss**
		Individuals
Unemployment rate deviation (**)	+100 bp	8.2%
	-100 bp	-5.5%
House price growth deviation	-100 bp	0.4%
	+100 bp	-0.4%

(*) 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.

Note 11 – Tangible assets

The composition of this heading in the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024				31/12/2023			
	Cost	Depreciation	Impairment	Net amount	Cost	Depreciation	Impairment	Net amount
Property, plant and equipment	**3,954,198**	**(1,908,203)**	**(44,411)**	**2,001,584**	**3,930,317**	**(1,818,023)**	**(45,188)**	**2,067,106**
For own use:	3,930,896	(1,893,391)	(44,411)	1,993,094	3,907,505	(1,804,259)	(45,188)	2,058,058
Computer equipment and related facilities	605,891	(444,024)	–	161,867	587,570	(415,704)	–	171,866
Furniture, vehicles and other facilities	926,591	(597,951)	–	328,640	935,347	(590,146)	–	345,201
Buildings	2,314,226	(840,345)	(44,411)	1,429,470	2,329,727	(789,168)	(45,188)	1,495,371
Works in progress	45,734	–	–	45,734	19,011	–	–	19,011
Other	38,454	(11,071)	–	27,383	35,850	(9,241)	–	26,609
Leased out under operating leases	23,302	(14,812)	–	8,490	22,812	(13,764)	–	9,048
Investment properties	**350,239**	**(63,345)**	**(72,683)**	**214,211**	**369,376**	**(62,302)**	**(77,476)**	**229,598**
Buildings	350,239	(63,345)	(72,683)	214,211	369,376	(62,302)	(77,476)	229,598
Rural property, plots and sites	–	–	–	–	–	–	–	–
Total	**4,304,437**	**(1,971,548)**	**(117,094)**	**2,215,795**	**4,299,693**	**(1,880,325)**	**(122,664)**	**2,296,704**

As at 30 June 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 1,388,761 thousand euros, depreciated by 536,909 thousand euros and impaired in the amount of 39,394 thousand euros as at the aforesaid date (1,359,188 thousand euros as at 31 December 2023, depreciated by 486,883 thousand euros and impaired in the amount of 40,026 thousand euros as at that date).

Note 12 – Intangible assets

The composition of this heading as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
Goodwill:	**1,018,311**	**1,018,311**
Banco Urquijo	473,837	473,837
Grupo Banco Guipuzcoano	285,345	285,345
From acquisition of Banco BMN Penedés assets	245,364	245,364
Other	13,765	13,765
Other intangible assets:	**1,475,427**	**1,464,763**
With a finite useful life:	1,475,427	1,464,763
Private Banking Business, Miami	1,561	1,825
Contractual relations with TSB customers and brand	15,408	17,509
Computer software	1,457,474	1,444,408
Other	984	1,021
Total	**2,493,738**	**2,483,074**

In the first half of 2024, Banco Sabadell carried out an analysis to evaluate the existence of any potential impairment of its goodwill.

The Group monitors total goodwill across the ensemble of Cash-Generating Units (CGUs) that make up the Banking Business Spain operating segment.

The value in use of the Banking Business Spain operating segment is used to determine its recoverable amount. The valuation method used in this analysis was that of discounting future distributable net profit associated with the activity carried out by the Banking Business Spain operating segment until 2028, plus an estimated terminal value.

The projections used to determine the recoverable amount are those set out in the financial projections approved by the Board of Directors. Those projections are based on sound and well-founded assumptions, which represent Management's best estimates of overall upcoming economic conditions. To determine the key variables (basically net interest income, fees and commissions, expenses, cost of risk and solvency levels) that underpin the financial projections, Management has used microeconomic variables, such as the existing balance sheet structure, market positioning and strategic decisions made, as well as macroeconomic variables, such as the expected evolution of GDP and the forecast evolution of interest rates and unemployment. The macroeconomic variables used for the baseline macroeconomic scenario, described in Note 1.4, 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 June 2024, to calculate the terminal value, 2028 was taken as the reference year, using a growth rate in perpetuity of 1.8% (same percentage as 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 10.1% (11.2% in 2023), determined using the Capital Asset Pricing Model (CAPM); it therefore comprises a risk-free rate plus a premium that reflects the inherent risk of the operating segment being evaluated.

The recoverable amount obtained is higher than the carrying amount; therefore, no impairment has been recognised.

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

This analysis consisted of adjusting the following:

- Discount rate +/- 0.5%.
- Growth rate in perpetuity +/- 0.5%.
- Minimum capital requirement +/-0.75%.
- Net interest margin (NIM) / Average Total Assets (ATAs) in perpetuity +/- 5 basis points.
- Cost of risk in perpetuity +/- 10 basis points.

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.

The impairment of the Group's computer software, which mainly provides services to the Bank and to TSB, is evaluated by reviewing the recoverable amounts of Banking Business Spain and Banking Business United Kingdom.

In the case of Banking Business United Kingdom, the valuation method used in the analysis was that of discounting future distributable net profit associated with the activity carried out up to 2028. To calculate the terminal value, 2028 was taken as the reference year, using a growth rate in perpetuity of 1.7% (1.7% 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 11.8% (12.4% in 2023), determined using the CAPM method; it therefore comprises a risk-free rate plus a premium that reflects the inherent risk of the operating segment being evaluated. The evaluation did not reveal the need to recognise any impairment in the value of these assets.

Note 13 – Other assets and liabilities

The composition of the "Other assets" heading as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
Insurance contracts linked to pensions	78,747	80,693
Inventories	54,235	62,344
Rest of other assets	329,269	293,086
Total	**462,251**	**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.

The composition of the "Other liabilities" heading as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
Other accruals/deferrals	409,498	574,997
Rest of other liabilities	268,160	147,527
Total	**677,658**	**722,524**

The "Rest of other liabilities" item mainly includes transactions in progress pending settlement.

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

The breakdown of the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" of the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
Assets	**1,072,898**	**991,045**
Loans and advances	117,631	6,328
Customers	117,631	6,328
Equity instruments	159,748	159,748
Real estate exposure	675,875	708,051
Properties for own use	50,902	49,432
Foreclosed assets	624,973	658,619
Other tangible assets	105,995	103,864
Rest of other assets	13,649	13,054
Impairment allowances	**(215,213)**	**(220,167)**
Non-current assets and disposal groups classified as held for sale	**857,685**	**770,878**
Liabilities	**59,010**	**13,347**
Financial liabilities at amortised cost	47,680	12,682
Tax liabilities	11,330	665
Liabilities included in disposal groups classified as held for sale	**59,010**	**13,347**

The increase in the amount of loans and advances recognised as non-current assets held for sale as at 30 June 2024 was due to the sale of a portfolio of non-performing loans signed during the second quarter of 2024. These loans and advances have been reclassified as "Non-current assets and disposal groups classified as held for sale" until this transaction is fully closed.

Note 15 – Deposits in central banks and credit institutions

The breakdown of the balance of deposits in central banks and credit institutions in the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
By heading:		
Financial liabilities at amortised cost	17,090,348	23,616,543
Total	**17,090,348**	**23,616,543**
By nature:		
Demand deposits	263,126	222,195
Deposits with agreed maturity	5,807,525	12,274,576
Repurchase agreements	10,802,969	10,821,129
Other accounts	122,181	74,163
Valuation adjustments	94,547	224,480
Total	**17,090,348**	**23,616,543**

Note 16 – Customer deposits

The balance of customer deposits on the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 breaks down as follows:

Thousand euro

	30/06/2024	31/12/2023
By heading:		
Financial liabilities at amortised cost	175,548,034	160,330,653
Total	**175,548,034**	**160,330,653**
By nature:		
Demand deposits	135,069,985	134,242,908
Deposits with agreed maturity	22,175,910	21,081,166
Hybrid financial liabilities	5,618,942	4,507,056
Repurchase agreements	12,309,382	200,336
Other valuation adjustments (interest, fees and commissions, other)	373,815	299,187
Total	**175,548,034**	**160,330,653**
By sector:		
General governments	19,169,343	7,869,390
Other sectors	156,004,876	152,162,076
Other valuation adjustments (interest, fees and commissions, other)	373,815	299,187
Total	**175,548,034**	**160,330,653**

In the first half of 2024, the "Repurchase agreements" heading increased mainly as a result of the Public Treasury's cash management operations through reverse repos, in particular those known as simultaneous reverse repos or repurchase transactions. The outstanding balance of these transactions amounted to 12,249,145 thousand euros. These transactions led to interest expenses of 122,590 thousand euros, which were recognised in the condensed consolidated income statement for the six-month period ended 30 June 2024.

Note 17 – Debt securities in issue

The breakdown of the balance of debt securities issued by the Group by type of issuance and recognised on the condensed consolidated balance sheets as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024	31/12/2023
Straight bonds/debentures	8,781,800	8,671,400
Straight bonds	*8,750,500*	*8,630,100*
Structured bonds	*31,300*	*41,300*
Commercial paper	652,348	1,382,828
Mortgage covered bonds	6,875,000	7,475,000
TSB covered bonds	3,750,044	3,164,376
Asset-backed securities	1,112,635	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	174,161	177,107
Total	**25,395,988**	**25,791,284**

Schedule III shows details of the issues carried out by the Group in the first half of 2024.

Note 18 – Provisions

Movements in the six-month period ended 30 June 2024 in the "Provisions" heading of the condensed consolidated balance sheet are shown below:

Thousand euro

	Pensions and other post employment defined benefit obligations	Other long term employee benefits	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balance as at 31 December 2023	**58,308**	**69**	**60,550**	**165,376**	**251,789**	**536,092**
Scope additions / exclusions	**—**	**—**	**—**	**—**	**—**	**—**
Interest and similar expenses - pension commitments	**894**	**1**	**—**	**—**	**—**	**895**
Allowances charged to income statement - staff expenses (*)	**742**	**2**	**—**	**—**	**—**	**744**
Allowances not charged to income	**—**	**—**	**—**	**—**	**—**	**—**
Allowances charged to income statement - provisions	**337**	**—**	**27,226**	**(28,085)**	**25**	**(497)**
Allocation of provisions	337	—	29,005	79,206	6,342	114,890
Reversal of provisions	—	—	(1,779)	(107,291)	(6,317)	(115,387)
Actuarial losses / (gains)	—	—	—	—	—	—
Exchange differences	**(210)**	**—**	**—**	**(646)**	**1,853**	**997**
Amounts used	**(5,512)**	**(35)**	**(18,489)**	**—**	**(41,724)**	**(65,760)**
Net contributions by the sponsor	(1,831)	—	—	—	—	(1,831)
Pension payments	(3,681)	(35)	—	—	—	(3,716)
Other	—	—	(18,489)	—	(41,724)	(60,213)
Other movements	**109**	**—**	**—**	**1,701**	**4,465**	**6,275**
Balance as at 30 June 2024	**54,668**	**37**	**69,287**	**138,346**	**216,408**	**478,746**

(*) See Note 26.

The reduction in the balance of "Other provisions" in the first half of 2024 was mainly due to disbursements made to compensate certain customers for legal contingencies arising from claims in connection with certain general terms and conditions of contracts, as well as disbursements made in connection with TSB's restructuring process announced and provisioned for prior to the start of the six-month period ended 30 June 2024.

The Group's main provisions and contingent liabilities are described in Note 22 to the 2023 consolidated annual financial statements.

Note 19 – Capital

Share capital as at the end of the first half of 2024

The Bank's share capital as at 30 June 2024 stood at 680,027,680.875 euros, 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.

Changes in share capital in the first half of 2024

No changes in share capital have taken place in the first half of 2024.

Note 20 – Off-balance sheet exposures

The composition of off-balance sheet exposures as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

Commitments and guarantees given	Note	30/06/2024	31/12/2023
Loan commitments given		**27,631,400**	**27,035,812**
Of which, amount classified as stage 2		*769,517*	*986,368*
Of which, amount classified as stage 3		*87,705*	*97,219*
Drawable by third parties		27,631,400	27,035,812
By credit institutions		14,066	54
By general governments		1,052,272	910,744
By other resident sectors		16,212,473	15,565,366
By non-residents		10,352,589	10,559,648
Provisions recognised on liabilities side of the balance sheet	18	59,029	72,888
Financial guarantees given (*)		**1,903,075**	**2,064,396**
Of which, amount classified as stage 2		*141,957*	*165,222*
Of which, amount classified as stage 3		*43,789*	*44,828*
Provisions recognised on liabilities side of the balance sheet (**)	18	18,260	23,814
Other commitments given		**8,327,242**	**7,942,724**
Of which, amount classified as stage 2		*375,574*	*372,597*
Of which, amount classified as stage 3		*166,928*	*222,999*
Other guarantees given		6,860,026	6,832,086
Assets earmarked for third-party obligations		—	—
Irrevocable letters of credit		719,254	729,299
Additional settlement guarantee		25,000	25,000
Other guarantees and sureties given		6,115,772	6,077,787
Other contingent risks		—	—
Other commitments given		1,467,216	1,110,638
Financial asset forward purchase commitments		1,347,360	1,007,047
Conventional financial asset purchase contracts		31,947	8,249
Capital subscribed but not paid up		19	19
Underwriting and subscription commitments		—	—
Other loan commitments given		87,890	95,323
Provisions recognised on liabilities side of the balance sheet	18	61,057	68,674
Total		**37,861,717**	**37,042,932**

(*) Includes 96,079 thousand euros and 99,631 thousand euros as at 30 June 2024 and 31 December 2023, respectively, corresponding to financial guarantees given in relation to construction and real estate development.

(**) Includes 3,193 and 3,402 thousand euros as at 30 June 2024 and 31 December 2023, respectively, in relation to construction and real estate development.

Financial guarantees and other commitments given classified as stage 3

The balance of financial guarantees and other commitments given classified as stage 3 as at 30 June 2024 amounted to 210,717 thousand euros (267,827 thousand euros as at 31 December 2023).

Credit risk allowances corresponding to financial guarantees and other commitments given as at 30 June 2024 and 31 December 2023, broken down by the method used to determine such allowances and the credit risk of off-balance sheet exposures, are as follows:

Thousand euro

	30/06/2024	31/12/2023
Specific individually measured allowances:	**59,203**	**67,247**
Stage 2	4,269	7,454
Stage 3	54,934	59,793
Specific collectively measured allowances:	**20,114**	**25,241**
Stage 1	2,961	3,930
Stage 2	4,421	6,325
Stage 3	12,511	14,672
Others	221	314
Total	**79,317**	**92,488**

Movements in these allowances, together with movements in allowances for loan commitments given, are shown in Note 18.

Note 21 – Interest income and expenses

The breakdown of net interest income for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
Interest income		
Loans and advances	4,086,494	3,346,708
Central banks	614,163	573,886
Credit institutions	175,821	120,737
Customers	3,296,510	2,652,085
Debt securities (*)	316,195	229,922
Stage 3 assets	8,707	13,947
Correction of income from hedging operations	389,028	325,297
Other interest	44,158	34,796
Total	**4,844,582**	**3,950,670**
Interest expenses		
Deposits	(1,545,347)	(1,065,563)
Central banks	(148,973)	(312,719)
Credit institutions	(292,818)	(218,259)
Customers	(1,103,556)	(534,585)
Debt securities issued	(404,215)	(300,483)
Correction of expenses on hedging operations	(287,440)	(238,448)
Other interest	(114,224)	(76,181)
Total	**(2,351,226)**	**(1,680,675)**
Net interest income	**2,493,356**	**2,269,995**

(*) Includes 38,364 thousand euros in 2024 and 31,010 thousand euros in 2023 corresponding to interest on financial assets recognised at fair value through profit or loss (trading portfolio).

Note 22 – Fee and commission income and expenses

Fee and commission income and expenses on financial operations and the provision of services for the six-month periods ended 30 June 2024 and 2023 are as follows:

Thousand euro

	30/06/2024	30/06/2023
Fees from risk transactions	**142,491**	**142,554**
Asset-side transactions	90,904	90,595
Sureties and other guarantees	51,587	51,959
Service fees	**380,982**	**396,903**
Payment cards	107,061	120,641
Payment orders	40,618	42,072
Securities	33,315	27,909
Demand deposits	127,910	139,024
Other	72,078	67,257
Asset management and marketing fees	**150,850**	**157,657**
Mutual funds	59,902	58,736
Sale of pension funds and insurance products	79,981	88,339
Assets under management	10,967	10,582
Total	**674,323**	**697,114**
Memorandum item		
Fee and commission income	839,860	831,956
Fee and commission expenses	(165,537)	(134,842)
Fees and commissions, net	**674,323**	**697,114**

Note 23 – Net profit or net loss on financial operations and net exchange differences

The composition of the "Net profit or net loss on financial operations" heading of the condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
By heading:		
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	6,932	1,229
Financial assets at fair value through other comprehensive income	6,683	5,101
Financial assets at amortised cost	565	(3,923)
Financial liabilities at amortised cost	(316)	51
Gains or (-) losses on financial assets and liabilities held for trading, net	(134,151)	26,627
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	6,902	12,891
Gains or (-) losses from hedge accounting, net	(16,335)	(5,910)
Total	**(136,652)**	**34,837**
By type of financial instrument:		
Net gain/(loss) on debt securities	3,507	9,197
Net gain/(loss) on other equity instruments	5,988	8,952
Net gain/(loss) on derivatives	(146,367)	20,560
Net gain/(loss) on other items (*)	220	(3,872)
Total	**(136,652)**	**34,837**

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

The breakdown of the heading "Exchange differences [gain or (-) loss], net" of the consolidated income statement for the years ended 30 June 2024 and 2023 is shown below:

Thousand euro

	30/06/2024	30/06/2023
Exchange differences [gain or (-) loss], net	173,849	(3,409)

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. The losses generated by these derivatives amounted to 137,746 thousand euros, which are recognised under the heading "Gains or (-) losses on financial assets and liabilities held for trading, net" of the condensed 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 condensed consolidated income statement.

During the first half of 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 6,683 thousand euros (5,101 thousand euros in 2023). Of those profits, 4,724 thousand euros (4,897 thousand euros in 2023) came from the sale of debt securities held with general governments.

