1Q23

Quarterly Financial Report

Contents

Basis of presentation

The consolidated income statement and balance sheet as of the end of March 2023 and 2022, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group’s consolidated annual financial statements as of 31 December 2022.
Pursuant to the Guidelines on alternative performance measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415), a glossary has been included with the definitions and the reconciliation with the items presented in the financial statements of certain alternative financial measures used in this document. See Glossary of terms on performance measures.

1. Summary

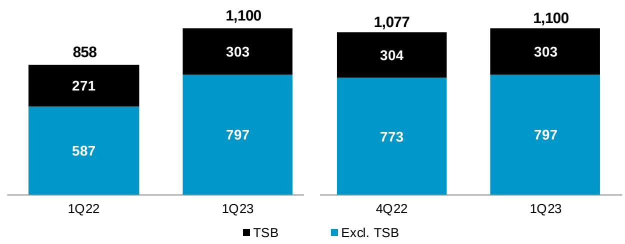
Net interest income

Net interest income followed a positive trend, reaching 1,100 million euros as of the end of March 2023, representing year-on-year growth of 28.3%, due to a higher customer margin and improved income from the fixed-income portfolio, underpinned by higher interest rates, all of which served to offset higher wholesale funding costs.

In the quarter, net interest income increased by 2.2%, also supported mainly by the improved customer margin and a larger ALCO portfolio contribution, which offset higher wholesale funding costs, the reduced TLTRO III contribution, lower volumes, as well as the negative seasonal effect of the first quarter of the year, which has fewer days.

Net interest income

	Total group	Constant FX	Excl. TSB
Change YoY:	+28.3%	+29.6%	+35.8%
Change QoQ:	+2.2%	+1.9%	+3.1%



Net fees and commissions

Net fees and commissions amounted to 350 million euros as of the end of March 2023, representing a year-on-year reduction of -2.4%, due mainly to lower asset under management fees, in particular pension funds and insurance brokerage fees, as well as lower commissions for services.

Quarter-on-quarter, they fell by -5.9%, due mainly to positive seasonality in the fourth quarter of 2022, related to asset under management success fees and also driven by lower commissions for services in the first quarter of the year.

Net fees and commissions

	Total group	Constant FX	Excl. TSB
Change YoY:	-2.4%	-2.1%	-1.9%
Change QoQ:	-5.9%	-6.5%	-5.7%

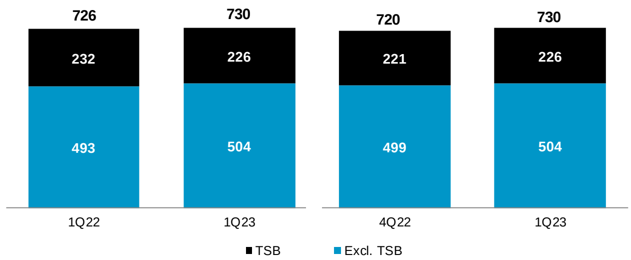
Total costs

Total costs amounted to 730 million euros as of the end of March 2023, representing a slight year-on-year increase of 0.7%, mainly due to the increase in amortisations and general expenses, impacted by inflationary pressures, and given that the total synergies related to personnel expenses delivered by the last efficiency plan undertaken in Spain had not yet materialised in the first quarter of 2022.

In quarterly terms, total costs rose by 1.4%, mainly due to higher general expenses.

Total costs

	Total group	Constant FX	Excl. TSB
Change YoY:	+0.7%	+2.0%	+2.2%
Change QoQ:	+1.4%	+1.2%	+1.0%



Net profit of the Group

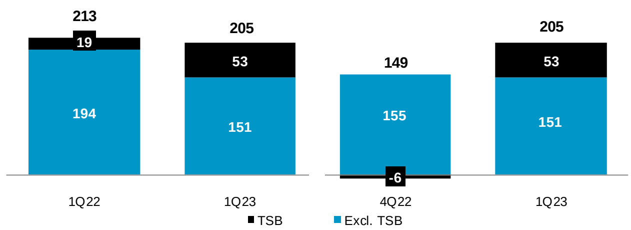
As of the end of March 2023, the Group's net profit amounted to 205 million euros, with profit excluding TSB amounting to 151 million euros, impacted by the -157 million euros corresponding to the new banking tax in Spain, while profit at TSB amounted to 53 million euros. ROTE stood at 9.9%.

Excluding the impact of the banking tax, net profit amounted to 361 million euros, representing a year-on-year growth of 69.4% and ROTE of 11.4%.

It is worth highlighting the good performance of core results (net interest income + fees and commissions – costs), which increased by 46.7% year-on-year, supported by the increase of net interest income.