Note 24 – Other operating income

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
Income from use of investment properties	11,135	11,866
Sales and other income from the provision of non-financial services	2,056	6,541
Other operating income	29,951	20,161
Total	**43,142**	**38,568**

Note 25 – Other operating expenses

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
Contribution to deposit guarantee schemes	(9,501)	(9,311)
Banco Sabadell	(40)	(36)
TSB	(104)	(251)
Sabadell IBM Mexico	(9,357)	(9,024)
Contribution to resolution fund	—	(76,485)
Other items	(263,889)	(214,040)
Of which: temporary levy of credit institutions and financial credit establishments	*(191,882)*	*(156,648)*
TOTAL	**(273,390)**	**(299,836)**

As at 31 December 2023, the financial means available in the Single Resolution Fund had reached the target level of at least 1% of covered deposits held in the Member States participating in the Single Resolution Mechanism. Therefore, the Bank estimates that it will not need to make further contributions to the Single Resolution Fund in 2024.

Note 26 – Administrative expenses

Staff expenses

Staff expenses recognised in the condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 were as follows:

Thousand euro

	Note	30/06/2024	30/06/2023
Payrolls and bonuses for active staff		(563,036)	(536,608)
Social Security payments		(119,502)	(113,782)
Contributions to defined benefit pension plans	18	(744)	(996)
Contributions to defined contribution pension plans		(34,849)	(32,565)
Other staff expenses		(25,758)	(33,032)
Total		**(743,889)**	**(716,983)**

The average workforce of the Bank and the Group in the six-month periods ended 30 June 2024 and 2023 is detailed below:

Number of employees

	Bank		Group	
	30/06/2024	30/06/2023	30/06/2024	30/06/2023
Average workforce	**13,070**	**12,729**	**19,193**	**19,241**
Men	6,026	5,849	8,629	8,557
Women	7,044	6,880	10,564	10,684

As at 30 June 2024 and 2023, the breakdown of the Group's workforce by category and sex is as follows:

Number of employees

	30/06/2024			30/06/2023		
	Men	Women	Total	Men	Women	Total
Senior management	574	304	878	534	254	788
Middle management	1,910	1,409	3,319	1,983	1,404	3,387
Specialist staff	5,501	7,285	12,786	5,414	7,339	12,753
Administrative staff	592	1,440	2,032	722	1,755	2,477
Total	**8,577**	**10,438**	**19,015**	**8,653**	**10,752**	**19,405**

The change in the Group's workforce is due to a staff reduction in the subsidiary TSB to bring it in line with the needs of the business. The staff reduction is partially offset by new hires in Spain arising from the need for specific profiles to carry out the current business.

Other administrative expenses

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
Property, plant and equipment	(33,951)	(34,019)
Information technology	(212,381)	(205,966)
Communication	(13,212)	(13,172)
Publicity	(54,444)	(40,792)
Subcontracted administrative services	(75,051)	(64,210)
Contributions and taxes	(51,576)	(51,837)
Technical reports	(22,024)	(12,668)
Security services and fund transfers	(8,829)	(9,035)
Entertainment expenses and staff travel expenses	(8,032)	(5,847)
Membership fees	(2,629)	(3,107)
Other expenses	(40,194)	(46,393)
Total	**(522,323)**	**(487,046)**

The cost-to-income ratio stood at 40.33% as at 30 June 2024 (42.39% as at 30 June 2023). The cost-to-income ratio, including depreciation and amortisation, stood at 48.27% (52.03% as at 30 June 2023).

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

Number of branches and offices

	30/06/2024	30/06/2023
Branches and offices	**1,382**	**1,447**
Spain	1,143	1,205
Outside Spain	239	242

Note 27 – 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 condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	Note	30/06/2024	30/06/2023
Financial assets at fair value through other comprehensive income		182	852
Debt securities		182	412
Other equity instruments		–	440
Financial assets at amortised cost	10	(360,859)	(437,790)
Debt securities		253	52
Loans and advances		(361,112)	(437,842)
Total		**(360,677)**	**(436,938)**

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

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
Property, plant and equipment	(3,469)	588
Investment properties	332	(1,726)
Goodwill and other intangible assets	–	–
Inventories	(3,280)	(6,401)
Total	**(6,417)**	**(7,539)**

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

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
Property, plant and equipment	206	(381)
Investment properties	1,179	2,318
Intangible assets	(3,053)	(13,011)
Ownership interests	1,142	(2)
Other capital instruments	—	—
Other items	—	(2)
Total	**(526)**	**(11,078)**

Note 30 – 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 condensed consolidated income statements for the six-month periods ended 30 June 2024 and 2023 is as follows:

Thousand euro

	30/06/2024	30/06/2023
Property, plant and equipment for own use and foreclosed	(24,080)	(23,745)
Gains/losses on sales	(6,383)	(3,039)
Impairment/reversal	(17,697)	(20,706)
Other items	(652)	(75)
Total	**(24,732)**	**(23,820)**

The impairment of non-current assets held for sale excludes income from the increase in fair value less selling costs.

Note 31 – Segment reporting

Segmentation criteria

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

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

- 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 own funds equivalent to 13% of its risk-weighted assets in 2024 (12% in 2023), assigning all of the corresponding deductions to each business unit and allocating the surplus of own funds 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 based on the general accounting records.

Key information relating to the segmentation of the Group's activity is given here below:

Million euro

	30/06/2024 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**1,826**	**562**	**106**	**2,493**
Fees and commissions, net	610	54	10	674
Core revenue	**2,436**	**615**	**116**	**3,168**
Profit or loss on financial operations and exchange differences	8	24	5	37
Equity-accounted income and dividends	87	—	—	87
Other operating income and expenses	(191)	(29)	(10)	(230)
Gross income	**2,339**	**611**	**111**	**3,061**
Operating expenses, depreciation and amortisation	(1,000)	(449)	(67)	(1,515)
Pre-provisions income	**1,339**	**162**	**44**	**1,546**
Provisions and impairments	(348)	(28)	(13)	(389)
Capital gains on asset sales and other revenue	—	1	(3)	(2)
Profit or loss before tax	**991**	**135**	**28**	**1,154**
Corporation tax	(320)	(40)	(2)	(362)
Profit or loss attributed to minority interests	1	—	—	1
Profit attributable to the Group	**670**	**95**	**26**	**791**
ROTE (net profit attributable to Group / average shareholders' equity excluding intangible assets)	14.1 %	9.4 %	8.9 %	13.1 %
Cost-to-income (general administrative expenses / gross income)	33.8 %	63.9 %	52.5 %	40.3 %
NPL ratio	3.9 %	1.5 %	2.2 %	3.2 %
Stage 3 coverage ratio, with total provisions	62.7 %	37.1 %	71.7 %	59.7 %
Employees	13,545	4,990	480	19,015
Domestic and foreign branches and offices	1,159	211	12	1,382

(*) Exchange rates used in the income statement: GBP 0.8546 (average), MXN 18.5225 (average), USD 1.0815 (average) and MAD 10.7274 (average).

Million euro

	30/06/2024 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Assets	**182,140**	**55,423**	**6,765**	**244,328**
Gross performing loans to customers	107,606	42,907	4,651	155,164
Non-performing real estate assets, net	546	—	—	546
Liabilities and equity	**182,140**	**55,423**	**6,765**	**244,328**
On-balance sheet customer funds	118,786	41,182	3,201	163,169
Wholesale funding in capital markets	19,751	5,168	—	24,919
Allocated own funds	11,588	2,539	693	14,820
Off-balance sheet customer funds	**43,574**	**—**	**—**	**43,574**

(*) Exchange rates used in the balance sheet: GBP 0.8464, MXN 19.5654, USD 1.0705 and MAD 10.6591.

Million euro

	30/06/2023 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**1,573**	**603**	**94**	**2,270**
Fees and commissions, net	635	58	4	697
Core revenue	**2,208**	**661**	**98**	**2,967**
Profit or loss on financial operations and exchange differences	26	5	—	31
Equity-accounted income and dividends	72	—	—	72
Other operating income and expenses	(232)	(20)	(10)	(261)
Gross income	**2,074**	**646**	**89**	**2,809**
Operating expenses, depreciation and amortisation	(965)	(464)	(49)	(1,478)
Pre-provisions income	**1,109**	**183**	**40**	**1,331**
Provisions and impairments	(430)	(23)	(15)	(468)
Capital gains on asset sales and other revenue	(12)	—	(1)	(13)
Profit or loss before tax	**666**	**160**	**23**	**849**
Corporation tax	(228)	(55)	(2)	(285)
Profit or loss attributed to minority interests	1	—	—	1
Profit attributable to the Group	**437**	**106**	**21**	**564**
ROTE (net profit attributable to Group / average shareholders' equity excluding intangible assets)	9.9 %	6.7 %	7.4 %	9.3 %
Cost-to-income (general administrative expenses/ gross income)	37.1 %	59.9 %	41.2 %	42.4 %
NPL ratio	4.3 %	1.4 %	3.1 %	3.5 %
Stage 3 coverage ratio, with total provisions	57.2 %	40.4 %	65.8 %	55.7 %
Employees	13,369	5,618	418	19,405
Domestic and foreign branches and offices	1,221	211	15	1,447

(*) Exchange rates used in the income statement: GBP 0.88 (average), MXN 19.58 (average), USD 1.08 (average) and MAD 10.80 (average).

Million euro

	31/12/2023 (*)			
	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**	**235,173**
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	11,345	2,368	631	14,344
Off-balance sheet customer funds	**40,561**	**—**	**—**	**40,561**

(*) Exchange rates used in the balance sheet: GBP 0.8691, MXN 18.7231, USD 1.1050 and MAD 10.9116.

The revenue generated by each business unit as at 30 June 2024 and 2023 is as follows:

Thousand euro

	Consolidated			
	Income from ordinary activities (*)		Profit/(loss) before tax	
SEGMENTS	**30/06/2024**	**30/06/2023**	**30/06/2024**	**30/06/2023**
Banking Business Spain	3,844,460	3,401,132	991,052	666,046
Banking Business UK	1,366,654	1,125,992	134,545	160,068
Banking Business Mexico	381,467	336,073	28,478	23,196
Total	**5,592,581**	**4,863,197**	**1,154,075**	**849,310**

(*) Includes the following headings from the condensed consolidated income statements: "Interest income", "Dividend income", "Fee and commission income", "Profit or loss on financial operations" and "Other operating income".

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

The distribution of interest income by geographical area for the period between 1 January and 30 June 2024, and the comparison with the same period of the preceding year, is as follows:

Thousand euro

	Breakdown of interest income by geographical area			
	Standalone		Consolidated	
	30/06/2024	**30/06/2023**	**30/06/2024**	**30/06/2023**
Domestic market	3,107,444	2,357,762	2,985,109	2,283,112
International market	217,834	289,825	1,859,473	1,667,558
European Union	30,148	38,840	30,148	38,840
Eurozone	30,148	38,840	30,148	38,840
Non-Eurozone	—	—	—	—
Other	187,686	250,985	1,829,325	1,628,718
Total	**3,325,278**	**2,647,587**	**4,844,582**	**3,950,670**

Note 32 – Deferred tax assets and liabilities

The sources of the deferred tax assets and liabilities recognised in the condensed consolidated balance sheets as at 30 June 2024 and at 31 December 2023 are as follows:

Thousand euro

Deferred tax assets	**30/06/2024**	**31/12/2023**
Monetisable	**4,435,371**	**4,743,343**
Due to credit impairment	3,369,993	3,369,993
Due to real estate asset impairment	940,461	1,248,285
Due to pension funds	124,917	125,065
Non-monetisable	**1,195,547**	**1,316,680**
Tax credits for losses carried forward	**319,010**	**325,482**
Deductions not applied	**26**	**26**
Total	**5,949,954**	**6,385,531**

Deferred tax liabilities	**30/06/2024**	**31/12/2023**
Property restatements	52,698	53,092
Adjustments to value of wholesale debt issuances arising in business combinations	2,665	4,020
Other financial asset value adjustments	1,657	1,657
Other	54,057	56,201
Total	**111,077**	**114,970**

According to the information available as at the sign-off date of these condensed consolidated interim financial statements and the projections taken from the Group's business plan for the coming years, it is estimated that the taxable income generated will be sufficient to offset tax loss carry-forwards within a period of four years and non-monetisable tax assets, where these can be deducted according to current tax regulations, within a maximum period of ten years.

Monetisable tax assets are guaranteed by the State; therefore, their recoverability does not depend on the generation of future tax benefits.

International tax reform – Pillar Two Model Rules

Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union establishes a top-up tax through a system of two interlocked rules, together referred to as the GloBE or Pillar Two rules, promoted by the OECD and designed to ensure that where the effective tax rate of a multinational enterprise in a given jurisdiction is below 15%, an additional top-up tax will be collected. Member States should enact the laws, regulations and administrative provisions necessary to comply with this Directive.

As at the sign-off date of these condensed consolidated interim financial statements, the transposition of this Directive into Spanish law is still in the parliamentary process. However, as per the indications of the draft bill, once approved, it is expected to apply to the tax periods beginning on or after 31 December 2023 and, therefore, with regard to Banco Sabadell, as from the current year started on 1 January 2024.

Pillar Two legislation has also been passed or is in the process of being passed in the United Kingdom and other foreign jurisdictions in which the Group operates. As a result, 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.

A preliminary analysis was carried out based on the information available and it is estimated that the impact of Pillar Two on the Group will not be significant. However, as at the sign-off date of these condensed consolidated interim financial statements, the Group is keeping track of legislative developments in those countries in which it is present, to assess the potential impacts on the consolidated financial statements.

Note 33 – 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 amortisation over 5 years, which was formally arranged on 27 June 2024. It is deemed a related-party transaction since Banco Sabadell directors Laura González Molero and George Donald Johnston III are independent external directors of Acerinox, S.A. Ms Molero is also member of its Audit Committee and Chairwoman 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 amount recorded in Banco Sabadell's consolidated annual financial statements for 2023, an 'Other Relevant Information' notice, 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 notice referred to above and on Banco Sabadell's website (www.grupbancsabadell.com) regarding the three abovementioned transactions, two of which were approved by the Board of Directors on 24 April 2024, following a favourable report from the Board Audit and Control Committee (also attached to that same Other Relevant Information notice), while the third was approved by Compliance in its decision of 28 September 2023 as a related-party transaction, as per the powers conferred by the Board of Directors of Banco Sabadell on 1 July 2021. These three transactions consisted, respectively, of the renewal of a multi-company credit policy (co-shared by Acerinox, S.A.) for 80 million euros, at 3-month Euribor + 0.90% and maturing after 3 years, the renewal of a multi-company credit policy (co-shared by Acerinox, S.A.) for 15 million US dollars, at 3-month SOFR + 1% and maturing after 3 years, and the renewal of a multi-company credit policy (available equally to Acerinox, S.A. and Acerinox Europa, S.A.U.) for 20 million US dollars, at 3-month SOFR + 1.10% and maturing after 1 year.

Details of the balances held with related parties as at 30 June 2024 and 31 December 2023, as well as the impact of related-party transactions on the income statements for the six-month periods ended 30 June 2024 and 2023, are shown below:

Thousand euro

	30/06/2024				
	Joint control or signif. influence (in B.Sab)	**Associates**	**Key personnel**	**Other related parties (*)**	**Total**
Assets					
Customer loans and other financial assets	—	84,739	4,812	970,573	**1,060,124**
Liabilities					
Customer deposits and other financial liabilities	—	495,258	7,243	318,300	**820,801**
Off-balance sheet exposures					
Financial guarantees given	—	319	—	35,318	**35,637**
Loan commitments given	—	80	395	329,540	**330,015**
Other commitments given	—	6,491	—	85,208	**91,699**
					30/06/2024
Income statement					
Interest and similar income	—	1,300	33	11,462	**12,795**
Interest and similar expenses	—	(7,715)	(66)	(2,365)	**(10,146)**
Fees and commissions, net	—	106,255	8	3,969	**110,232**
Other operating income and expenses	—	2,762	—	3	**2,765**

(*) Includes, among others, employee pension plans.

Thousand euro

	31/12/2023				
	Joint control or signif. influence (in B.Sab)	**Associates**	**Key personnel**	**Other related parties (*)**	**Total**
Assets					
Customer loans and other financial assets	—	99,652	3,757	829,620	**933,029**
Liabilities					
Customer deposits and other financial liabilities	—	463,292	5,452	218,477	**687,221**
Off-balance sheet exposures					
Financial guarantees given	—	294	—	29,136	**29,430**
Loan commitments given	—	54	378	261,702	**262,134**
Other commitments given	—	6,491	—	84,726	**91,217**
		30/06/2023			
Income statement					
Interest and similar income	—	907	23	7,311	**8,241**
Interest and similar expenses	—	(902)	(36)	(251)	**(1,189)**
Fees and commissions, net	—	59,089	6	689	**59,784**
Other operating income and expenses	—	2,766	3	1	**2,770**

(*) Includes, among others, employee pension plans.

Total risk transactions granted by the Bank and consolidated companies to directors of the parent company amounted to 864 thousand euros as at 30 June 2024, of which 724 thousand euros corresponded to loans and advances and 140 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 4,343 thousand euros as at 30 June 2024, of which 4,088 thousand euros corresponded to loans and advances and 255 thousand euros to loan commitments given (3,019 thousand euros as at 31 December 2023 in loans and advances and 241 thousand euros in loan commitments given).

With regard to liabilities, these amounted to 3,998 thousand euros for directors of the parent company (3,751 thousand euros as at 31 December 2023) and 3,245 thousand euros for Senior Management as at 30 June 2024 (1,700 thousand euros as at 31 December 2023).

Note 34 – Remuneration of members of the Board of Directors and Senior Management and their respective balances

Note 41 to the Group's consolidated annual financial statements for 2023 gives details of remuneration and other benefits awarded to members of the Board of Directors and Senior Management for the 2023 financial year.

Board of Directors

Remuneration and other benefits awarded to members of the Board of Directors corresponding to the first half of 2024 and 2023 are shown below:

Thousand euro

	30/06/2024	30/06/2023
Type of remuneration		
Remuneration for membership of the Board and/or Board Committees	2,245	1,961
Wages	1,124	977
Variable remuneration in cash	225	198
Share-based remuneration schemes	253	224
Severance pay	—	—
Contributions to workplace retirement planning systems	63	202
Other items	34	35
Total remuneration	**3,944**	**3,597**

The amounts include the remuneration of members of the Board of Directors during the period they have held this status.

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 is described in detail in the 2023 Annual Report on Director Remuneration.

The aforesaid report also states that the Chief Executive Officer, as per the Director Remuneration Policy for 2024, 2025 and 2026 (in force since its approval on 23 March 2023), made an initial one-off contribution to the workplace retirement plan in 2023 in the amount of 600 thousand euros, with the subsequent reduction of an equal amount of fixed remuneration in cash for that same year, as reflected in the table of total remuneration (the amount accrued from April to June 2023 totalled 200 thousand euros).

Variable remuneration for the first half of 2024 corresponds to 50% of the theoretical short-term variable remuneration for the 2024 financial year, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise.

The amount of funds accumulated in workplace retirement planning systems for directors as at 30 June 2024 was 10,220 thousand euros (8,976 thousand euros as at 31 December 2023).

Senior Management

The remuneration of members of Senior Management (excluding members of the Board of Directors) and of the Internal Audit Officer for the first half of 2024 and 2023 is set out below. The amounts include the remuneration of members of Senior Management during the period they have held this status (10.5 members in the first half of 2024 and 10 members in the first half of 2023, both measured in terms of full-time equivalents):

Thousand euro

	30/06/2024	30/06/2023
Total remuneration (*)	3,913	3,597

(*) Total remuneration in the first half of 2024 includes contributions to workplace retirement planning systems amounting to 145 thousand euros (123 thousand euros in the first half of 2023).

The remuneration for the first half of 2024 includes variable remuneration amounts as at 30 June 2024 corresponding to 50% of the theoretical short-term variable remuneration for the year, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise.

During the first half 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 systems for Senior Management members and for the Internal Audit Officer as at 30 June 2024 was 4,776 thousand euros (4,363 thousand euros as at 31 December 2023).

Note 35 – Subsequent events

No events meriting disclosure have occurred since 30 June 2024.

Schedule I – Changes in the scope of consolidation

Additions to the scope of consolidation during the first half of 2024:

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of the combination: Acquisition cost	Cost of the combination: Fair value of equity instruments issued for the acquisition	% Voting rights acquired	% Total voting rights	Type of shareholding	Method	Reason
BanSabadell Reassurance, S.A.	Group	15/04/2024	3,600	—	100 %	100 %	Direct	Full consolidation	a
Duncan Holdings 2024-1 Limited	Group	07/02/2024	—	—	100 %	100 %	Indirect	Full consolidation	a
Total newly consolidated subsidiaries			**3,600**						
Total newly consolidated associates			**—**						

(a) Incorporation of subsidiaries.

Exclusions from the scope of consolidation during the first half of 2024:

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	14/03/2024	45.01 %	—	—	Indirect	Equity method	a

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

Schedule II – Interim financial statements of Banco Sabadell

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

The Bank's balance sheets as at 30 June 2024 and 31 December 2023 are shown below, together with the Bank's income statements, statements of recognised income and expenses, statements of total changes in equity and cash flow statements corresponding to the six-month periods ended 30 June 2024 and 2023:

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2024 and 31 December 2023

Thousand euro

Assets	30/06/2024	31/12/2023
Cash, cash balances at central banks and other demand deposits	**22,669,798**	**22,301,225**
Financial assets held for trading	**2,008,871**	**1,731,823**
Derivatives	1,353,869	1,589,328
Equity instruments	—	—
Debt securities	655,002	142,495
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	*180,828*	*1,915*
Non-trading financial assets mandatorily at fair value through profit or loss	**139,132**	**149,792**
Equity instruments	3,660	4,335
Debt securities	40,249	39,038
Loans and advances	95,223	106,419
Central banks	—	—
Credit institutions	—	—
Customers	95,223	106,419
Memorandum item: loaned or pledged as security with sale or pledging rights	—	—
Financial assets designated at fair value through profit or loss	**—**	**—**
Debt securities	—	—
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	—	—
Financial assets at fair value through other comprehensive income	**6,441,070**	**6,329,974**
Equity instruments	84,957	74,402
Debt securities	6,356,113	6,255,572
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	*1,950,900*	*557,303*
Financial assets at amortised cost	**142,993,254**	**134,693,403**
Debt securities	19,492,335	18,264,771
Loans and advances	123,500,919	116,428,632
Central banks	—	—
Credit institutions	11,964,187	8,138,573
Customers	111,536,732	108,290,059
Memorandum item: loaned or pledged as security with sale or pledging rights	*16,508,749*	*5,996,602*
Derivatives – Hedge accounting	**995,696**	**896,227**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(614,713)**	**(389,403)**
Investments in subsidiaries, joint ventures and associates	**5,973,856**	**5,944,643**
Subsidiaries	5,867,992	5,839,491
Joint ventures	—	—
Associates	105,864	105,152
Tangible assets	**1,558,273**	**1,622,189**
Property, plant and equipment	1,529,803	1,591,499
For own use	1,529,803	1,591,499
Leased out under operating leases	—	—
Investment properties	28,470	30,690
Of which: leased out under operating leases	*28,470*	*30,690*
Memorandum item: acquired through leases	*707,364*	*736,918*
Intangible assets	**19,375**	**20,284**
Goodwill	11,515	12,199
Other intangible assets	7,860	8,085
Tax assets	**5,367,931**	**5,633,120**
Current tax assets	327,932	354,794
Deferred tax assets	5,039,999	5,278,326
Other assets	**247,211**	**210,571**
Insurance contracts linked to pensions	78,747	80,693
Inventories	—	—
Rest of other assets	168,464	129,878
Non-current assets and disposal groups classified as held for sale	**855,895**	**802,065**
TOTAL ASSETS	**188,655,649**	**179,945,913**

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2024 and 31 December 2023

Thousand euro

Liabilities	**30/06/2024**	**31/12/2023**
Financial liabilities held for trading	**1,735,321**	**1,718,159**
Derivatives	1,334,620	1,380,786
Short positions	400,701	337,373
Deposits	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Debt securities issued	—	—
Other financial liabilities	—	—
Financial liabilities designated at fair value through profit or loss	**—**	**—**
Deposits	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Debt securities issued	—	—
Other financial liabilities	—	—
Memorandum item: subordinated liabilities	—	—
Financial liabilities at amortised cost	**172,851,078**	**164,594,328**
Deposits	146,594,370	137,853,646
Central banks	—	5,106,963
Credit institutions	12,886,713	12,955,735
Customers	133,707,657	119,790,948
Debt securities issued	21,125,596	22,029,313
Other financial liabilities	5,131,112	4,711,369
Memorandum item: subordinated liabilities	*4,097,993*	*3,607,886*
Derivatives – Hedge accounting	**739,429**	**835,204**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(341,520)**	**(323,973)**
Provisions	**393,965**	**435,748**
Pensions and other post employment defined benefit obligations	47,401	51,345
Other long term employee benefits	37	69
Pending legal issues and tax litigation	69,287	60,550
Commitments and guarantees given	127,981	153,646
Other provisions	149,259	170,138
Tax liabilities	**299,633**	**156,717**
Current tax liabilities	236,820	91,950
Deferred tax liabilities	62,813	64,767
Share capital repayable on demand	**—**	**—**
Other liabilities	**471,259**	**514,469**
Liabilities included in disposal groups classified as held for sale	**—**	**—**
TOTAL LIABILITIES	**176,149,165**	**167,930,652**

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2024 and 31 December 2023

Thousand euro

Equity	30/06/2024	31/12/2023
Shareholders' equity	**12,685,286**	**12,211,566**
Capital	680,028	680,028
Paid up capital	680,028	680,028
Unpaid capital called up	—	—
Memorandum item: capital not called up	—	—
Share premium	7,695,227	7,695,227
Equity instruments issued other than capital	—	—
Equity component of compound financial instruments	—	—
Other equity instruments issued	—	—
Other equity	13,447	12,625
Retained earnings	5,916,623	5,165,689
Revaluation reserves	—	—
Other reserves	(2,289,502)	(2,228,293)
(-) Treasury shares	(119,240)	(39,621)
Profit or loss for the period	788,703	1,088,014
(-) Interim dividends	—	(162,103)
Accumulated other comprehensive income	**(178,802)**	**(196,305)**
Items that will not be reclassified to profit or loss	(56,496)	(64,140)
Actuarial gains or (-) losses on defined benefit pension plans	(4,898)	(4,898)
Non-current assets and disposal groups classified as held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(51,598)	(59,242)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Items that may be reclassified to profit or loss	(122,306)	(132,165)
Hedge of net investments in foreign operations [effective portion]	(7,334)	7,220
Foreign currency translation	102,305	60,767
Hedging derivatives. Cash flow hedges reserve [effective portion]	(82,009)	(64,982)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(135,268)	(135,170)
Hedging instruments [not designated elements]	—	—
Non-current assets and disposal groups classified as held for sale	—	—
TOTAL EQUITY	**12,506,484**	**12,015,261**
TOTAL EQUITY AND TOTAL LIABILITIES	**188,655,649**	**179,945,913**

Memorandum item: off-balance sheet exposures		
Loan commitments given	**21,605,374**	**20,500,850**
Financial guarantees given	**5,544,942**	**7,052,638**
Other commitments given	**8,367,230**	**7,988,420**

Income statements of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	30/06/2024	30/06/2023
Interest income	3,325,278	2,647,587
Financial assets at fair value through other comprehensive income	97,805	56,274
Financial assets at amortised cost	3,029,471	2,414,560
Other interest income	198,002	176,753
(Interest expenses)	(1,490,439)	(1,095,047)
(Expenses on share capital repayable on demand)	—	—
Net interest income	**1,834,839**	**1,552,540**
Dividend income	229,941	107,420
Fee and commission income	612,869	739,415
(Fee and commission expenses)	(43,911)	(115,687)
Net profit or net loss on financial operations	(181,455)	(12,700)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	7,822	(3,668)
Financial assets at amortised cost	1,702	(3,848)
Other financial assets and liabilities	6,120	180
Gains or (-) losses on financial assets and liabilities held for trading, net	(183,145)	(12,749)
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortised cost	—	—
Other gains or (-) losses	(183,145)	(12,749)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	1,016	4,235
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortised cost	—	—
Other gains or (-) losses	1,016	4,235
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	—	—
Gains or (-) losses from hedge accounting, net	(7,148)	(518)
Exchange differences [gain or (-) loss], net	169,642	(4,839)
Other operating income	28,202	22,391
(Other operating expenses)	(211,840)	(253,957)
Gross income	**2,438,287**	**2,034,583**

Thousand euro

	30/06/2024	30/06/2023
(Administrative expenses)	(942,746)	(858,826)
(Staff expenses)	(519,082)	(493,036)
(Other administrative expenses)	(423,664)	(365,790)
(Depreciation and amortisation)	(74,288)	(92,859)
(Provisions or (-) reversal of provisions)	3,976	(12,955)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	(314,147)	(373,397)
(Financial assets at fair value through other comprehensive income)	182	412
(Financial assets at amortised cost)	(314,329)	(373,809)
Profit/(loss) on operating activities	**1,111,082**	**696,546**
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)	12,661	36,103
(Impairment or (-) reversal of impairment on non-financial assets)	(1,104)	1,037
(Tangible assets)	(1,104)	1,037
(Intangible assets)	—	—
(Other)	—	—
Gains or (-) losses on derecognition of non-financial assets, net	(129)	(726)
Negative goodwill recognised in profit or loss	—	—
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(13,202)	(23,729)
Profit or (-) loss before tax from continuing operations	**1,109,308**	**709,231**
(Tax expense or (-) income related to profit or loss from continuing operations)	(320,605)	(221,185)
Profit or (-) loss after tax from continuing operations	**788,703**	**488,046**
Profit or (-) loss after tax from discontinued operations	—	—
PROFIT OR LOSS FOR THE PERIOD	**788,703**	**488,046**
Earnings per share (euros)	**0.14**	**0.08**
Basic (euros)	0.14	0.08
Diluted (euros)	0.14	0.08

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

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	30/06/2024	30/06/2023
Profit or loss for the period	**788,703**	**488,046**
Other comprehensive income	**17,503**	**(46,324)**
Items that will not be reclassified to profit or loss	7,644	2,451
Actuarial gains or (-) losses on defined benefit pension plans	—	—
Non-current assets and disposal groups held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	9,737	2,790
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Income tax relating to items that will not be reclassified	(2,093)	(339)
Items that may be reclassified to profit or loss	9,859	(48,774)
Hedge of net investments in foreign operations [effective portion]	(14,553)	6,972
Valuation gains or (-) losses taken to equity	(14,553)	6,972
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	41,538	(19,675)
Translation gains or (-) losses taken to equity	41,538	(19,675)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	(24,326)	(42,582)
Valuation gains or (-) losses taken to equity	(18,893)	(42,407)
Transferred to profit or loss	(5,433)	(1,908)
Transferred to initial carrying amount of hedged items	—	1,733
Other reclassifications	—	—
Hedging instruments [not designated elements]	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Debt instruments at fair value through other comprehensive income	881	(7,957)
Valuation gains or (-) losses taken to equity	7,317	(7,828)
Transferred to profit or loss	(6,436)	(129)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Income tax relating to items that may be reclassified to profit or (-) loss	6,319	14,467
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**806,206**	**441,722**

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

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss for the period	(-) Interim dividends	Accumulated other comprehensive income	**Total**
Closing balance 31/12/2023	**680,028**	**7,695,227**	**—**	**12,625**	**5,165,689**	**—**	**(2,228,293)**	**(39,621)**	**1,088,014**	**(162,103)**	**(196,305)**	**12,015,261**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	**—**
Opening balance 01/01/2024	**680,028**	**7,695,227**	**—**	**12,625**	**5,165,689**	**—**	**(2,228,293)**	**(39,621)**	**1,088,014**	**(162,103)**	**(196,305)**	**12,015,261**
Total comprehensive income for the period	**—**	**—**	**—**	—	—	—	—	—	788,703	**—**	17,503	**806,206**
Other equity changes	**—**	**—**	**—**	822	750,934	**—**	(61,209)	(79,619)	(1,088,014)	162,103	**—**	**(314,983)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	(164,310)	—	—	—	—	—	—	**(164,310)**
Purchase of treasury shares	—	—	—	—	—	—	—	(111,203)	—	—	—	**(111,203)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	1,309	31,584	—	—	—	**32,893**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	925,911	—	—	—	(1,088,014)	162,103	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	822	—	—	—	—	—	—	—	**822**
Other increase or (-) decrease in equity	—	—	—	—	(10,667)	—	(62,518)	—	—	—	—	**(73,185)**
Closing balance 30/06/2024	**680,028**	**7,695,227**	**—**	**13,447**	**5,916,623**	**—**	**(2,289,502)**	**(119,240)**	**788,703**	**—**	**(178,802)**	**12,506,484**

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

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss for the period	(-) Interim dividends	Accumulated other comprehensive income	**Total**
Closing balance 31/12/2022	**703,371**	**7,899,227**	**–**	**11,606**	**4,630,414**	**–**	**(2,115,524)**	**(23,721)**	**740,551**	**(112,040)**	**(280,882)**	**11,453,002**
Effects of corrections of errors	–	–	–	–	–	–	–	–	–	–	–	**–**
Effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	**–**
Opening balance 01/01/2023	**703,371**	**7,899,227**	**–**	**11,606**	**4,630,414**	**–**	**(2,115,524)**	**(23,721)**	**740,551**	**(112,040)**	**(280,882)**	**11,453,002**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**488,046**	**–**	**(46,324)**	**441,722**
Other equity changes	**–**	**–**	**–**	**(90)**	**516,923**	**–**	**(73,791)**	**(22,047)**	**(740,551)**	**112,040**	**–**	**(207,516)**
Issuance of ordinary shares	–	–	–	–	–	–	–	–	–	–	–	**–**
Issuance of preference shares	–	–	–	–	–	–	–	–	–	–	–	**–**
Issuance of other equity instruments	–	–	–	–	–	–	–	–	–	–	–	**–**
Exercise or expiration of other equity instruments issued	–	–	–	–	–	–	–	–	–	–	–	**–**
Conversion of debt to equity	–	–	–	–	–	–	–	–	–	–	–	**–**
Capital reduction	–	–	–	–	–	–	–	–	–	–	–	**–**
Dividends (or shareholder remuneration)	–	–	–	–	(111,645)	–	–	–	–	–	–	**(111,645)**
Purchase of treasury shares	–	–	–	–	–	–	–	(58,801)	–	–	–	**(58,801)**
Sale or cancellation of treasury shares	–	–	–	–	–	–	1,865	36,754	–	–	–	**38,619**
Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–	–	–	–	**–**
Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–	–	–	–	**–**
Transfers among components of equity	–	–	–	–	628,511	–	–	–	(740,551)	112,040	–	**–**
Equity increase or (-) decrease resulting from business combinations	–	–	–	–	–	–	–	–	–	–	–	**–**
Share based payments	–	–	–	(90)	–	–	–	–	–	–	–	**(90)**
Other increase or (-) decrease in equity	–	–	–	–	57	–	(75,656)	–	–	–	–	**(75,599)**
Closing balance 30/06/2023	**703,371**	**7,899,227**	**–**	**11,516**	**5,147,337**	**–**	**(2,189,315)**	**(45,768)**	**488,046**	**–**	**(327,206)**	**11,687,208**