Group net profit

	Total group	Constant FX	Excl. TSB
Change YoY:	-4.0%	-4.3%	-21.9%
Change QoQ:	+37.2%	+32.6%	-2.4%



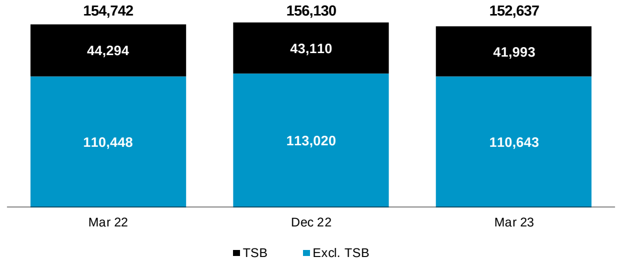
Performing loans

Performing loans fell by -1.4% year-on-year, impacted by the depreciation of the pound sterling over the year. At a constant exchange rate, they dipped slightly by -0.5%, impacted mainly by lower mortgage lending volumes at TSB and by higher mortgage repayments in Spain, given the current interest rate environment, and the maturity of Treasury loans in public sector.

Similarly, in quarterly terms, lending volumes fell by -2.2%, impacted by the reduction of the mortgage book, mainly in the United Kingdom, and by the maturity of the Treasury loans in public sector and lower lending to SMEs and Corporates.

Performing loans

	Total group	Constant FX	Excl. TSB
Change YoY:	-1.4%	-0.5%	+0.2%
Change QoQ:	-2.2%	-2.5%	-2.1%



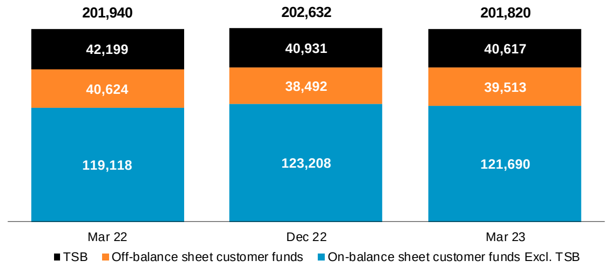
Customer funds

On-balance sheet customer funds increased by 0.6% year-on-year, positively impacted by an increase in term deposits and retail issuances, mainly commercial paper. In the quarter, on-balance sheet customer funds fell by -1.1%, impacted by the reduction of sight deposit accounts, partially offset by the positive evolution of term deposits and the retail issuances mentioned above.

Off-balance sheet funds recorded a year-on-year reduction of -2.7%, impacted by volatility in the financial markets, which mainly affected mutual funds, while in the quarter they grew by 2.7%, due to improved profitability of mutual funds, as well as positive inflows.

Total customer funds

	Total group	Constant FX	Excl. TSB
Change YoY:	-0.1%	+0.6%	+0.9%
Change QoQ:	-0.4%	-0.6%	-0.3%



Non-performing assets

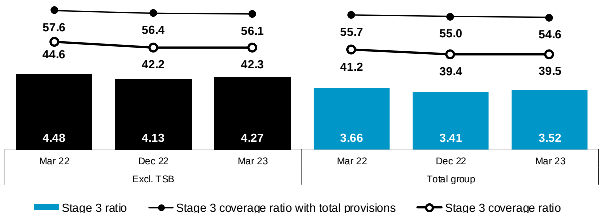
The balance of NPAs amounted to 7,008 million euros (gross) as of the end of March 2023, with a coverage of 52.0% considering total provisions.

The Group's stage 3 ratio stood at 3.5%, while the stage 3 coverage ratio considering total provisions stood at 54.6% and the stage 3 coverage ratio increased during the quarter to 39.5%.

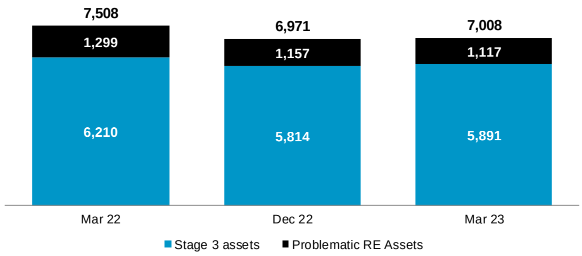
The gross NPA ratio was 4.2%, while the net NPA ratio stood at 2.0% considering total provisions.

The Group's credit cost of risk stood at 45 bps and the total cost of risk stood at 57 bps as of the end of March 2023, improving by 3 bps compared to the end of December 2022.