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

For the six-month periods ended 30 June 2024 and 2023

Thousand euro

	30/06/2024	30/06/2023
Cash flows used in operating activities	**(47,589)**	**(11,223,464)**
Profit or loss for the period	788,703	488,046
Adjustments to obtain cash flows from operating activities	706,839	687,712
Depreciation and amortisation	74,288	92,859
Other adjustments	632,551	594,853
Net increase/decrease in operating assets	(8,912,105)	(2,662,416)
Financial assets held for trading	(277,048)	225,293
Non-trading financial assets mandatorily at fair value through profit or loss	10,660	(81,491)
Financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	(103,368)	480,887
Financial assets at amortised cost	(8,626,680)	(3,232,211)
Other operating assets	84,331	(54,894)
Net increase/decrease in operating liabilities	7,343,303	(9,688,757)
Financial liabilities held for trading	17,161	(15,403)
Financial liabilities designated at fair value through profit or loss	—	—
Financial liabilities at amortised cost	7,756,749	(9,592,514)
Other operating liabilities	(430,607)	(80,840)
Cash payments or refunds of income taxes	25,671	(48,049)
Cash flows from/used in investing activities	**218,599**	**(106,201)**
Payments	(68,918)	(271,108)
Tangible assets	(37,898)	(95,049)
Intangible assets	(5,420)	(877)
Investments in subsidiaries, joint ventures and associates	(25,600)	—
Other business units	—	(175,182)
Non-current assets and liabilities classified as held for sale	—	—
Other payments related to investing activities	—	—
Collections	287,517	164,907
Tangible assets	15,428	11,215
Intangible assets	—	—
Investments in subsidiaries, joint ventures and associates	228,326	13,682
Other business units	43,763	94,625
Non-current assets and liabilities classified as held for sale	—	45,385
Other collections related to investing activities	—	—
Cash flows from financing activities	**156,868**	**365,504**
Payments	(375,990)	(673,115)
Dividends	(164,310)	(111,645)
Subordinated liabilities	—	(400,000)
Redemption of own equity instruments	—	—
Acquisition of own equity instruments	(111,203)	(58,802)
Other payments related to financing activities	(100,477)	(102,668)
Collections	532,858	1,038,619
Subordinated liabilities	500,000	1,000,000
Issuance of own equity instruments	—	—
Disposal of own equity instruments	32,858	38,619
Other collections related to financing activities	—	—
Effect of changes in foreign exchange rates	**40,695**	**(77,670)**
Net increase (decrease) in cash and cash equivalents	**368,573**	**(11,041,831)**
Cash and cash equivalents at the beginning of the period	**22,301,225**	**34,063,579**
Cash and cash equivalents at the end of the period	**22,669,798**	**23,021,748**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash on hand	532,598	553,667
Cash equivalents in central banks	21,813,413	22,019,267
Other demand deposits	323,787	448,814
Other financial assets	—	—
Less: bank overdrafts repayable on demand	—	—

Schedule III – Information on issues during the six-month period

Details of public issues carried out by the Group during the first half of 2024 are as follows:

Million euro

Issuer	Type of issue	Issue date	Amount 30/06/2024	Interest rate ruling as at 30/06/2024	Maturity date	Issue currency	Target of offering
Banco de Sabadell, S.A.	Senior preferred debt	15/01/2024	750	4.00%	15/01/2030	Euro	Institutional
TSB Banking Group	Covered bonds	05/03/2024	500	3.32%	05/03/2029	Euro	Institutional
Banco de Sabadell, S.A.	Senior non-preferred debt (green)	13/03/2024	500	4.25%	13/09/2030	Euro	Institutional
Banco de Sabadell, S.A.	Subordinated bonds	27/03/2024	500	5.13%	27/06/2034	Euro	Institutional
Banco de Sabadell, S.A.	Mortgage covered bonds	05/06/2024	1,000	3.25%	05/06/2034	Euro	Institutional

Schedule IV – Other risk information

Credit risk exposure

Loans 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 30 June 2024 and 31 December 2023, respectively, is as follows:

Thousand euro

	30/06/2024							
				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	**9,468,647**	**22,348**	**394,485**	**17,243**	**6,276**	**—**	**6,022**	**387,292**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,447,604**	**212,201**	**432,317**	**433,767**	**127,643**	**30,000**	**9,517**	**43,591**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**59,484,248**	**11,725,724**	**6,318,957**	**6,730,297**	**4,304,985**	**1,715,389**	**1,473,963**	**3,820,047**
Construction and real estate development (including land)	2,296,964	1,333,440	260,674	555,480	467,716	145,576	150,607	274,735
Civil engineering	1,052,913	29,129	128,938	126,954	10,559	5,897	3,323	11,334
Other purposes	56,134,371	10,363,155	5,929,345	6,047,863	3,826,710	1,563,916	1,320,033	3,533,978
Large enterprises	31,226,029	2,977,089	2,661,762	2,180,128	846,403	294,793	574,142	1,743,385
SMEs and individual entrepreneurs	24,908,342	7,386,066	3,267,583	3,867,735	2,980,307	1,269,123	745,891	1,790,593
Other households	**86,625,439**	**77,509,747**	**1,338,469**	**17,426,470**	**24,217,524**	**27,462,459**	**7,811,327**	**1,930,436**
Home loans	76,676,284	76,367,543	219,257	16,397,768	23,577,762	27,127,829	7,683,652	1,799,789
Consumer loans	6,188,263	36,251	778,165	250,060	304,695	127,606	63,515	68,540
Other purposes	3,760,892	1,105,953	341,047	778,642	335,067	207,024	64,160	62,107
TOTAL	**157,025,938**	**89,470,020**	**8,484,228**	**24,607,777**	**28,656,428**	**29,207,848**	**9,300,829**	**6,181,366**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured transactions	**3,423,458**	**1,937,873**	**46,581**	**606,244**	**542,742**	**375,564**	**193,813**	**266,091**

Thousand euro

	31/12/2023							
	TOTAL	Of which: secured with real estate	Of which: secured with other collateral	Secured loans. Carrying amount based on last available valuation. Loan to value				
				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**

In terms of risks with LTV >80%, these mainly correspond to transactions from acquired entities or business operations in which, as a supplement to the valuation of the transaction, a mortgage guarantee is available to cover that transaction. Similarly, there are other additional reasons for approval, which mainly correspond to solvent borrowers with a proven payment capacity, as well as customers with a good profile who provide guarantees (personal guarantees and/or pledges) which are additional to the mortgage guarantees already considered in the LTV ratio.

Refinancing and restructuring transactions

Information on refinancing and restructuring transactions as at 30 June 2024 and 31 December 2023 is shown below. The Group's refinancing policy and strategy is described in Note 4 on "Risk management" to the 2023 consolidated annual financial statements.

Thousand euro

	30/06/2024						
	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***	**Other households**	**Total**
Total							
Not secured with collateral							
Number of transactions	6	2,516	125	29,027	*822*	57,428	**89,102**
Gross carrying amount	5	11,812	17,401	1,719,312	*98,783*	239,424	**1,987,954**
Secured with collateral							
Number of transactions	–	10	7	4,907	*245*	12,058	**16,982**
Gross carrying amount	–	98	78	1,401,161	*95,526*	1,014,675	**2,416,012**
Impairment allowances	–	58	14,883	679,596	*66,321*	285,971	**980,508**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	6	2	25	19,665	*573*	44,721	***64,419***
Gross carrying amount	5	252	16,086	1,018,282	*59,639*	174,508	***1,209,133***
Secured with collateral							
Number of transactions	–	–	3	2,980	*177*	6,555	***9,538***
Gross carrying amount	–	–	53	623,878	*61,387*	629,902	***1,253,833***
Impairment allowances	–	58	14,854	628,048	*64,607*	266,546	***909,506***
Total							
Number of transactions	6	2,526	132	33,934	*1,067*	69,486	**106,084**
Gross value	5	11,910	17,479	3,120,473	*194,309*	1,254,099	**4,403,966**
Impairment allowances	–	58	14,883	679,596	*66,321*	285,971	**980,508**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	–	–	–	10,773	–	86,576	**97,348**

Thousand euro

	31/12/2023						
	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 30 June 2024 and 31 December 2023, is as follows:

Thousand euro

Guarantees received	**30/06/2024**	**31/12/2023**
Value of collateral	2,079,194	2,374,930
Of which: securing stage 3 loans	*989,088*	*1,151,958*
Value of other guarantees	923,644	942,367
Of which: securing stage 3 loans	*444,037*	*427,369*
Total value of guarantees received	**3,002,838**	**3,317,297**

Movements in the balance of refinancing and restructuring transactions during the first half of 2024 are as follows:

Thousand euro

Balance as at 31 December 2023	**4,967,021**
(+) Forbearance (refinancing and restructuring) in the period	527,949
Memorandum item: impact recognised on the income statement for the period	*61,955*
(-) Debt repayments	(470,697)
(-) Foreclosures	(2,258)
(-) Derecognised from the balance sheet (reclassified as write-offs)	(52,121)
(+)/(-) Other changes (*)	(565,928)
Balance as at 30 June 2024	**4,403,966**

(*) Includes transactions no longer classified as refinancing, refinanced or restructured, as they meet the requirements for reclassification as stage 1, having completed the cure period.

The table below shows the value of transactions which, after refinancing or restructuring, were classified as stage 3 exposures during the period:

Thousand euro

	30/06/2024	31/12/2023
General governments	—	—
Other legal entities and individual entrepreneurs	**167,432**	**249,593**
Of which: lending for construction and real estate development	*16,832*	*25,064*
Other natural persons	**48,292**	**153,883**
Total	**215,724**	**403,476**

The average probability of default (PD) on current refinancing and restructuring transactions broken down by activity as at 30 June 2024 and 31 December 2023 is as follows:

%

	30/06/2024	31/12/2023
General governments (*)	—	—
Other legal entities and individual entrepreneurs	**12**	**17**
Of which: lending for construction and real estate development	*16*	*17*
Other natural persons	**18**	**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 the end of the quarter immediately preceding the publication of results.

Concentration risk

Geographical exposure

Global

The breakdown of risk concentration, by activity and at a global level, as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024				
	TOTAL	**Spain**	**Rest of European**	**Americas**	**Rest of the world**
Central banks and credit institutions	**44,736,418**	**25,069,497**	**9,598,338**	**2,665,792**	**7,402,791**
General governments	**35,499,665**	**25,848,128**	**5,235,456**	**2,439,045**	**1,977,036**
Central government	23,844,879	15,927,434	4,930,847	1,009,574	1,977,024
Other	11,654,786	9,920,694	304,609	1,429,471	12
Other financial corporations and individual entrepreneurs	**5,069,482**	**1,501,883**	**263,772**	**597,836**	**2,705,991**
Non-financial corporations and individual entrepreneurs	**61,945,107**	**45,151,124**	**4,014,139**	**10,720,877**	**2,058,967**
Construction and real estate development	2,406,001	1,958,547	50,640	336,339	60,475
Civil engineering construction	1,123,849	771,461	72,079	192,772	87,537
Other purposes	58,415,257	42,421,116	3,891,420	10,191,766	1,910,955
Large enterprises	32,936,718	19,937,938	3,173,741	8,581,604	1,243,435
SMEs and individual entrepreneurs	25,478,539	22,483,178	717,679	1,610,162	667,520
Other households	**86,730,150**	**40,373,452**	**1,398,797**	**650,692**	**44,307,209**
Home loans	76,676,284	32,817,594	1,380,116	362,611	42,115,963
Consumer loans	6,188,263	4,169,505	7,867	6,075	2,004,816
Other purposes	3,865,603	3,386,353	10,814	282,006	186,430
TOTAL	**233,980,822**	**137,944,084**	**20,510,502**	**17,074,242**	**58,451,994**

Thousand euro

	31/12/2023				
	TOTAL	**Spain**	**Rest of European**	**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 by Spanish autonomous community as at 30 June 2024 and 31 December 2023, is as follows:

Thousand euro

	30/06/2024									
		AUTONOMOUS COMMUNITIES								
	TOTAL	Andalusia	Aragon	Asturias	Balearic Islands	Canary Islands	Cantabria	Castilla-a Mancha	Castilla y Leon	Catalonia
Central banks and credit institutions	**25,069,497**	**34,635**	**—**	**1**	**1**	**—**	**796,687**	**4**	**1**	**309,142**
General governments	**25,848,128**	**798,724**	**240,483**	**491,887**	**355,130**	**662,682**	**3,954**	**123,425**	**1,163,114**	**879,829**
Central government	15,927,434	—	—	—	—	—	—	—	—	—
Other	9,920,694	798,724	240,483	491,887	355,130	662,682	3,954	123,425	1,163,114	879,829
Other financial corporations and individual entrepreneurs	**1,501,883**	**3,830**	**1,408**	**1,695**	**1,170**	**881**	**192**	**591**	**31,278**	**459,381**
Non-financial corporations and individual entrepreneurs	**45,151,124**	**2,431,410**	**960,154**	**1,251,218**	**2,258,412**	**1,140,691**	**170,381**	**743,188**	**1,090,307**	**11,905,548**
Construction and real estate development	1,958,547	104,282	30,506	34,990	71,197	17,041	8,786	21,651	23,400	474,030
Civil engineering construction	771,461	23,225	12,201	18,398	7,424	3,664	2,781	11,026	12,098	140,612
Other purposes	42,421,116	2,303,903	917,447	1,197,830	2,179,791	1,119,986	158,814	710,511	1,054,809	11,290,906
Large enterprises	19,937,938	821,455	416,665	469,164	1,357,184	330,496	55,404	267,305	271,876	4,530,318
SMEs and individual entrepreneurs	22,483,178	1,482,448	500,782	728,666	822,607	789,490	103,410	443,206	782,933	6,760,588
Other households	**40,373,452**	**2,890,709**	**583,672**	**1,172,571**	**1,502,906**	**645,972**	**123,179**	**533,373**	**773,102**	**15,387,447**
Home loans	32,817,594	2,256,970	478,085	875,258	1,306,171	438,417	97,900	405,401	595,733	13,010,932
Consumer loans	4,169,505	473,251	48,984	105,887	110,740	176,343	16,083	94,561	102,244	1,157,818
Other purposes	3,386,353	160,488	56,603	191,426	85,995	31,212	9,196	33,411	75,125	1,218,697
TOTAL	**137,944,084**	**6,159,308**	**1,785,717**	**2,917,372**	**4,117,619**	**2,450,226**	**1,094,393**	**1,400,581**	**3,057,802**	**28,941,347**

Thousand euro

	30/06/2024								
	AUTONOMOUS COMMUNITIES								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and credit institutions	**—**	**6,724**	**22,704,590**	**6**	**2,347**	**94,914**	**1,120,445**	**—**	**—**
General governments	**33,868**	**879,674**	**2,872,115**	**60,466**	**240,529**	**338,364**	**735,725**	**24,547**	**16,178**
Central government	—	—	—	—	—	—	—	—	—
Other	33,868	879,674	2,872,115	60,466	240,529	338,364	735,725	24,547	16,178
Other financial corporations and individual entrepreneurs	**20,042**	**2,838**	**436,624**	**3,513**	**3,436**	**483,784**	**33,402**	**17,809**	**9**
Non-financial corporations and individual entrepreneurs	**121,522**	**2,010,174**	**13,108,655**	**1,093,627**	**462,470**	**4,219,476**	**2,009,935**	**156,111**	**17,845**
Construction and real estate development	2,049	81,499	849,892	24,100	6,916	144,173	54,430	8,452	1,153
Civil engineering construction	2,989	34,492	374,535	12,928	2,788	71,389	38,990	820	1,101
Other purposes	116,484	1,894,183	11,884,228	1,056,599	452,766	4,003,914	1,916,515	146,839	15,591
Large enterprises	20,485	609,707	7,510,520	307,833	226,687	1,683,751	1,010,760	48,164	164
SMEs and individual entrepreneurs	95,999	1,284,476	4,373,708	748,766	226,079	2,320,163	905,755	98,675	15,427
Other households	**150,435**	**1,062,137**	**5,519,767**	**2,143,197**	**159,762**	**6,242,695**	**1,324,314**	**70,925**	**87,289**
Home loans	111,893	762,275	4,435,097	1,692,505	130,741	4,915,747	1,165,775	57,674	81,020
Consumer loans	29,284	191,161	681,938	222,801	8,953	666,070	74,016	5,907	3,464
Other purposes	9,258	108,701	402,732	227,891	20,068	660,878	84,523	7,344	2,805
TOTAL	**325,867**	**3,961,547**	**44,641,751**	**3,300,809**	**868,544**	**11,379,233**	**5,223,821**	**269,392**	**121,321**

Thousand euro

	31/12/2023									
		AUTONOMOUS COMMUNITIES								
	TOTAL	**Andalusia**	**Aragon**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castilla y Leon**	**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**
Home loans	32,888,290	2,260,819	480,061	890,596	1,302,328	433,508	96,987	403,927	594,361	13,078,263
Consumer loans	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

	31/12/2023								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarra	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**
Home loans	113,058	739,180	4,330,340	1,715,650	132,805	5,012,629	1,167,233	57,450	79,095
Consumer loans	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**

Sovereign risk exposure

Sovereign risk exposure, broken down by type of financial instrument, as at 30 June 2024 and 31 December 2023 is as follows:

Thousand euro

	30/06/2024											
	Sovereign debt securities							Derivatives				
Sovereign risk exposure by country (*)	Financial assets held for trading	Financial liabilities held for trading - Short positions	Mandatorily at fair value through profit or loss	Measured at fair value through other comprehensive income	Financial assets at amortised cost	Loans and advances to customers (**)	*Of which: Financial assets FVOCI or non-derivative and non-trading financial assets measured at fair value through equity*	With positive fair value	With negative fair value	Total	Other off-balance sheet exposures (***)	%
Spain	68,448	(137,882)	—	2,888,025	13,454,101	10,528,123	—	1,438	(8,015)	26,794,238	—	74.0 %
Italy	230,123	(1,004)	—	99,913	3,792,964	—	—	—	—	4,121,996	—	11.4 %
United States	—	—	12,390	1,120,557	348,591	264	—	—	—	1,481,802	—	4.1 %
United Kingdom	—	—	—	402,175	1,565,804	6,828	—	—	—	1,974,807	—	5.5 %
Portugal	—	(73,591)	—	—	659,758	3	—	—	—	586,170	—	1.6 %
Mexico	—	—	—	782,749	99,903	67,828	—	—	—	950,480	—	2.6 %
Rest of the world	84,488	(151,242)	—	70,752	298,167	8,279	—	—	—	310,444	—	0.9 %
Total	**383,059**	**(363,719)**	**12,390**	**5,364,171**	**20,219,288**	**10,611,325**	**—**	**1,438**	**(8,015)**	**36,219,937**	**—**	**100.1 %**

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

(**) Includes undrawn balances of credit transactions and other contingent risks (1,111 million euros at 30 June 2024).

(***) Relates to commitments for cash purchases and sales of financial assets.

Thousand euro

Sovereign risk exposure by country (*)	31/12/2023											
	Sovereign debt securities					Loans and advances to customers (**)	*Of which: Financial assets FVOCI or non-derivative and non-trading financial assets measured at fair value through equity*	Derivatives		Total	Other off-balance sheet exposures (***)	%
	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			With positive fair value	With negative fair value			
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 of 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 impairment allowances as at 30 June 2024 and 31 December 2023 are set out below:

Million euro

	30/06/2024		
	Gross carrying amount	Surplus above value of collateral	Impairment allowances
Lending for construction and real estate development (including land) (business in Spain)	**2,078**	**597**	**107**
Of which: stage 3 exposures	167	92	92

Million euro

	31/12/2023		
	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**
Of which: stage 3 exposures	*169*	*92*	*94*

Million euro

	Gross carrying amount	
Memorandum item	**30/06/2024**	**31/12/2023**
Write-offs (*)	7	12

Million euro

	Amount	Amount
Memorandum item	**30/06/2024**	**31/12/2023**
Loans to customers, excluding general governments (business in Spain) (carrying amount)	89,413	87,451
Total assets (total business) (carrying amount)	244,328	235,173
Allowances and provisions for exposures classified as stage 2 or stage 1 (total operations)	849	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) as at 30 June 2024 and 31 December 2023 is as follows:

Million euro

	Gross carrying amount 30/06/2024	Gross carrying amount 31/12/2023
Not secured with real estate	**700**	**910**
Secured with real estate	**1,378**	**1,298**
Buildings and other completed works	699	627
Housing	489	466
Other	210	161
Buildings and other works in progress	578	615
Housing	551	590
Other	28	25
Land	101	56
Consolidated urban land	100	55
Other land	1	1
Total	**2,078**	**2,208**

The figures presented do not show the total value of guarantees received, but rather the gross carrying amount of the associated exposure.

Guarantees received associated with lending for construction and real estate development are shown below, for both periods:

Million euro

Guarantees received	30/06/2024	31/12/2023
Value of collateral	1,319	1,285
Of which: securing stage 3 loans	37	44
Value of other guarantees	248	315
Of which: securing stage 3 loans	25	25
Total value of guarantees received	**1,567**	**1,600**

The breakdown of loans to households for home purchase for transactions recorded by credit institutions (business in Spain) as at 30 June 2024 and 31 December 2023 is as follows:

Million euro

	30/06/2024	
	Gross carrying amount	***Of which: stage 3 exposures***
Loans for home purchase	**35,253**	***681***
Not secured with real estate	519	*17*
Secured with real estate	34,734	*664*

Million euro

	31/12/2023	
	Gross carrying amount	***Of which: stage 3 exposures***
Loans for home purchase	**35,271**	***872***
Not secured with real estate	603	*20*
Secured with real estate	34,668	*852*

The tables below show home equity loans granted to households for home purchase, broken down by the loan-to-value ratio (ratio of total risk to gross carrying amount of last available property appraisal) of transactions recorded by credit institutions (business in Spain) as at 30 June 2024 and 31 December 2023:

Million euro

	30/06/2024	
	Gross amount	***Of which: stage 3 exposures***
LTV ranges	**34,734**	***664***
LTV <= 40%	6,916	*101*
40% < LTV <= 60%	10,011	*135*
60% < LTV <= 80%	13,526	*174*
80% < LTV <= 100%	2,616	*118*
LTV > 100%	1,665	*136*

Million euro

	31/12/2023	
	Gross amount	***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 entities, for transactions recorded by credit institutions within Spain, as at 30 June 2024 and 31 December 2023:

Million euro

	30/06/2024			
	Gross carrying amount	**Allowances**	***Gross amount (*)***	***Allowances (*)***
Real estate assets acquired through lending for construction and real estate development	**312**	**107**	***358***	***154***
Completed buildings	281	92	*319*	*132*
Housing	158	41	*179*	*63*
Other	123	51	*140*	*69*
Buildings under construction	2	1	*2*	*1*
Housing	1	1	*1*	*1*
Other	—	—	—	—
Land	29	14	*37*	*21*
Developed land	15	7	*20*	*11*
Other land	14	7	*17*	*11*
Real estate assets acquired through mortgage lending to households for home purchase	**451**	**119**	***522***	***192***
Other real estate assets foreclosed or received in lieu of debt	**17**	**4**	***23***	***10***
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	**779**	**230**	***902***	***356***

(*) 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

	31/12/2023			
	Gross carrying	**Allowances**	***Gross amount (*)***	***Allowances (*)***
Real estate assets acquired through lending for construction and real estate development	**358**	**122**	***407***	***176***
Completed buildings	325	107	366	*152*
Housing	182	47	*201*	69
Other	144	60	*165*	83
Buildings under construction	2	1	2	*1*
Housing	2	1	*2*	*1*
Other	—	—	—	—
Land	30	14	38	*23*
Developed land	16	7	*20*	*11*
Other land	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 reconciliation of the real estate assets shown in the two previous tables of this Schedule as at 30 June 2024 and 31 December 2023 is shown below:

Million euro

	30/06/2024		
	Gross value	**Allowances**	**Net book value**
Total real estate portfolio in the national territory (in books)	**779**	**230**	**549**
Total operations outside the national territory and others	1	1	1
Provision allocated in original loan	132	132	—
Risk transferred in portfolio sales	(10)	(7)	(3)
Total non-performing real estate	**902**	**356**	**546**

Million euro

	31/12/2023		
	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	—
Risk transferred in portfolio sales	(21)	(13)	(8)
Total non-performing real estate	**971**	**385**	**586**

Banco Sabadell Group consolidated interim Directors' Report for the first six months of 2024

The consolidated interim Directors' Report is prepared with the sole purpose of explaining the significant events and changes that occurred in the six-month period, without duplicating the information already published in the Directors' Report of the most recent consolidated annual financial statements. Consequently, for proper comprehension of the information included in this consolidated interim Directors' Report, it should be read together with the Directors' Report for the Group's 2023 consolidated annual financial statements, which was prepared in accordance with the recommendations of the "Guide for the preparation of management reports of listed companies" published by the CNMV in July 2013.

1. BANCO SABADELL GROUP

1.1 Mission and values

Banco Sabadell helps people and businesses bring their projects to life, anticipating their needs and helping them make the best economic decisions. It does this through environmentally and socially responsible management.

This is Banco Sabadell's *raison d'être*: to help its customers make the best economic decisions so that they may see their personal and/or business projects take shape. To that end, it gives customers the benefit of the opportunities offered by big data, digital capabilities and the expertise of its specialists.

The Bank and those who form part of it share the values that help to accomplish this mission, however, wherever and whenever that may be.

Banco Sabadell accomplishes its mission while staying true to its values:

- Commitment and Non-Conformism, values that define its way of being.
- Professionalism and Effectiveness, values that define its way of working.
- Empathy and Openness, values that define its way of interacting.

1.2 Strategic priorities

Banco Sabadell Group's strategic priorities are to (i) continue strengthening the Bank's competitive position in the domestic market and (ii) keep on improving the profitability of its businesses abroad, both in the United Kingdom and in other geographies. These two priorities are in addition to efficient cost control and adequate risk management.

In this way, the Strategic Plan establishes a specific strategic approach for each business line:

In Retail Banking, the approach involves continuing with the profound transformation undertaken in recent years, which has resulted in a far-reaching change in the products and services on offer and in the customer relationship model, consolidating a fundamentally digital offering so that customers can apply remotely for those products in which they want autonomy, immediacy and convenience, such as consumer loans, accounts and cards. For more complex products, such as mortgages, insurance and savings/investment products, where the customer requires support, the approach is to reinforce the role of product specialists and offer multichannel support, along with greater process digitalisation.

In recent months, the digital account has been upgraded with an improved value proposition, mortgage specialists operating remotely have been deployed to cover 100% of branches, a new pricing model has been launched for consumer loans and mortgages, and the group eligible for pre-approved consumer loans and credit cards has been expanded.

As at June 2024, agents specialising in mortgages generate over 55% of the total new business in this product. On the other hand, digital sales of consumer loans represent over 82% of the total, while pre-approved loans account for 85% of total new lending. Furthermore, 59% of new customers registered using the digital channel.

The goal in Retail Banking is to increase the customer base, responding better to their needs and being the main bank of more customers.

In Business Banking, the goal is to strengthen the Bank's sizeable franchise in this segment by establishing specific levers to achieve profitable growth, such as sector-specific solutions for businesses, support for customers in their internationalisation process and the expansion of specialised solutions for SMEs. All this is to be reinforced with an optimal risk management framework, complementing the insights of risk experts and business experts with new business intelligence and data analytics tools.

In Business Banking, a new customer segmentation has been created and the premium relationship model previously reserved only for large enterprises is now also available for SMEs. Risk models have been improved, with specific distribution strategies for each segment, generating more pre-approved loans. The use of data analytics in risk management has also been enhanced and risk analysts have acquired sector-specific specialisation to better steer new lending. As a result, now, more than 80% of new lending items are granted to priority customers and sectors, 34 sector-specific product and service offerings have been made available to small businesses and self-employed professionals and customer acquisition levels in these sectors has significantly increased. In terms of capabilities, a digital account has been launched for self-employed professionals and the middle market team has been bolstered to broaden the knowledge base already in use in Corporate Banking.

In Private Banking, the model launched last year already has 450 personal bankers assigned to it, and the product offering and advice tools have been enhanced with a clear growth objective for both turnover and customers.

The goal in Business Banking is to drive growth while safeguarding risk quality and boosting profitability.

The approach in Corporate Banking Spain is to develop plans to improve the profitability of each customer and increase the contribution of specialised product units to the generation of income. To that end, greater focus has been placed on the continuous monitoring of customer profitability, measuring that profitability as the risk-adjusted return for each customer. Furthermore, action plans have been set in motion to increase profitability, resulting in 83% of customers with a risk-adjusted return on capital (RAROC) above 10%.

The goal in this business line is to obtain adequate profit per customer and to meet their needs.

TSB's priority is to focus on what it does best and what it is known for in the market: retail mortgages. TSB has an excellent platform, with high operational capabilities for mortgage management and a well-established network of brokers, a key factor in the British market where a substantial portion of new mortgages are arranged through this channel.

After radically turning around its financial results in recent years, TSB remains focused on its core business, namely mortgages, and on reducing costs. To that end, it has launched an efficiency plan in order to increase its contribution to the Group's profitability.

In the Group's other international businesses, the priority is to actively manage the capital allocated to them by the Group. Supplementary to this, specific priorities have been defined for each geography: in Mexico, the aim is to increase profitability, focusing on improving its cost of risk and reducing its cost of funding in pesos, creating the Sabadell Mexico digital account to that end. In the case of Miami, the goal is to further strengthen its Private Banking business, while other foreign branches will prioritise the provision of support to Spanish customers in their international activities.

After the strategic plan for the 2021-2023 period came to an end, Banco Sabadell established its financial targets for 2024. These were set in a context in which interest rates, which were expected to gradually fall from the levels reached in the previous year, instead remained at levels that were very beneficial for banking intermediation activity and drove the recovery of demand for credit, without undermining economic agents' ability to cope with their financial burdens.

The business plan currently in effect translates into a target for profitability, measured as ROTE, of over 13% for 2024 and 2025.

Lastly, in order to continue creating value for shareholders and supported by the profitability forecasts of the business plan and solid capital generation, the Board of Banco Sabadell reiterated its commitment to distribute, on an ongoing basis, any excess capital above the 13% CET1 ratio pro forma post-Basel 4 to its shareholders. Assuming the current business plan is fulfilled, it is estimated that excess capital generated in 2024 and 2025, together with recurrent dividends, will reach 2.65 billion euros. This figure is 250 million euros higher than what was previously announced in May, which is explained by a larger amount of excess capital above the 13% CET1 ratio pro forma post-Basel 4, due to a smaller impact from Basel 4 than originally anticipated. In addition to that, there are 250 million euros from the share buyback programme, to be paid out of 2023 earnings, which has been temporarily suspended due to the publication of the prior announcement of the voluntary tender offer put forward by Banco Bilbao Vizcaya Argentaria, S.A. Therefore, total shareholder remuneration in 2024 and 2025 will reach 2.90 billion euros, equivalent to 0.53 euros per share, or more than 30% of the market capitalisation[1], although part of that remuneration may be subject to supervisory approval.

1.3 Banco Sabadell share performance and shareholders

Share price performance

Banco Sabadell's share price closed at 1.80 euros per share on 30 June 2024, consolidating the upward trend of the share price during the first half of this year, with a cumulative revaluation of +65.2%.

On a like-for-like basis, that revaluation is above the average of its peers in Spain, which appreciated by +32.9%, above the European banking industry benchmark (STOXX Europe 600 Banks), which gained +15.2%, and also above general indices such as EURO STOXX 50 and IBEX 35, which rose cumulatively by +9.7% and +8.3%, respectively, during the first six months of the year.

The year got off to a very good start for stock markets in general and for the financial sector in particular, thanks to expectations of higher interest rates for a longer period of time in a context of a later start to the cycle of interest rate cuts by central banks.

As for the macroeconomic environment, across the globe, GDP growth expectations for this year were revised upwards in the main developed economies. Inflation also continued to ease, approaching the central banks' target levels. The European Central Bank introduced its first interest rate cut, of 25 basis points, while the Federal Reserve and the Bank of England held their interest rates during the first half of the year.

In addition to the macroeconomic and sector-specific factors set out above, Banco Sabadell's share price in particular was influenced, on one hand, by improved earnings estimates by analysts following the Institution's publication of its financial results for the first quarter of 2024 and, on the other hand, from 30 April 2024 onwards, by the publication of BBVA's interest in a merger with Banco Sabadell, together with the subsequent rejection by Banco Sabadell's Board of Directors of that proposal and the subsequent announcement by BBVA of its voluntary tender offer on 9 May 2024.

Share buyback programme

On 25 April 2024, Banco Sabadell released an Inside Information disclosure containing the terms and start date of the treasury share buyback programme approved by the Board of Directors, to be paid for out of 2023 earnings, with a maximum amount of 340 million euros.

However, on 13 May 2024, pursuant to the request received from the CNMV on that same date, the Bank released an Other Relevant Information disclosure giving notice of the interim suspension of the 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.

The buyback programme was paused when it had reached approximately 27.31% of the maximum pecuniary amount of the Buyback Programme, with approximately 72.69% of said maximum amount remaining to be executed (see Note 3 to the condensed consolidated interim financial statements corresponding to the six-month period ended 30 June 2024).

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[1] Data as at 29 April 2024, the last trading day not affected by the publication of BBVA's interest in a merger with Banco Sabadell.

1.4 Corporate governance

Banco Sabadell has a sound corporate governance structure that ensures effective and prudent management of the Bank, in which it prioritises ethical, solid and transparent governance, taking into account the interests of shareholders, customers, employees and society in the geographies in which it operates. The internal governance framework, which sets out, among other aspects, its shareholding structure, the governing bodies, the Group's structure, the composition and operation of corporate governance, the internal control functions, key governance matters, the risk management framework, the internal procedure for the approval of credit transactions granted to directors and their related parties and the Group's policies, is published on the corporate website: www.grupbancsabadell.com (see section "Corporate Governance and Remuneration Policy – Internal Governance Framework").

As required by Article 540 of the Spanish Capital Companies Act, the Group has prepared the Annual Corporate Governance Report for the year 2023, which, in accordance with Article 49 of the Spanish Code of Commerce, forms part of the Directors' Report for the 2023 consolidated annual financial statements. It includes a section on the extent to which the Bank follows recommendations on corporate governance currently in existence in Spain.

As it has done on previous occasions, Banco Sabadell has opted to prepare the Annual Corporate Governance Report in free PDF format, in accordance with CNMV Circular 2/2018 of 12 June, in order to explain and publicise, with maximum transparency, the main aspects contained therein.

Annual General Meeting 2024

The Bank's main governing body is the Annual General Meeting (AGM), in which shareholders decide on matters attributed to the Meeting by law, the Articles of Association (available on the corporate website under "Corporate Governance and Remuneration Policy – Articles of Association") and its own Regulation, as well as any business decisions that the Board of Directors considers to be of vital importance for the Bank's future and corporate interests.

The Annual General Meeting has adopted its own Regulation, which sets out the principles and basic rules of action (available on the corporate website under "Shareholders' General Meeting – Regulations of the Shareholders' Meeting"), safeguarding shareholder rights and transparency.

At the Annual General Meeting, shareholders may cast one vote for every thousand shares that they own or represent. The Policy on communication and contact with shareholders, institutional investors and proxy advisors, approved by the Board of Directors and adapted to the Good Governance Code of Listed Companies following its June 2020 revision, aims to promote transparency *vis-à-vis* the markets and build trust while safeguarding, at all times, the legitimate interests of institutional investors, shareholders and proxy advisors and of all other stakeholders of Banco Sabadell.

The Board of Directors, at its meeting on 22 February 2024, resolved to permit votes and proxies in the 2024 Annual General Meeting to be cast and nominated (respectively) remotely prior to the AGM and to put systems and procedures in place so that shareholders and their proxies could attend via electronic means that connected in real time to the venue where the AGM was being held, and to allow shareholders to speak and cast votes using the systems and procedures set up for that purpose, in accordance with that provided in the Articles of Association and in the Regulations of the Shareholders' Meeting.

At the Annual General Meeting held on 10 April 2024, shareholders approved all items on the agenda, among them the annual financial statements and the corporate management of the financial year 2023 and, in relation to appointments, they approved the re-election as Board member of Mireya Giné Torrens, in the capacity of Independent Director, as well as the appointment of Ana Colonques García-Planas, in the capacity of Independent Director.

Information regarding the 2024 Annual General Meeting is published on the corporate website: www.grupbancsabadell.com (see section "Shareholders and Investors - Shareholders' General Meeting").

Composition of the Board of Directors

With the exception of matters reserved to the Annual General Meeting, the Board of Directors is the most senior decision-making body of the company and its consolidated group, as it is responsible, under the law and the Articles of Association, for the management and representation of the Bank. The Board of Directors acts mainly as an instrument of supervision and control, delegating the management of ordinary business matters to the Chief Executive Officer.

The Board of Directors is subject to well-defined and transparent rules of governance, in particular to the Articles of Association and the Regulation of the Board of Directors (available on the corporate website under "Corporate Governance and Remuneration Policy – Regulation of the Board of Directors"), and it conforms to best practices in the area of corporate governance.

José Manuel Martínez Martínez resigned from his role as Independent Director of Banco Sabadell, effective from the date of the Ordinary Annual General Meeting, which took place on 10 April 2024. To fill this vacancy, the Annual General Meeting agreed to appoint Ana Colonques García-Planas as Independent Director. Once the corresponding regulatory authorisations had been obtained, Ana Colonques García-Planas accepted the position on 27 May 2024 and attended her first Board meeting on 30 May 2024.

Board Committees

In accordance with the Articles of Association, the Board of Directors has set up the following Board Committees:

– The Board Strategy and Sustainability Committee.

– The Delegated Credit Committee.

– The Board Audit and Control Committee.

– The Board Appointments and Corporate Governance Committee.