Stage 3 exposures



Problematic assets



Capital ratio

The fully-loaded CET1 ratio increased by 24 bps in the quarter, standing at 12.78%, while the Total Capital ratio reached 18.09%, above requirements, with an MDA buffer of 413 bps.

CET1 fully-loaded

2. Key figures

		Excl. TSB			Total group		
				(6)		(5)	(6)
		31.03.22	31.03.23	YoY (%)	31.03.22	31.03.23	YoY (%)
Profit and loss account (€ million)							
Net interest income		587	797	35.8	858	1,100	28.3
Core revenues		916	1,119	22.3	1,217	1,450	19.2
Gross operating income		991	983	-0.8	1,285	1,311	2.0
Pre-provisions income		497	479	-3.7	560	581	3.8
Attributable net profit		194	151	-21.9	213	205	-4.0
Balance sheet (€ million)							
Total assets		200,441	196,699	-1.9	253,256	248,480	-1.9
Performing gross loans		110,448	110,643	0.2	154,742	152,637	-1.4
Gross loans to customers		115,537	115,818	0.2	160,539	158,454	-1.3
On-balance sheet customer funds		119,118	121,690	2.2	161,316	162,307	0.6
Off-balance sheet customer funds		40,624	39,513	-2.7	40,624	39,513	-2.7
Total customer funds		159,741	161,203	0.9	201,940	201,820	-0.1
Net equity		--	--		12,940	13,145	1.6
Shareholders' equity		--	--		13,375	13,657	2.1
Profitability and efficiency ratios (%)							
ROA		--	--		0.30	0.45	
RORWA		--	--		0.88	1.44	
ROE		--	--		5.27	8.12	
ROTE		--	--		6.53	9.90	
ROTE ex banking tax					6.53	11.40	
Efficiency		42.71	39.11		47.98	43.50	
Efficiency with amortisation & depreciation		52.77	48.73		59.03	53.59	
Risk management	(1)						
Stage 3 exposures (€million)		5,585	5,314	-4.8	6,210	5,891	-5.1
Total problematic assets (€million)		6,884	6,431	-6.6	7,508	7,008	-6.7
Stage 3 ratio (%)		4.48	4.27		3.66	3.52	
Stage 3 coverage ratio (%)		44.6	42.3		41.2	39.5	
Stage 3 coverage ratio with total provisions (%)		57.6	56.1		55.7	54.6	
Problematic assets coverage (%)		53.9	53.0		52.6	52.0	
Liquidity management (%)							
Loan-to-deposits ratio		93.4	91.9		96.6	95.0	
LCR		267	250		235	220	
NSFR	(2)	--	--		141	141	
Capital management							
Risk weighted assets (RWA) (€million)		--	--		80,303	77,659	-3.3
Common Equity Tier 1 (%)		--	--		12.59	12.78	
Common Equity Tier 1 fully-loaded (%)		--	--		12.45	12.78	
Tier 1 (%)		--	--		14.64	15.04	
Total capital ratio (%)		--	--		17.13	18.09	
MREL (%RWA)		--	--		25.33	27.57	
MREL (%LRE)		--	--		9.50	8.65	
Leverage ratio (%)		--	--		5.49	4.72	
Share data (period end)							
Number of shareholders		--	--		224,715	222,228	
Total number of shares (million)		--	--		5,627	5,627	
Share price (€)	(3)	--	--		0.746	0.989	
Market capitalisation (€million)		--	--		4,170	5,533	
Earnings per share (EPS) (€)	(4)	--	--		0.10	0.18	
Book value per share (€)		--	--		2.38	2.45	
TBV per share (€)		--	--		1.93	2.01	
Price / Tangible book value (times)		--	--		0.39	0.49	
Price / Earnings ratio (P/E) (times)		--	--		7.35	5.56	
Other data							
Branches		1,304	1,237		1,594	1,457	
Employees		13,283	13,495		18,985	19,151	

(1) The NPA coverage ratio is based on total provisions.
(2) Taking into account the best estimate as of the date of publication of this report.
(3) Historical values not adjusted.
(4) Net profit adjusted by the Additional Tier 1 coupons recorded under shareholders' equity.
(5) The cumulative EUR/GBP exchange rate as of 31.03.2023 applied throughout the report is 0.8831 in the case of the income statement and 0.8792 in the case of the balance sheet.
(6) Throughout this document, YoY changes in relation to the income statement refer to the cumulative three-month period to the end of March 2023 versus the same cumulative three-month period of 2022.