– The Board Remuneration Committee.

– The Board Risk Committee.

The organisation and structure of the Board Committees are set out in the Articles of Association, in the Regulation of the Board of Directors and in the Board Committees' respective Regulations, which establish the rules governing their composition, operation and responsibilities (see the section of the corporate website "Corporate Governance and Remuneration Policy – Regulations of the Committees"), and which develop and supplement the rules of operation and basic functions set out in the Articles of Association and in the Regulation of the Board of Directors.

The Board Committees have sufficient resources to perform their duties and they may seek external professional advice and information on any aspect of the Institution, having unrestricted access both to Senior Management and Group executives and to all information and documentation, of any kind, held by the Institution on matters within their remit.

The composition of the Board Committees as at 30 June 2024 is shown in the table below:

Position	Strategy and Sustainability	Delegated Credit	Audit and Control	Appointments and Corporate Governance	Remuneration	Risk
Chair	Josep Oliu Creus	Pedro Fontana García	Manuel Valls Morató	Pedro Fontana García	Mireya Giné Torrens	George Donald Johnston III
Voting member	Lluís Deulofeu Fuguet	Lluís Deulofeu Fuguet	Ana Colonques García-Planas	Aurora Catá Sala	Ana Colonques García-Planas	Aurora Catá Sala
Voting member	Pedro Fontana García	César González-Bueno Mayer	Laura González Molero	María José García Beato	Laura González Molero	Alicia Reyes Revuelta
Voting member	María José García Beato	Alicia Reyes Revuelta	Pedro Viñolas Serra	Mireya Giné Torrens	-	Manuel Valls Morató
Voting member	César González-Bueno Mayer (*)	Pedro Viñolas Serra	-	-	-	-
Voting member	George Donald Johnston III	-	-	-	-	-
Voting member	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Miquel Roca i Junyent	Miquel Roca i Junyent	Gonzalo Barettino Coloma	Gonzalo Barettino Coloma

(*) Member for matters of strategy only.

1.5 Other information

Voluntary tender offer for the acquisition of shares of Banco Sabadell put forward by Banco Bilbao Vizcaya Argentaria, S.A.

As explained in Note 1.7 to the condensed consolidated financial statements for the six-month period ended 30 June 2024, in an Inside Information disclosure dated 30 April 2024, entered in the register of the Spanish National Securities Market Commission (CNMV) under number 2,227, Banco Sabadell confirmed that it had received, on that same day, an indicative written proposal from Banco Bilbao Vizcaya Argentaria, S.A. (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 the 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 4 to its shareholders. The overall excess capital amount to be generated over 2024 and 2025, together with recurrent dividends during this period according to a successful completion of the current business plan, was projected to be 2.4 billion euros, with part of the distribution to shareholders potentially subject to supervisory approval.

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

On 9 May 2024, BBVA sent the CNMV the prior announcement of the tender offer, submitted conditional upon its acceptance by 50.01% of the share capital of Banco Sabadell, 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 on 11 June 2024. The aforesaid offer consists of one newly issued BBVA share for every 4.83 shares of Banco Sabadell.

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.

As at the sign-off date of this consolidated interim Directors' Report, the tender offer remains pending receipt of regulatory authorisations from the CNMV, the CNMC and the PRA, of evidence of BBVA's receipt of a statement of non-opposition from the ECB, and of the offer's acceptance, in a sufficient percentage, by Banco Sabadell shareholders.

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

2. ECONOMIC AND FINANCIAL ENVIRONMENT

2.1 Global economic, political and financial context

Global economic growth was better than expected in the first half of the year and inflation continued to ease. This allowed some central banks, among them the European Central Bank, to start cutting interest rates. Against this backdrop, financial markets continued to do well during the first half of the year, with various stock market indices reaching new all-time highs. In any case, aside from this improvement in the economy, the military conflicts that are still ongoing today, together with the large number of countries that have held or will hold elections this year, all resulted in geopolitics remaining one of the main sources of uncertainty for the economy and the markets.

The situation in the Middle East remained unstable and there is still the risk that the conflict in the region might escalate, although for now the economic impacts have been limited. In terms of trade relations, the United States and the European Union adopted new measures to restrict exports from China. Among those actions it is worth noting the imposition, by the United States, of new tariffs on products such as semi-conductors, electric vehicles, lithium batteries and solar panels, among others. In the European Union, higher tariffs of up to 38% were introduced on imports of electric vehicles from China, to counteract the illegal subsidies received by the industry in that country.

In terms of politics, the good results obtained by the far right in European elections in France prompted Macron to dissolve the National Assembly and call snap elections for 30 June. The election results unleashed a period of uncertainty for the country, with a hung Parliament divided into three main groups and difficult to govern. In Mexico, meanwhile, the results of the election held in early June also came as a surprise, after the governing party obtained a qualified majority in Congress and came very close to it in the Senate. This opened the door to pushing ahead with the constitutional reforms proposed by the party, some of which could hinder institutional quality, which was poorly received by the financial markets.

In this context, economic growth was generally robust, with an improvement in the economic outlooks of most developed economies. In the Eurozone, there were clear signs that economic activity had recovered during the first half of 2024, after experiencing subdued growth in 2023. In particular, GDB increased by 0.3% in the first quarter of 2024, driven most especially by the external sector. Germany stood out in a positive light, with its economy growing by 0.2% quarter-on-quarter after contracting by 0.5% in the previous quarter, partly influenced by the positive climate generated by investment in construction. There was also evidence of recovery in output levels of the most electricity-intensive industrial sectors, which, together with lower natural gas prices, suggests that the worst may be over for those sectors. In addition, economic sentiment indices for the second quarter of 2024 continued to point towards a slight expansion of economic activity in the Eurozone as a whole.

In the United States, economic activity continued to show strength, although growth slowed in the first quarter of 2024 to 0.4%. The jobs market showed symptoms of being less tight, with job vacancies coming close to the level observed prior to Covid. In any case, the unemployment rate, despite having rebounded slightly, remained near the record low. In the United Kingdom, after a largely stagnant economy in 2023, things started to improve this year. Real wage growth and improved confidence resulted in GDP growing above expectations in the first quarter of 2024. Even so, the cooling of the labour market was evident and the unemployment rate rose to 4.4%, its highest since September 2021. In the political arena, Rishi Sunak, then Prime Minister, called elections for 4 July, in which the Labour party secured a comfortable majority in the UK Parliament, enabling them to return to power after 14 years in opposition.

In terms of inflation, the data from the first half of the year showed that inflation was gradually easing, although the same data also cast light on the difficulty of continuing with the disinflation process once inflation falls closer to the monetary policy target. In the Eurozone, the disinflation process was uneven during the first half of the year, although inflation reached levels closer to the European Central Bank target. Inflation was pushed up by certain services, such as those unrelated to the economic cycle, for instance insurance, by the surge of tourism and by the dissipation of some base effects. Services inflation in the United Kingdom also persisted. In the United States, inflation cooled to a slower pace during the first half of the year, with considerable rigidity in the services sector. Medical services and those related to the automotive industry, along with housing, were the largest contributors to that rigidity. In any case, the most recent data available, corresponding to May, surprised to the downside, with the smallest monthly variation in the prices of services since September 2021.

Spain continued to outperform other Eurozone countries, with high levels of growth that surprised to the upside and with continuous upwards revisions of growth forecasts by the consensus and various institutions. In the first few months of the year, the drivers of growth were more favourable than at the end of last year, with the public sector and inventories playing a less prominent role, while private consumption, investment and the external sector played a bigger part. Regarding the external sector, it is worth noting that tourism was a major driving force, recording considerably higher levels of growth than in the previous year, with tourists visiting a wider range of locations and trips more broadly spread out over the year. In the labour market, job creation continued to increase at a robust rate and job occupancy levels reached a new all-time high, while business confidence in both the services sector and the manufacturing industry was at its highest in over a year. As for inflation, it barely fell below 3% during the first six months of the year and rebounded to reach 3.8% in May, influenced by the base effects stemming from tax changes on the price of electricity, a certain rebound of fuel prices and still-high inflation of tourism-related services, all of which made it difficult to bring core inflation down. In the area of economic politics, a number of actions were taken, including (i) the mobilisation by the government of 40 billion euros under the recovery plan addendum to channel them into five funds through a variety of financial instruments, such as second-floor facilities with financial institutions, direct loans and equity investments in certain companies, (ii) the approval of a deal between the Official Credit Institute (ICO) and the government under which the ICO will give guarantees of 2 billion euros for the development of homes to be rented out under affordable housing schemes, and (iii) the extension of the VAT cut on certain food products to September and its partial recovery in October.

Lastly, in the financial environment, certain US regional banks came under strain early in the year as a result of their exposure to the commercial real estate (CRE) sector. This sector has been rated as one of the biggest risks to financial stability of recent quarters, as a result of the adjustment process it has been undergoing since 2023 (above all in the offices segment). The affected banks had no choice but to recognise losses, increase provisions, limit their dividend distributions and, in the most extreme cases, change up their Management and inject capital. Some banks from other jurisdictions with high CRE exposure, such as those in Japan and above all Germany, also saw themselves forced to take mitigating measures. In any case, the situation was successfully contained and the wider banking industry was not impacted by those isolated cases.

In Spain, the Bank of Spain activated the countercyclical capital buffer (CCyB), placing it at 0.5% as from the fourth quarter of 2024. More specifically, it will apply from 1 October 2025. Thereafter, if cyclical systemic risks remain at a standard level, the Bank of Spain plans to increase the CCyB to 1% as from the fourth quarter of 2025, applicable from 1 October 2026. The decision is in line with the recommendations of international authorities. The Bank of Spain also modified the methodological framework for setting the CCyB, which requires it to be set at 1% when cyclical systemic risks are, as at present, at a standard level (intermediate level between high and low risk) and uses more indicators than before to assess the risk situation.

2.2 Central banks and fixed-income markets

In terms of monetary policy, the first six months of the year were dominated by the debate regarding when exactly central banks would introduce their first interest rate cuts and how interest rates would change going forward. The implied rates priced in by the market experienced considerable volatility during the first six months of the year, mirroring activity and inflation data and shifting in reaction to comments made by members of central banks. Some of those, such as the European Central Bank and the central banks of Switzerland, Canada and Sweden, decided to start cutting interest rates.

The European Central Bank, in particular, cut official rates by 25 basis points in its June meeting, placing the deposit facility rate at 3.75%. This was its first interest rate cut in almost five years. The central bank indicated that this decision was in response to the drop of inflation, although it recognised that domestic inflationary pressures remained considerable due to high wage growth. The European Central Bank indicated that it will keep official interest rates at sufficiently restrictive levels for as long as necessary and that it will continue to adopt a 'data-dependent' approach. It therefore made no outright commitment to follow any particular path when it came to interest rate cuts going forward.

In the United States, the Federal Reserve kept its interest rate unchanged during the entire first half of 2024, keeping it in the 5.25%-5.50% target range, where it has been since July 2023. The Federal Reserve adjusted its rhetoric as the disinflation process continued, and it is expected to start its cycle of interest rate cuts in the second half of the year. In relation to quantitative tightening, the Federal Reserve began slowing the pace at which it was winding down its public debt holdings in June. The decline in reserve balances, together with the drain of deposits held in the reverse repo facility, triggered this adjustment.

The Bank of England also held its base rate at 5.25%. The market expects the Bank of England to cut interest rates in the third quarter of 2024, as inflation has continued to ease, the jobs market is cooling and wage growth is expected to pick up. In terms of balance sheet policy, the Bank of England further reduced the size of its balance sheet and extended its schedule for sales of gilts held in the Asset Purchase Facility (APF) to October 2024, estimating sales of around 100 billion pounds.

In the first half of the year, the markets engaged in substantial repricing of the official interest rate cuts expected for 2024. This occurred after publication of solid economic activity data and certain upside surprises in price data, particularly in the United States. Despite the rebound of government bond yields (around 40-60 basis points on 10-year core bonds), the noise surrounding banks with exposure to commercial real estate and the uncertain political environment, risk assets performed well. Various stock market indices reached new record highs (driven by the good performance of tech stocks), while corporate bond spreads remained contained. The political noise related to the snap elections called in France was the only factor that caused certain negative reactions by European markets towards the end of the six-month period. French government bonds were the hardest hit asset, with their risk premium climbing to the highest since 2012.

2.3 Currency market

The euro, in its currency pair with the US dollar, depreciated by close to 3% in the first half of the year from the levels reached at the end of 2023, standing at close to 1.07 dollars per euro. The US currency was supported by the publication of resilient data in the United States and a change of market expectations regarding central banks' interest rate cuts, which were more aggressive in the case of the Federal Reserve. Concerns over a potential escalation of the military conflict in the Middle East and about the announcement of the elections called in France also gave temporary support to the US currency.

The pound sterling appreciated against the euro and was trading at around 0.85 pounds per euro, a level not seen since September 2022. The reasons behind this movement include the expectation that the Bank of England will keep its interest rate above those of the European Central Bank, as well as the recent political risk associated with the snap elections called in France. Even so, volatility remained close to record lows during the first six months of the year. The expectations of a possible Labour win in the elections had no detrimental effect on the pound sterling, and it is even hoped that a more constructive stance with respect to the EU will reduce the impacts of Brexit on the exchange rate against the euro.

Another aspect worth noting in relation to the currency market was the performance of the Japanese yen. Although the Bank of Japan took interest rates out of negative territory and the Japanese government made further interventions, the yen continued to depreciate, mainly due to divergence in monetary policies. The Japanese currency ended the second quarter at close to 160 yen per dollar, the lowest since 1986.

2.4 Emerging markets

Emerging markets generally proved resilient during the first half of the year, despite the uncertainty related to geopolitical events in the Middle East and Ukraine, as well as some surprising election results in certain emerging economies. In China, the adjustment of the real estate sector continued to be intense, although no systemic risks were generated for the wider economy, which remained relatively stable. This was supported by reduced exports and by the restrained stimulus measures adopted by the authorities. In India, the election results led to a loss of the absolute majority in Congress held by the party of Prime Minister Narendra Modi, who has been in power for the last decade. The country's main equity index reacted with a decline of around 6%, the largest in more than four years, which was subsequently reversed when it was confirmed that Modi would continue to govern the country with the support of other parties.

In Latin America, fiscal and monetary discipline continued to pave the way for the disinflation process. In Mexico, the markets reacted negatively to the election results given the potential for a less market-friendly political agenda. The Mexican peso depreciated by around 10% in its currency pair with the dollar during the week following the elections, stocks sustained heavy losses and the risk premium rebounded.

In Eastern Europe, Turkey in particular, after the shift back to orthodox economic policy promoted by Erdogan following the May 2023 elections, in which he revalidated his victory, there has been certain optimism in relation to the country and more interest among international investors, which was reinforced after the local elections held in March. Portfolio inflows into Turkish assets increased and progress is being made with the de-dollarisation of the economy. In any event, annual inflation remained above 60% and the correction of imbalances is expected to take some time.

3. FINANCIAL INFORMATION

Banco Sabadell and its group ended the first half of 2024 with attributable net profit of 791 million euros, compared to 564 million euros in the same period of 2023. The positive change is due mainly to the good performance of net interest income and the improvement of credit provisions.

3.1 Income and profit performance

Net interest income obtained in the first half of the year came to a total of 2,493 million euros, 9.8% higher than the net interest income obtained in the first half of 2023, mainly due to a higher credit yield and increased revenue from the fixed-income portfolio, underpinned by higher interest rates, all of which served to offset the higher cost of both deposits and wholesale funding as well as reduced average volumes.

Net fees and commissions in the first six months of the year amounted to 674 million euros, falling by -3.3% in year-on-year terms, due mainly to reduced fees in connection with services and asset management.

Profit or loss on financial operations and exchange differences amounted to 37 million euros in the first half of 2024, compared to 31 million euros in the first half of 2023. The positive variation in 2024 is due to a larger contribution by TSB.

Equity-accounted income and dividends received amounted to 87 million euros in the first half of the year, compared with 72 million euros in the first six months of 2023. The positive variation compared to the previous year is mainly due to a larger contribution by the insurance business.

Other operating income and expenses came to a total of -230 million euros during the first six months of 2024, compared to -261 million euros during the first half of 2023. The positive balance variation is mainly explained by the -76 million euros recognised in the previous year for the contribution to the Single Resolution Fund (SRF), which offset the negative balance variation caused by the recognition of a more severe impact of the bank levy in 2024, which was -192 million euros compared to -156 million euros recognised in the previous year.

Total costs in the first half of 2024 came to -1,515 million euros, while in the first half of 2023 they came to a total of -1,478 million euros, representing an increase of 2.5%. This increase is explained by a rise in both staff expenses and general expenses, which neutralised the reduction of amortisations and depreciations in the first half of 2024.

The cost-to-income ratio as at the end of June 2024 improved in year-on-year terms, standing at 40.33% compared to 42.39% in the same period of the previous year. Similarly, the cost-to-income ratio including amortisations/depreciations improved to 48.27% from 52.03% in the same period of the previous year.

As a result of all the above, the first half of 2024 ended with pre-provisions income of 1,546 million euros (1,331 million euros in the first half of 2023).

Total provisions and impairments came to a total of -389 million euros, compared to -468 million euros in the first six months of 2023, representing a reduction of -16.9% due to the improvement in credit provisions.

Capital gains on asset sales and other revenue amounted to -2 million euros as at the end of June 2024, compared to -13 million euros recorded during the first six months of 2023, when impacts due to asset write-offs were recognised.

After deducting corporation tax and minority interests, net profit attributable to the Group amounted to 791 million euros as at the end of the first half of 2024. These results reflect year-on-year growth of 40.3% and an improvement in the Group's profitability, with ROTE increasing to 13.1%.

3.2 Balance sheet

As at the end of the first half of 2024, total assets of Banco Sabadell and its group amounted to 244,328 million euros, representing a 3.9% increase with respect to December 2023.

Gross performing loans to customers had a balance of 155,164 million euros as at 30 June 2024, increasing by 3.6% from the balance as at the end of 2023, driven by the increase in Spain, where it is worth mentioning the higher levels of business lending, and by the growth of businesses abroad, particularly TSB and Miami.

As at the end of June 2024, the NPL ratio had improved and stood at 3.2% (3.5% as at year-end 2023), the stage 3 coverage ratio rose to 44.1% (from 42.3% as at 2023 year-end) and the stage 3 coverage ratio with total provisions also increased, to 59.7% (from 58.3% as at 2023 year-end).