3. Performance review

Macroeconomic environment

Global economic, political and financial context

The episode of bank stress that affected US banks Silicon Valley Bank (SVB) and Signature Bank as well as Swiss bank Credit Suisse was the main event occurring during the quarter. SVB faced a major liquidity crisis as a result of poor balance sheet management and a lack of regulation and supervision of small and medium-sized banks in the United States. In the end, the FDIC (US deposit insurance fund), the Federal Reserve and Treasury intervened to protect all funds held by depositors at SVB and Signature Bank, which faced similar problems. To ensure the system was provided with liquidity, the Fed created a new funding programme, improved the terms of its discount window lending programme and increased the frequency of its swap lines with other central banks. The FDIC later sold the majority of SVB and Signature Bank to other US banks. As for Credit Suisse, in a deal brokered by the Swiss government the bank was acquired by UBS. Under the deal, Credit Suisse AT1 bonds were fully written down while shareholders sustained smaller losses.

The measures taken by the authorities helped to calm the situation towards the end of March. Deposit outflows stabilised and the demand for liquidity by US banks was reduced. Other banks made little use of the liquidity in dollars offered by the ECB and other central banks.

On the other hand, activity data in the main developed economies remained weak. The Eurozone ended 2022 in a situation of economic stagnation, with consumption levels falling, weighed down by high inflation. In the US, on the other hand, the labour market showed the first signs of cooling, with salaries in March recording the smallest monthly growth rate since early 2022 and with the weakest job creation rates since the post-pandemic recovery. Furthermore, the real estate market, which is a very interest-rate sensitive sector, continued to show signs of weakness on a global scale. However, in the Eurozone, activity data surprised to the upside in some cases, easing fears of economic contraction in Q1 2023. These upside surprises were influenced by China's reopening, the reduced price of natural gas and the resolution of problems in global production chains.

With regard to prices, the disinflation process taking place on a global scale has been somewhat erratic so far, given the complex economic landscape. Thus, although inflation has continued to fall, influenced by lower energy prices, underlying inflation (which excludes energy and food) remains at very high levels, due in particular to services. Food price trends have also been pushing inflation up, especially in Europe.

Lastly, Europe got through the winter without encountering any gas supply problems, due in particular to mild temperatures, the reduced demand by China and Europe's success in finding alternative suppliers to Russia. Gas reserves in Europe are at record high levels for these dates.

Economic situation in Spain

Activity indicators for Q1 2023 point towards faster GDP growth in the first few months of the year. Labour market data rebounded after remaining somewhat subdued in Q4 2022, while social security enrolments reached a record high in March. Business confidence indicators also continued to trend upwards, with the composite PMI indicator reaching its highest level since November 2021. Other sector-related data, such as data related to tourism and the automotive industry, were also positive. Against this backdrop, the Bank of Spain estimates quarterly GDP growth to have been 0.3% in Q1 2023 (Q4 2022: 0.2%).

Inflation, for its part, surprised to the downside at the end of the quarter, recording year-on-year growth of 3.1% in March (Feb 2023: 6.0%), one of the lowest rates of the Eurozone. This lower inflation was influenced by the significant base effect caused by the rise in energy prices in March 2022 following the outbreak of the conflict in Ukraine. However, underlying inflation (which contains neither energy products nor unprocessed food) remained high and fell by just one tenth to 7.5% year-on-year.

Lastly, in terms of economic policy, it is worth noting the approval of the second part of the pension reform. This reform consists of four key elements: (i) a change in the number of years of contribution on which pensions are calculated, (ii) a gradual increase in maximum contributions, (iii) a so-called "solidarity tax" on contributions in excess of the maximum contribution level, and (iv) an increase in the "Intergenerational Equity Mechanism", gradually raising it from 0.6% of contributions made up to 2032 to 1.2% in 2029, remaining at that level until 2050.

Economic situation in the United Kingdom

Activity remained largely stagnant at the beginning of the year, outperforming most research houses' expectations, meaning that the UK economy now seems likely to avoid falling into a technical recession. On the other hand, annual inflation continued to fall, although relatively slowly, reaching 10.1%. The annual rate of underlying inflation stood at 6.2% in March and raised concerns, as in other economies, that its persistently high levels might stall the slowdown of headline inflation.

The real estate market, which is an interest rate-sensitive sector, showed some signs of stability in the first few months of the year after recording price drops in Q4 2022. In any event, year-on-year growth rates are slowing considerably.

As for the labour market, this remained resilient to the weakness of the economy, but showed early signs of cooling. The unemployment rate increased by one tenth in February to reach 3.8% but remains at record low levels. Against this backdrop, wages continued to rise at a historically robust pace.

Lastly, the UK government and the EU reached an agreement, called the Windsor Framework, for a smoother implementation of the Northern Ireland Protocol in the Brexit deals in order to end the tensions in the region. The new deal represents a more constructive approach to the relationship between both parties.

Economic situation in Mexico

The Mexican economy continued to show certain resilience. Business and consumer confidence indicators were positive in March. On the other hand, indicators showed signs that inflation is easing off, although certain upside risks do remain. In March, annual CPI inflation fell to 6.9% (peak: 8.7% in August 2022). On a more negative note, food prices remain high. In this context, the Mexican currency performed well, standing out among the most resilient emerging currencies.

Fixed-income markets

The ECB raised interest rates by 100 bps throughout the quarter, with the deposit rate reaching 3.00%, its highest since 2008. The central bank is immersed in an unprecedented tightening of its monetary policy, having increased rates by 350 bps since July last year. In March, the ECB also began to reduce its holdings of assets acquired under QE. In its last meeting, the ECB indicated that its future policy rate decisions will be "data-dependent" and that it would take into account inflation, particularly underlying inflation, and its monetary policy transmission. After the problems experienced by the banking industry in the US, ECB members have generally been slightly more cautious. In spite of this, they left the door open to further interest rate hikes by the central bank, in an environment in which underlying inflation remains at record high levels.

The Fed, for its part, slowed the pace of its rate hikes, placing interest rates in the range of 4.75%-5.0%, the highest level recorded since 2007. In its most recent forecasts, the Fed announced that rates would be 5.10% at the end of 2023 and 4.30% at the end of 2024. The central bank also forged ahead with its balance sheet reduction policy. Nevertheless, in light of the stress events affecting the banking industry and in order to ensure the system was provided with liquidity, the Fed implemented different tools that led to a partial reversal of the balance sheet reduction generated by the launch of QT last June.

The BoE increased the base rate in its last few meetings, raising it to 4.25%, the highest rate since 2008. The central bank did not rule out the possibility of a further base rate increase, in light of high inflation and wage growth. The BoE also continued selling assets from its balance sheet. Regarding the recent episode of bank stress, the BoE does not see the UK being overly exposed.

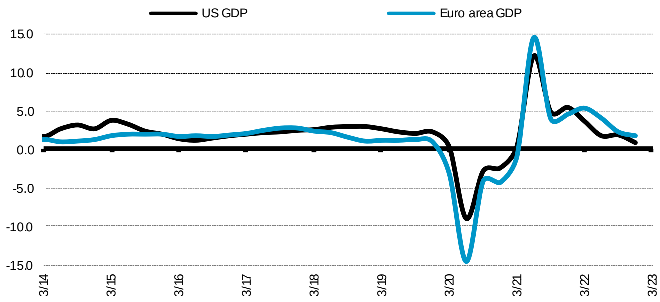
Long-term US and German government bond yields ended the quarter at levels below those of the previous quarter. Yields rebounded in the first part of the quarter, driven by a strong labour market in the US, upside surprises in underlying inflation in the Eurozone and statements made by members of the Fed and the ECB saying further rate hikes should be expected. Since March, yields were affected by the problems experienced by the banking industry. These problems caused extreme volatility, with some liquidity metrics and the depth of the US public debt market reaching levels not seen since Covid. Against this backdrop, the markets recalibrated their expectations regarding central bank interest rate hikes amid fears that the problems experienced by the banking industry could end up weighing on growth and inflation.

Risk premiums in the periphery, on the other hand, were largely unaffected by the problems in the banking industry and ended the quarter at lower levels than in the previous one. Risk premiums are benefitting from the measures announced by the ECB (such as flexible reinvestments of proceeds from the Pandemic Emergency Purchase Programme, or PEPP) to avoid unwanted tightening in capital markets.

Equity markets

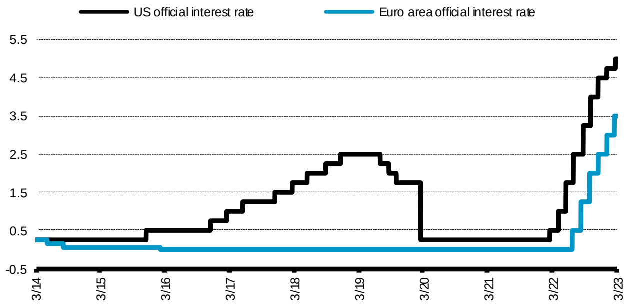
The performance of equity markets was positive, albeit volatile. In the first half of the quarter, gains were widespread, influenced by some upside surprises in economic data and China's reopening. In the second half of the quarter, the existing volatility was made evident by the problems experienced in the banking industry in the US (the collapse of SVB and Signature Bank) and the purchase of Credit Suisse by UBS in Europe. In any case, the swift and decisive action taken by central banks and regulators allowed stock markets to recover. In Europe, the Euro STOXX 50 posted the largest gains (+13.7% in euros), followed by Spain's IBEX (+12.2% in euros). In the US, the S&P 500 gained 7.0% in dollars (5.5% in euros), as it was more affected by the problems in the banking industry.