As at 30 June 2024, on-balance sheet customer funds amounted to 163,169 million euros, compared to 160,888 million euros as at the end of 2023, representing a 1.4% increase, where particular note should be taken of the increase of term deposits and demand deposits.

Demand deposit account balances amounted to 135,070 million euros, representing an increase of 0.6% compared to 2023 year-end. Customers' term deposits amounted to 27,795 million euros, 8.6% above the figure recorded as at the end of 2023.

Total off-balance sheet customer funds amounted to 43,574 million euros, increasing by 7.4% compared to the end of the previous year. In this item, it is particularly worth noting the good performance of mutual funds. As at the end of June 2024, they amounted to 26,419 million euros, representing a 9.7% increase compared to 2023 year-end, mainly due to a positive flow of net subscriptions and an increase in yields.

Total funds under management and third-party funds amounted to 244,518 million euros as at 30 June 2024, compared to 226,682 million euros at the end of the previous year, representing a 7.9% increase, impacted by the growth of both on-balance sheet and off-balance sheet customer funds mentioned previously.

3.3 Solvency

The Common Equity Tier 1 (CET1) ratio as at 30 June 2024 stood at 13.48%, in both phase-in and fully-loaded terms.

Credit ratings

The Group retained its investment grade rating from all credit rating agencies.

On 19 March 2024, Moody's Investors Service affirmed Banco Sabadell's long-term deposit rating at 'Baa1' and its senior debt rating at 'Baa2', changing the outlook on both ratings to positive from stable, reflecting the Bank's improved asset quality and the gradual strengthening of its profitability, boosted by the increase in interest rates. The short-term rating was also maintained at 'P-2'. The full report on the revision was published on 8 April.

On 29 April 2024, S&P Global Ratings affirmed Banco Sabadell's long-term issuer rating at 'BBB+', improving the outlook to positive from stable, reflecting the possibility that it could raise the long-term rating over the next 18-24 months if industry risks for banks operating in Spain were to ease and, at the same time, Banco Sabadell strengthens its financial ratios further. The short-term rating was also affirmed at 'A-2'.

On 10 May 2024, DBRS Ratings GmbH confirmed Banco Sabadell's long-term issuer rating at A (low) with a stable outlook, reflecting the significantly improved profitability and the restructuring plan that the Bank has implemented, enabling it to boost its operating efficiency. It also praised its good access to wholesale markets and its liquidity position, as well as its solid capitalisation. The short-term rating remained at R-1 (low). The full report on the revision was published on 7 June.

On 29 May 2024, Fitch Ratings upgraded Banco Sabadell's long-term issuer credit rating to 'BBB' from 'BBB-', changing the outlook to stable from positive. It also upgraded the short-term rating to 'F2' from 'F3'. The upgrade reflects the Bank's structurally improved profitability and solvency, supported by business restructurings, higher interest rates, improved performance of the UK subsidiary and the expectation that credit provisions will remain contained. The full report on the revision was published on 19 June.

3.4 Branches and offices

At the end of the first half of 2024, Banco Sabadell had 1,382 branches and offices. Of the total number of branches and offices of Banco Sabadell and its group, 845 operate under the Sabadell brand (including 25 business banking and 2 corporate banking branches), 62 operate as Sabadell Gallego (3 business banking branches), 85 as Sabadell Herrero (3 business banking branches), 62 as Sabadell Guipuzcoano (5 business banking branches), 7 as Sabadell Urquijo, and 82 branches operate under the Solbank brand. The other 239 branches and offices make up the international network, of which 12 correspond to Sabadell Mexico and 211 to TSB.

4. BUSINESS REVIEW

The key financial figures associated with the Group's largest business units are set out here below, in line with the segment information described in Note 31 to the condensed consolidated interim financial statements for the six-month period ended 30 June 2024.

4.1 Banking Business Spain

Net profit as at the end of June 2024 amounted to 670 million euros, representing a year-on-year increase of 53.3%, mainly driven by the good evolution of net interest income and reduced provisions.

Net interest income amounted to 1,826 million euros as at the end of June 2024, growing by 16.1% year-on-year as a result of a higher credit yield and increased revenue from the fixed-income portfolio, underpinned by higher interest rates, all of which served to offset the higher cost of both deposits and wholesale funding and reduced volumes.

Net fees and commissions stood at 610 million euros, -3.9% less than at the end of June 2023, mainly due to reduced service fees, notably fees on payment cards and demand deposits, as well as the drop in asset management fees, particularly fees on the sale of pension funds and insurance.

Profit or loss on financial operations and exchange differences amounted to 8 million euros, representing a year-on-year reduction, mainly due to reduced earnings on overall deposits.

Equity-accounted income and dividends showed year-on-year growth of 20.6%, due mainly to the increased contribution of the insurance business.

The positive balance variation in other income and expenses is mainly explained by the -76 million euros recognised in the previous year for the contribution to the Single Resolution Fund (SRF), which offset the negative balance variation caused by the recognition of a more severe impact of the bank levy in 2024, which was -192 million euros compared to -156 million euros recognised in the previous year.

Total costs recorded a year-on-year increase of 3.6%, due to higher staff expenses and general expenses.

Provisions and impairments amounted to -348 million euros, down by -19.1% year-on-year, due to an improvement in credit provisions.

Million euro

	30/06/2024	30/06/2023	Year-on-year change (%)
Net interest income	**1,826**	**1,573**	**16.1**
Fees and commissions, net	610	635	(3.9)
Core revenue	**2,436**	**2,208**	**10.3**
Profit or loss on financial operations and exchange differences	8	26	(69.8)
Equity-accounted income and dividends	87	72	20.6
Other operating income and expenses	(191)	(232)	(17.3)
Gross income	**2,339**	**2,074**	**12.8**
Operating expenses, depreciation and amortisation	(1,000)	(965)	3.6
Pre-provisions income	**1,339**	**1,109**	**20.8**
Provisions and impairments	(348)	(430)	(19.1)
Capital gains on asset sales and other revenue	—	(12)	(99.8)
Profit/(loss) before tax	**991**	**666**	**48.8**
Corporation tax	(320)	(228)	40.4
Profit or loss attributed to minority interests	1	1	6.8
Net profit	**670**	**437**	**53.3**
ROTE (net profit attributable to Group / average shareholders' equity excluding intangible assets)	14.1 %	10.8 %	
Cost-to-income (general administrative expenses / gross income)	33.8 %	37.1 %	
NPL ratio	3.9 %	4.3 %	
Stage 3 coverage ratio, with total provisions	62.7 %	57.2 %	

Gross performing loans increased by 3.6% year-on-year, driven by growth in both Spain and foreign branches (which are included in this perimeter).

On-balance sheet customer funds increased by 0.8% over the year, while off-balance sheet funds grew by 7.4%, mainly due to mutual funds, as a result of a positive level of net inflows and higher yields.

Million euro

	30/06/2024	31/12/2023	Change (%)
Assets	**182,140**	**173,648**	**4.9**
Gross performing loans to customers	107,606	103,830	3.6
Non-performing real estate assets, net	546	586	(6.8)
Liabilities and equity	**182,140**	**173,648**	**4.9**
On-balance sheet customer funds	118,786	117,820	0.8
Wholesale funding in capital markets	19,751	19,949	(1.0)
Allocated own funds	11,588	11,345	2.1
Off-balance sheet customer funds	**43,574**	**40,561**	**7.4**
Other indicators			
Employees	13,545	12,991	4.3
Branches and offices	1,159	1,226	(5.5)

4.2 Banking Business United Kingdom

Net profit amounted to 95 million euros as at the end of June 2024, representing a year-on-year reduction of −10.2% due to the decline of net interest income.

Net interest income came to a total of 562 million euros, less than in the first half of 2023, due to the higher cost of deposits and wholesale funding, and also due to reduced volumes, which offset the growth stemming from the higher credit yield. However, in quarter-on-quarter terms, net interest income reversed this trend and increased by 1.7%.

Net fees and commissions amounted to 54 million euros as at the end of June 2024, representing a year-on-year reduction of -7.0%, mainly due to a drop in payment card fees, which include an increase in costs.

Total costs amounted to -449 million euros, falling by -3.2% year-on-year due to the reduction of amortisations/depreciations, which offset the increase in staff expenses.

Provisions and impairments amounted to -28 million euros, representing an increase of -5 million euros, due to the recognition of more litigation provisions.

Million euro

	30/06/2024	30/06/2023	Year-on-year change (%)
Net interest income	**562**	**603**	**(6.8)**
Fees and commissions, net	54	58	(7.0)
Core revenue	**615**	**661**	**(6.8)**
Profit or loss on financial operations and exchange differences	24	5	346.7
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(29)	(20)	43.4
Gross income	**611**	**646**	**(5.4)**
Operating expenses, depreciation and amortisation	(449)	(464)	(3.2)
Pre-provisions income	**162**	**183**	**(11.1)**
Provisions and impairments	(28)	(23)	24.0
Capital gains on asset sales and other revenue	1	—	80.1
Profit/(loss) before tax	**135**	**160**	**(15.9)**
Corporation tax	(40)	(55)	(27.1)
Profit or loss attributed to minority interests	—	—	—
Net profit	**95**	**106**	**(10.2)**
ROTE (net profit attributable to Group / average shareholders' equity excluding intangible assets)	9.4 %	10.9 %	
Cost-to-income (general administrative expenses / gross income)	63.9 %	59.9 %	
NPL ratio	1.5 %	1.4 %	
Stage 3 coverage ratio, with total provisions	37.1 %	40.4 %	

Gross performing loans increased by 3.7% year-on-year, benefitting from the appreciation of the pound sterling, as considering a constant exchange rate they fell by 1.0% due to a smaller mortgage book.

On-balance sheet customer funds increased by 3.3% year-on-year, with the increase assuming a constant exchange rate standing at 0.6%, due to the reduction of demand deposits, which was offset by the increase of term deposits.

Million euro

	30/06/2024	31/12/2023	Change (%)
Assets	**55,423**	**54,855**	**1.0**
Gross performing loans to customers	42,907	41,381	3.7
Liabilities and equity	**55,423**	**54,855**	**1.0**
On-balance sheet customer funds	41,182	39,864	3.3
Wholesale funding in capital markets	5,168	4,545	13.7
Allocated own funds	2,539	2,368	7.2
Other indicators			
Employees	4,990	5,426	(8.0)
Branches and offices	211	211	—

4.3 Banking Business Mexico

Net profit as at the end of June 2024 amounted to 26 million euros, representing a year-on-year increase of 25.5%, mainly due to the increase in core revenue.

Net interest income came to 106 million euros, growing by 12.4% year-on-year, underpinned by the appreciation of the Mexican peso (in terms of average exchange rate), as at a constant exchange rate it increased by 6.3%, mainly due to larger volumes and a higher credit yield.

Net fees and commissions amounted to 10 million euros as at the end of June 2024, increasing by 6 million euros compared to the first half of the previous year due to growth in commercial activity. Total costs stood at -67 million euros, increasing in year-on-year terms, mainly driven by higher general expenses, particularly marketing costs.

Provisions and impairments amounted to -13 million euros as at the end of June 2024, representing a year-on-year reduction of -14.6% due to fewer credit provisions.

Million euro

	30/06/2024	30/06/2023	Year-on-year change (%)
Net interest income	**106**	**94**	**12.4**
Fees and commissions, net	10	4	142.0
Core revenue	**116**	**98**	**18.0**
Profit or loss on financial operations and exchange differences	5	—	7,555.2
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(10)	(10)	4.1
Gross income	**111**	**89**	**25.2**
Operating expenses, depreciation and amortisation	(67)	(49)	36.2
Pre-provisions income	**44**	**40**	**11.7**
Provisions and impairments	(13)	(15)	(14.6)
Capital gains on asset sales and other revenue	(3)	(1)	107.6
Profit/(loss) before tax	**28**	**23**	**22.8**
Corporation tax	(2)	(2)	(3.2)
Profit or loss attributed to minority interests	—	—	—
Net profit	**26**	**21**	**25.5**
ROTE (net profit attributable to Group / average shareholders' equity excluding intangible assets)	8.9 %	9.1 %	
Cost-to-income (general administrative expenses / gross income)	52.5 %	41.2 %	
NPL ratio	2.2 %	3.1 %	
Stage 3 coverage ratio, with total provisions	71.7 %	65.8 %	

Performing loans grew by 1.4% year-on-year, impacted by the depreciation of the Mexican peso. At constant exchange rates, this increase was 2.0%, due to higher levels of commercial activity.

On-balance sheet customer funds fell by -0.1% year-on-year, impacted by the depreciation of the Mexican peso, with the balance variation at a constant exchange rate being 3.0%, due to the increase of demand deposits.

Million euro

	30/06/2024	31/12/2023	Change (%)
Assets	**6,765**	**6,670**	**1.4**
Gross performing loans to customers	4,651	4,587	1.4
Real estate exposure, net	—	—	—
Liabilities and equity	**6,765**	**6,670**	**1.4**
On-balance sheet customer funds	3,201	3,205	(0.1)
Wholesale funding in capital markets	—	—	—
Allocated own funds	693	631	9.8
Off-balance sheet customer funds	**—**	**—**	**—**
Other indicators			
Employees	480	435	10.3
Branches and offices	12	15	(20.0)

5. SUBSEQUENT EVENTS

No events meriting disclosure have occurred since 30 June 2024.

Glossary of terms on alternative performance measures

In the presentation of its results to the market, and for the purpose of monitoring the business and decision-making processes, the Group uses performance indicators pursuant to the generally accepted accounting regulations (EU-IFRS), and also uses other unaudited measures commonly used in the banking industry (Alternative Performance Measures, or APMs) as indicators to monitor the management of the Group's assets and liabilities, as well as its financial and economic situation, which facilitates its comparison with other institutions.

Following the ESMA guidelines on APMs (ESMA/2015/1415 of October 2015), the purpose of which is to promote the use and transparency of information for the protection of investors in the European Union, the Group indicates below the definition, calculation and reconciliation for each APM.

Performance measure	Definition and calculation	Use or purpose
Gross performing loans to customers	Includes gross customer loans and advances, excluding reverse repos, assets classified as stage 3 and other valuation adjustments (interest, fees and commissions, other).	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Gross loans to customers	Includes loans and advances to customers excluding impairment allowances.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
On-balance sheet customer funds	Includes financial liabilities at amortised cost, excluding non-retail liabilities, such as deposits from central banks, deposits from credit institutions, institutional issues and other financial liabilities.	Key figure in the Group's condensed consolidated balance sheet, the performance of which is monitored.
On-balance sheet funds	Includes customer deposits and debt securities issued.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Off-balance sheet customer funds	Includes off-balance sheet funds under management and third-party funds, such as mutual funds, assets under management, pension funds and insurance.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Funds under management and third-party funds	The sum of on-balance sheet funds and off-balance sheet customer funds.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Customer spread	Difference between yield and costs of customer-related assets and liabilities, i.e. the contribution of exclusively customer-related transactions to net interest income. Calculated as the difference between the average rate that the Bank charges its customers for loans and the average rate that the Bank pays its customers for deposits. The average rate on customer loans and advances is the annualised ratio, in percentage terms, between financial revenues booked on customer loans and advances and the average daily balance of customer loans and advances. The average rate on customer funds is the annualised ratio, in percentage terms, between the financial cost booked on customer funds and the average daily balance of customer funds. The average balance is the arithmetic mean, calculated as the sum of the daily balances for the reference period and divided by the number of days in said period.	Reflects the profitability of purely banking activity.
Other assets	Comprises the following headings from the asset side of the balance sheet: (i) derivatives - hedge accounting, (ii) fair value changes of the hedged items in portfolio hedge of interest rate risk, (iii) assets under insurance or reinsurance contracts, (iv) tax assets, (v) other assets, and (vi) non-current assets and disposal groups classified as held for sale.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Other liabilities	Comprises the following headings from the liability side of the balance sheet: (i) derivatives - hedge accounting, (ii) fair value changes of the hedged items in portfolio hedge of interest rate risk, (iii) tax liabilities, (iv) other liabilities, and (v) liabilities included in disposal groups classified as held for sale.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Other operating income and expenses	Comprises the following headings from the income statement: (i) other operating income, and (ii) other operating expenses.	Grouping of items used to explain part of the performance of the Group's consolidated results.
Pre-provisions income	Comprises gross income and the following headings from the income statement: administrative expenses, and depreciation and amortisation.	One of the key figures that reflects the performance of the Group's consolidated results.

Total provisions and impairments	Comprises the following headings from the income statement: (i) provision or reversal of provisions, (ii) impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net modification losses or gains, (iii) impairment or reversal of impairment of investments in joint ventures or associates, (iv) impairment or reversal of impairment of non-financial assets, (v) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excludes gains or losses on the sale of equity holdings and other items), and (vi) gains or losses on derecognition of non-financial assets and equity holdings, net (including only gains or losses on the sale of investment properties).	Grouping of items used to explain part of the performance of the Group's consolidated results.
Capital gains on asset sales and other revenue	Comprises the following headings from the income statement: (i) gains or (-) losses on derecognition of non-financial assets, net (excluding gains or (-) losses on the sale of investment properties), and (ii) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (including only gains or losses on the sale of equity holdings and other items).	Grouping of items used to explain part of the performance of the Group's consolidated results.
ROA	Defined as a ratio that includes, in the numerator, consolidated profit or loss (past 12 months) and, in the denominator, average total assets. Average total assets: arithmetic mean calculated as the sum of the daily balances over the past twelve months and divided by the number of days in the past twelve months.	A measure commonly used in the financial sector to determine the accounting return on Group assets.
RORWA	Defined as a ratio that includes, in the numerator, profit attributable to the Group over the past twelve months and, in the denominator, average risk-weighted assets. Average risk-weighted assets: the average, over the past twelve months, of a credit institution's total assets, multiplied by its respective risk factors (risk weights). Risk factors reflect the perceived level of risk of a particular asset class.	A measure commonly used in the financial sector to determine the accounting return on risk-weighted assets.
ROE	Defined as a ratio that includes, in the numerator, profit attributable to the Group over the past twelve months and, in the denominator, average shareholders' equity. Average shareholders' equity: average shareholders' equity calculated using the closing balance of the past twelve months.	A measure commonly used in the financial sector to determine the accounting return on the Group's shareholders' equity.
ROTE	Defined as the ratio of profit attributable to the Group over the past twelve months to average shareholders' equity over the past twelve months. The denominator excludes intangible assets and goodwill of investees. Average shareholders' equity: average shareholders' equity over the past twelve months.	Additional measure of the accounting return on shareholders' equity, but excluding goodwill and intangible assets from its calculation.