GDP – US vs. Euro area (year-on-year change, %)



Source: Bloomberg

Official interest rate – US vs. Euro area (%)



Exchange rates: Parity vs. euro

Fx	31.03.22	30.06.22	30.09.22	31.12.22	31.03.23
USD	1.1101	1.0387	0.9748	1.0666	1.0875
GBP	0.8460	0.8582	0.8830	0.8869	0.8792
MXN	22.0903	20.9641	19.6393	20.8560	19.6392

Source: Bank of Spain

Income statement

Summary of results:

Banco Sabadell Group generated an attributable profit of 205 million euros as of the end of March 2023, of which 151 million euros were recorded excluding TSB, impacted by the -157 million euros corresponding to the new banking tax, while 53 million euros corresponded to TSB. ROTE stood at 9.9%.

Excluding the impact of the banking tax, profit amounted to 361 million euros, representing year-on-year growth of 69.4%, and ROTE reached 11.4%.

This Group profit was mainly driven by the good performance of core results (net interest income + fees and commissions – costs), which increased by 46.7% year-on-year, due to the improvement of net interest income, mainly supported by higher interest rates.

Income statement

	Excl. TSB			Total group			
(€ million)	1Q22	1Q23	YoY (%)	1Q22	1Q23	YoY (%)	YoY (%) at constant FX
Net interest income	**587**	**797**	**35.8**	**858**	**1,100**	**28.3**	**29.6**
Net fees and commissions	328	322	-1.9	359	350	-2.4	-2.1
Core revenues	**916**	**1,119**	**22.3**	**1,217**	**1,450**	**19.2**	**20.2**
Net trading income and exchange differences	28	-6	--	33	1	-96.4	-96.2
Income from equity method and dividends	59	31	-46.5	59	31	-46.5	-46.5
Other operating income/expense	-11	-161	--	-23	-172	--	--
Gross operating income	**991**	**983**	**-0.8**	**1,285**	**1,311**	**2.0**	**2.9**
Operating expenses	-399	-405	1.4	-590	-593	0.5	1.8
Personnel expenses	-261	-264	1.2	-350	-350	0.2	1.1
Other general expenses	-139	-141	1.7	-240	-243	1.0	2.9
Amortisation & depreciation	-94	-100	5.9	-136	-138	1.3	2.6
Total costs	-493	-504	2.2	-726	-730	0.7	2.0
Pre-provisions income	**497**	**479**	**-3.7**	**560**	**581**	**3.8**	**4.0**
Provisions for NPLs	-184	-200	8.6	-195	-217	10.7	11.4
Provisions for other financial assets	-11	-11	0.9	-11	-14	22.0	22.0
Other impairments	-20	-6	-71.8	-20	-6	-71.8	-71.8
Gains on sale of assets and other results	-13	-3	-78.6	-13	-3	-79.2	-79.8
Profit before tax	**269**	**259**	**-3.6**	**320**	**342**	**7.1**	**7.2**
Income tax	-62	-108	74.2	-93	-137	47.7	49.4
Minority interest	13	0	-100.0	13	0	-100.0	-100.0
Attributable net profit	**194**	**151**	**-21.9**	**213**	**205**	**-4.0**	**-4.3**
Memorandum item:							
Core results (NII + net fees and commissions - costs)	422	615	45.7	491	720	46.7	46.9

Quarterly income statement

(€million)	Excl. TSB 1Q22	2Q22	3Q22	4Q22	1Q23	QoQ (%)	Total group 1Q22	2Q22	3Q22	4Q22	1Q23	QoQ (%)	QoQ (%) at constant FX
Net interest income	**587**	**619**	**669**	**773**	**797**	**3.1**	**858**	**899**	**965**	**1,077**	**1,100**	**2.2**	**1.9**
Net fees and commissions	328	337	349	342	322	-5.7	359	371	388	372	350	-5.9	-6.5
Core revenues	**916**	**956**	**1,018**	**1,115**	**1,119**	**0.4**	**1,217**	**1,269**	**1,354**	**1,449**	**1,450**	**0.1**	**-0.3**
Net trading income and exchange differences	28	53	22	-4	-6	55.5	33	50	30	-9	1	--	--
Income from equity method and dividends	59	26	28	12	31	162.8	59	26	28	12	31	162.8	162.8
Other operating income/expense	-11	-115	-3	-113	-161	42.0	-23	-124	-12	-178	-172	-3.7	-2.8
Gross operating income	**991**	**919**	**1,066**	**1,009**	**983**	**-2.6**	**1,285**	**1,222**	**1,400**	**1,273**	**1,311**	**3.0**	**2.3**
Operating expenses	-399	-390	-396	-400	-405	1.2	-590	-577	-586	-584	-593	1.5	1.2
Personnel expenses	-261	-258	-259	-258	-264	2.5	-350	-345	-348	-349	-350	0.3	-0.2
Other general expenses	-139	-132	-137	-142	-141	-1.1	-240	-232	-238	-235	-243	3.3	3.3
Amortisation & depreciation	-94	-96	-99	-99	-100	0.1	-136	-137	-137	-136	-138	1.0	1.0
Total costs	-493	-485	-495	-499	-504	1.0	-726	-714	-723	-720	-730	1.4	1.2
Pre-provisions income	**497**	**434**	**571**	**510**	**479**	**-6.1**	**560**	**508**	**677**	**553**	**581**	**5.0**	**3.9**
Provisions for NPLs	-184	-175	-159	-243	-200	-18.0	-195	-184	-180	-265	-217	-18.4	-18.1
Provisions for other financial assets	-11	-18	-18	-25	-11	-54.8	-11	-28	-38	-34	-14	-59.3	-59.1
Other impairments	-20	-36	-16	-24	-6	-76.7	-20	-36	-16	-24	-6	-76.7	-76.7
Gains on sale of assets and other results	-13	-6	3	-7	-3	-63.2	-13	-6	3	-7	-3	-58.1	-60.7
Profit before tax	**269**	**199**	**382**	**210**	**259**	**23.8**	**320**	**253**	**447**	**223**	**342**	**53.2**	**48.8**
Income tax	-62	-54	-104	-58	-108	87.1	-93	-73	-130	-77	-137	77.6	74.6
Minority interest	13	1	0	-3	0	-100.0	13	1	0	-3	0	-100.0	-100.0
Attributable net profit	**194**	**144**	**278**	**155**	**151**	**-2.4**	**213**	**179**	**317**	**149**	**205**	**37.2**	**32.6**
Memorandum item:													
Core results (NII + net fees and commissions - costs)	422	470	523	615	615	-0.1	491	555	631	729	720	-1.2	-1.7

Net interest income:

Net interest income continued with its positive trend and amounted to 1,100 million euros as of the end of March 2023, representing growth of 28.3% year-on-year and of 2.2% in the quarter.

The year-on-year growth is mainly due to a higher customer margin and an increased ALCO portfolio contribution, underpinned by the increase in interest rates, which served to offset the higher wholesale funding costs.

Similarly, the increase during the quarter was supported mainly by the improved customer margin and higher income from the fixed-income portfolio, which offset higher wholesale funding costs, the reduced TLTRO III contribution (-58 million euros), lower volumes, as well as the negative seasonal effect of the first quarter of the year, which has fewer days.

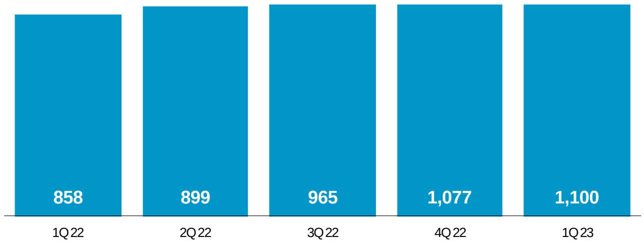
Customer spread and net interest margin:

The customer spread increased by 20 bps in the quarter and by 51 bps year-on-year, standing at 2.73%, driven by the increase in loan yields, which offset the higher cost of deposits.

Similarly, the net interest margin as a percentage of average total assets rose by 15 bps in the quarter and by 41 bps year-on-year, reaching 1.79%.

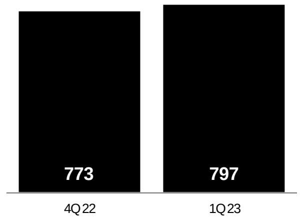
Evolution of net interest income

Total group (€ millions)



	Total group	Constant FX
Change YoY:	+28.3%	+29.6%
Change QoQ:	+2.2%	+1.9%

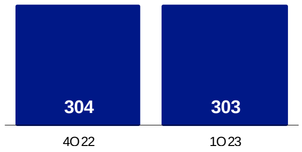
Sabadell ex - TSB (€ millions)