Cost-to-income ratio	Defined as the ratio of administrative expenses to adjusted gross income. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the bank levy (BL), except at year-end. The linear accrual of the DGF, SRF, IDEC and BL is based on the Group's best estimates.	One of the main indicators of efficiency or productivity of banking activity.
Cost-to-income ratio with amortisation/depreciation	Defined as the ratio of administrative expenses and depreciation/amortisation to adjusted gross income. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the bank levy (BL), except at year-end. The linear accrual of the DGF, SRF, IDEC and BL is based on the Group's best estimates.	One of the main indicators of efficiency or productivity of banking activity.
Stage 3 exposures	These include: (i) assets classified as stage 3 including other valuation adjustments (accrued interests, fees and commissions, and other) classified as stage 3 of loans and advances not classified as non-current assets held for sale, and (ii) financial guarantees and other guarantees given classified as stage 3.	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk undertaken with customers and to assess its management.
Stage 3 coverage ratio, with total provisions	Percentage of stage 3 exposures that is covered by total provisions. Calculated as impairment allowances of loans and advances to customers (including provisions for off-balance sheet exposures) / exposures classified as stage 3.	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk undertaken with customers and shows the provisions that the Institution has allocated for loans classified as stage 3.
Stage 3 coverage ratio	Percentage of exposures classified as stage 3 that are covered by stage 3 provisions. Calculated as impairment allowances of stage 3 loans and advances to customers (including provisions for stage 3 off-balance sheet exposures) / exposures classified as stage 3.	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk undertaken with customers and shows the stage 3 provisions that the Institution has allocated for loans classified as stage 3.
Non-performing assets	The sum of risks classified as stage 3 plus non-performing real estate assets. Non-performing real estate assets: foreclosed properties or properties accepted in payment of debt and properties classified in the portfolio of non-current assets and disposal groups classified as held for sale, except for investment properties with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment.	Indicator of total exposure to risks classified as stage 3 and to non-performing real estate assets.
Non-performing real estate coverage ratio	Obtained by dividing provisions for non-performing real estate assets by non-performing real estate assets. Non-performing real estate assets: foreclosed properties or properties accepted in payment of debt and properties classified in the portfolio of non-current assets and disposal groups classified as held for sale, except for investment properties with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment.	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of real estate risk and shows the provisions that the Institution has allocated for real estate exposure.
NPA coverage ratio	This ratio considers impairment allowances for customer loans and advances (including allowances for the impairment of off-balance sheet exposures) plus provisions associated with non-performing real estate in the numerator, while the denominator considers total non-performing assets.	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk and real estate risk, and it shows the provisions that the Institution has allocated for non-performing exposures.

NPL ratio	Calculated in the form of a ratio whose numerator includes exposures classified as stage 3 and whose denominator includes: (i) gross loans to customers, excluding reverse repos or (loans and advances to customers, excluding reverse repos and without impairment allowances), and (ii) financial guarantees and other guarantees given.	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk undertaken with customers and to assess its management.
Credit cost of risk (bps)	Calculated as credit loss provisions / gross loans to customers, excluding reverse repos and including financial guarantees and other guarantees given. The numerator considers the straight-line annualisation of loan loss provisions, which are adjusted for costs associated with the management of stage 3 assets (NPLs).	A relative measure of risk, being one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk through the cost or loss due to financial asset impairments that have taken place in one year.
Total cost of risk (bps)	This ratio's numerator includes total provisions and impairments, while its denominator includes gross loans to customers, excluding reverse repos and including financial guarantees and other guarantees given and non-performing real estate assets. The numerator considers the straight-line annualisation of total provisions and impairments.	A relative measure of risk, being one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk through the cost or loss due to financial asset impairments that have taken place in one year.
Loan-to-deposit ratio	This ratio's numerator includes gross loans to customers excluding brokered loans, reverse repos and impairment allowances, while its denominator includes on-balance sheet customer funds.	Measures a Bank's liquidity as the ratio of the funds at its disposal relative to the volume of lending items granted to customers. Liquidity is one of the key aspects that define the structure of an institution.
Market capitalisation	Calculated by multiplying the share price by the number of shares outstanding (number of total shares minus closing treasury stock position, including share buyback programmes, where applicable) as at the reporting date.	An economic market measurement or market ratio that indicates the total value of a company according to the market price.
Earnings (or loss) per share	This gives the ratio of net profit attributable to the Group, adjusted by the amount of the Additional Tier 1 coupon over the past twelve months, relative to the average number of shares outstanding over the past twelve months (average number of total shares minus average treasury stock, including asset buyback programmes, where applicable).	An economic measurement or market ratio that indicates a company's profitability, and it is one of the measurements used most frequently to assess institutions' performance.
Book value per share	Calculated as book value / number of shares outstanding (number of total shares minus closing treasury stock position, including share buyback programmes, where applicable) as at the reporting date. The book value is the sum of shareholders' equity, adjusted to account for the accrual to date of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC) and the bank levy (BL), except at year-end. The linear accrual of the DGF, SRF, IDEC and BL is based on the Group's best estimates.	An economic market measurement or market ratio that indicates the book value per share.
TBV per share	Calculated as tangible book value / number of shares outstanding (number of total shares minus closing treasury stock position, including share buyback programmes, where applicable) as at the reporting date. Tangible book value: sum of shareholders' equity adjusted to account for intangible assets and goodwill of investees, as well as the accrual to date of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC) and the bank levy (BL), except at year-end. The linear accrual of the DGF, SRF, IDEC and BL is based on the Group's best estimates.	An economic market measurement or market ratio that indicates the tangible book value per share.

P/TBV (price/tangible book value per share)	Share price or value / tangible book value per share.	Economic measurement or market ratio commonly used by the market, which represents the listed price of a share relative to its book value.
Price/earnings ratio (P/E)	Share price or value / net earnings per share.	Economic measurement or market ratio commonly used by the market to determine a company's ability to generate future earnings.

Equivalence of headings from the income statement of businesses and management units that appear in Note 31 on segment information of the condensed consolidated interim financial statements and in the consolidated interim Directors' Report with those of the condensed consolidated income statement (*)

Net fees and commissions:
- Fee and commission income.
- (Fee and commission expenses).

Core revenue:
- Net interest income.
- Fee and commission income.
- (Fee and commission expenses).

Other operating income and expenses:
- Other operating income.
- (Other operating expenses).

Operating expenses, depreciation and amortisation:
- (Administrative expenses).
- (Depreciation and amortisation).

Pre-provisions income:
- Gross income.
- (Administrative expenses).
- (Depreciation and amortisation).

Provisions and impairments
- (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains).
- (Provisions or (-) reversal of provisions).
- (Impairment or (-) reversal of impairment on investments in joint ventures and associates).
- (Impairment or (-) reversal of impairment on non-financial assets).
- Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excludes gains or (-) losses on the sale of equity holdings and other items).
- Gains or (-) losses on derecognition of non-financial assets and equity holdings, net (including only gains or losses on sale of investment properties).

Provisions for loan losses:
- (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains).
- (Provisions or (-) reversal of provisions) (only includes commitments and guarantees given).

Provisions for other financial assets:
- (Provisions or (-) reversal of provisions) (excludes commitments and guarantees given).

Other provisions and impairments:
- (Impairment or (-) reversal of impairment on investments in joint ventures and associates).
- (Impairment or (-) reversal of impairment on non-financial assets).

- Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excludes gains or (-) losses on the sale of equity holdings and other items).
- Gains or (-) losses on derecognition of non-financial assets and equity holdings, net (including only gains or losses on sale of investment properties).

Capital gains on asset sales and other revenue:

- Gains or (-) losses on derecognition of non-financial assets and equity holdings, net (excludes gains or losses on sale of investment properties).
- Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (including only gains or (-) losses on the sale of equity holdings and other items).

(*) Sub-headings in the condensed consolidated income statement expressed in brackets denote negative figures.

APMs reconciliation (data in million euros, with the exception of those shown in percentages)

BALANCE SHEET	**30/06/2024**	**31/12/2023**
Gross loans to customers / Gross performing loans to customers		
Loans and credit secured with mortgages	87,799	86,162
Loans and credit secured with other collateral	5,492	5,064
Trade credit	8,031	7,465
Finance leases	2,386	2,236
Other amounts due at notice or on demand	51,457	48,870
Gross performing loans to customers	**155,164**	**149,798**
Stage 3 assets	5,188	5,472
Other valuation adjustments (interest, fees and commissions, other)	180	172
Gross loans to customers, excluding reverse repos	**160,532**	**155,442**
Reverse repos	—	17
Gross loans to customers	**160,532**	**155,459**
Impairment allowances	(3,107)	(3,199)
Loans and advances to customers	**157,426**	**152,260**
On-balance sheet customer funds		
Financial liabilities at amortised cost	225,027	216,072
Non-retail financial liabilities	61,859	55,184
Deposits from central banks	3,283	9,776
Deposits from credit institutions	13,807	13,840
Institutional issues	37,775	25,234
Other financial liabilities	6,993	6,333
On-balance sheet customer funds	**163,169**	**160,888**
On-balance sheet funds		
Customer deposits	175,548	160,331
Demand deposits	135,070	134,243
Deposits with agreed maturity including deposits redeemable at notice and hybrid financial liabilities	27,795	25,588
Repurchase agreements	12,309	200
Other valuation adjustments (interest, fees and commissions, other)	374	299
Debt securities issued	25,396	25,791
Borrowings and other marketable securities	21,313	22,198
Subordinated liabilities	4,083	3,593
On-balance sheet funds	**200,944**	**186,122**
Off-balance sheet customer funds		
Mutual funds	26,419	24,093
Assets under management	4,124	3,598
Pension funds	3,295	3,249
Insurance products sold	9,736	9,621
Off-balance sheet customer funds	**43,574**	**40,561**
Funds under management and third-party funds		
On-balance sheet funds	200,944	186,122
Off-balance sheet customer funds	43,574	40,561
Funds under management and third-party funds	**244,518**	**226,682**

	30/06/2024	31/12/2023
Other assets		
Derivatives – Hedge accounting	2,601	2,425
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(885)	(568)
Tax assets	6,492	6,838
Other assets	462	436
Non-current assets and disposal groups classified as held for sale	858	771
Other assets	**9,528**	**9,902**
Other liabilities		
Derivatives – Hedge accounting	981	1,172
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(545)	(422)
Tax liabilities	389	333
Other liabilities	678	723
Liabilities included in disposal groups classified as held for sale	59	13.347
Other liabilities	**1,562**	**1,818**

INCOME STATEMENT	30/06/2024	30/06/2023
Customer spread		
Loans and advances to customers (net)		
Profit/(loss)	3,308	2,671
Average balance	152,210	154,788
Annualised annual rate (%)	4.37	3.48
Customer deposits		
Profit/(loss)	(986)	(531)
Average balance	160,095	159,857
Annualised annual rate (%)	(1.24)	(0.67)
Customer spread	**3.13**	**2.81**
Other operating income and expenses		
Other operating income	43	39
Other operating expenses	(273)	(300)
Other operating income and expenses	**(230)**	**(261)**
Pre-provisions income		
Gross income	3,061	2,809
Administrative expenses	(1,266)	(1,204)
Staff expenses	(744)	(717)
Other administrative expenses	(522)	(487)
Depreciation and amortisation	(249)	(274)
Pre-provisions income	**1,546**	**1,331**

	30/06/2024	30/06/2023
Total provisions and impairments		
Impairment or reversal of impairment on investments in joint ventures and associates	—	—
Impairment or reversal of impairment on non-financial assets, adjusted	(5)	(5)
Impairment or reversal of impairment on non-financial assets	(6)	(8)
Gains or losses on sale of investment properties	1	2
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, adjusted	(24)	(24)
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(25)	(24)
Gains or losses on the sale of equity holdings and other items	1	—
Other provisions and impairments	**(29)**	**(29)**
Provisions or reversal of provisions	—	(3)
Impairment or reversal of impairment and gains or losses on changes in cash flows from financial assets not measured at fair value through profit or loss and net modification losses or gains	(361)	(437)
Provisions for loan losses and other financial assets	**(360)**	**(440)**
Total provisions and impairments	**(389)**	**(468)**
Capital gains on asset sales and other revenue		
Gains or losses on derecognition of non-financial assets, net	(1)	(11)
Gains or losses on sale of investment properties	(1)	(2)
Gains or losses on the sale of equity holdings and other items	(1)	—
Capital gains on asset sales and other revenue	**(2)**	**(13)**

PROFITABILITY AND EFFICIENCY	30/06/2024	30/06/2023
ROA		
Consolidated profit or loss (past 12 months)	1,561	1,044
Average total assets (past 12 months)	240,760	255,042
ROA (%)	**0.65**	**0.41**
RORWA		
Net profit attributable to the Group (past 12 months)	1,560	1,046
Risk-weighted assets (RWAs) (past 12 months)	79,050	79,591
RORWA (%)	**1.97**	**1.31**
ROE		
Net profit attributable to the Group (past 12 months)	1,560	1,046
Average shareholders' equity (past 12 months)	14,410	13,684
ROE (%)	**10.82**	**7.64**
ROTE		
Net profit attributable to the Group (past 12 months)	1,560	1,046
Average shareholders' equity excluding intangible assets (past 12 months)	11,943	11,195
ROTE (%)	**13.06**	**9.34**
Cost-to-income ratio		
Administrative expenses	(1,266)	-1,204
Gross income	3,061	2,809
(+) Adjustment for DGF, SRF, IDEC & BL	78	31
Cost-to-income ratio (%)	**40.33**	**42.39**
Depreciation and amortisation	(249)	(274)
Cost-to-income ratio with amortisation/depreciation (%)	**48.27**	**52.03**

RISK MANAGEMENT	30/06/2024	31/12/2023
Stage 3 exposures		
Assets classified as stage 3 (including other valuation adjustments)	5,228	5,510
Financial guarantees and other guarantees given classified as stage 3 for off-balance sheet exposures	211	268
Stage 3 exposures	**5,439**	**5,777**
Stage 3 coverage ratio, with total provisions		
Impairment allowances	3,109	3,202
Provisions recognised on liabilities side of the balance sheet for off-balance sheet exposures	138	165
Stage 3 exposures	5,439	5,777
Stage 3 coverage ratio, with total provisions (%)	**59.7 %**	**58.3 %**
Stage 3 coverage ratio		
Impairment allowances for stage 3 assets	2,324	2,359
Provisions recognised on liabilities side of the balance sheet classified as stage 3 for off-balance sheet exposures	75	86
Stage 3 exposures	5,439	5,777
Stage 3 coverage ratio (%)	**44.1 %**	**42.3 %**
Non-performing assets		
Stage 3 exposures	5,439	5,777
Non-performing real estate assets	902	971
Non-performing assets	**6,341**	**6,748**
NPA coverage ratio (%)		
Impairment allowances	3,109	3,202
Provisions recognised on liabilities side of the balance sheet for off-balance sheet exposures	138	165
Allowances for non-performing real estate assets	356	385
Non-performing assets	6,341	6,748
NPA coverage ratio (%)	**56.8 %**	**55.6 %**
Non-performing real estate coverage ratio		
Allowances for non-performing real estate assets	356	385
Non-performing real estate assets	902	971
Non-performing real estate coverage ratio (%)	**39.5 %**	**39.6 %**
NPL ratio		
Stage 3 exposures	5,439	5,777
Gross loans to customers, excluding reverse repos	160,532	155,442
Financial guarantees and other guarantees given for off-balance sheet exposures	8,763	8,896
NPL ratio (%)	**3.21 %**	**3.52 %**
Credit cost of risk (bps)		
Provisions for loan losses	(333)	(813)
NPL expenses	(57)	(106)
Gross loans to customers, excluding reverse repos	160,532	155,442
Financial guarantees and other guarantees given for off-balance sheet exposures	8,763	8,896
Credit cost of risk (annualised) (bps)	**33**	**43**
Total cost of risk (bps)		
Total provisions and impairments	(389)	(910)
Gross loans to customers, excluding reverse repos	160,532	155,442
Financial guarantees and other guarantees given for off-balance sheet exposures	8,763	8,896
Non-performing real estate assets	902	971
Total cost of risk (annualised) (bps)	**46**	**55**

LIQUIDITY MANAGEMENT	30/06/2024	31/12/2023
Loan-to-deposit ratio		
Gross loans to customers, excluding reverse repos	160,532	155,442
(-) Impairment allowances	3,107	3,199
(-) Brokered loans	977	953
On-balance sheet customer funds	163,169	160,888
Loan-to-deposit ratio (%)	**95.9 %**	**94.0 %**

SHAREHOLDERS AND SHARES	30/06/2024	30/06/2023
Market capitalisation		
Total number of shares issued less treasury stock (outstanding) (million)	5,361	5,584
Listed price	1.80	1.05
Market capitalisation (million euro)	**9,653**	**5,886**
Earnings per share		
Profit attributable to the Group, adjusted (past 12 months)	1,447	941
Profit attributable to the Group (past 12 months)	1,560	1,046
(-) Adjustment for accrued AT1 (past 12 months)	113	105
Average number of shares outstanding (past 12 months)	5,424	5,591
Earnings per share (EPS) (euro)	**0.27**	**0.17**
Book value per share		
Shareholders' equity, adjusted	14,903	14,035
Shareholders' equity	14,820	13,990
(+) Adjustment for DGF, SRF, IDEC & BL, net of tax	83	45
Total number of shares issued less treasury stock (outstanding) (million)	5,361	5,584
Book value per share (euro)	**2.78**	**2.51**
TBV per share		
Gross carrying amount	12,409	11,591
Shareholders' equity, adjusted	14,903	14,035
(-) Tangible assets	2,494	2,444
Total number of shares issued less treasury stock (outstanding) (million)	5,361	5,584
TBV per share (euro)	**2.31**	**2.08**
P/TBV		
Listed price	1.80	1.05
TBV per share (euro)	2.32	2.08
P/TBV (price/tangible book value per share)	**0.78**	**0.51**
PER		
Listed price	1.80	1.05
Earnings per share (EPS) (euro)	0.27	0.17
Price/earnings ratio (P/E)	**6.75**	**6.26**