Change YoY:
+35.8%

Change QoQ:
+3.1%

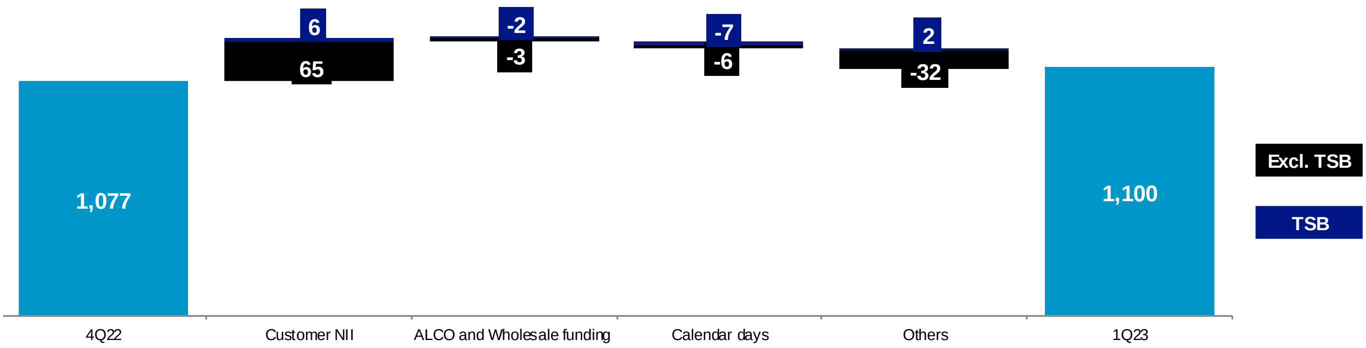
TSB (€ millions)



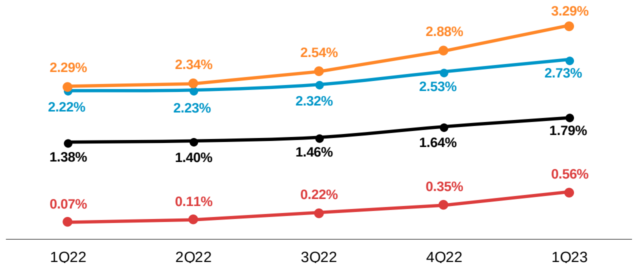
Change YoY:
+12.0%
+18.2% Constant FX

Change QoQ:
-0.2%
+1.3% Constant FX

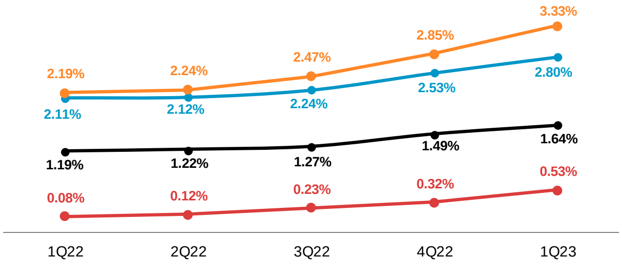
Quarterly evolution of net interest income (€ million)



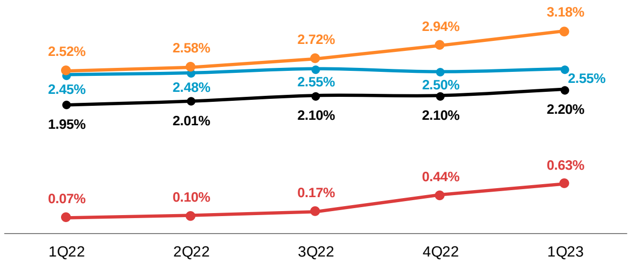
Net interest income, Group (%)



Net interest income, ex-TSB (%)



Net interest income, TSB (%)



Customer spread
Customer loan yield
Net interest margin as % of ATA
Cost of customer funds

Gains and charges in the quarter

Total Group

(€ million)	1Q22			2Q22			3Q22			4Q22			1Q23		
	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results
Cash and cash equivalents (1)	55,536	-0.22	-29	54,056	-0.13	-18	54,979	0.39	54	49,632	1.62	202	44,352	2.75	301
Loans to customers (net)	155,878	2.29	879	157,837	2.34	919	159,007	2.54	1,018	158,716	2.88	1,150	155,284	3.29	1,258
Fixed-income securities	23,117	0.59	33	25,315	0.85	54	27,926	1.14	81	28,483	1.70	122	28,818	2.28	162
Equity securities	844	--	--	921	--	--	925	--	--	922	--	--	743	--	--
Tang. & intang. assets	4,906	--	--	4,842	--	--	4,785	--	--	4,752	--	--	4,659	--	--
Other assets	11,974	0.44	13	13,323	0.93	31	14,553	1.40	51	17,405	1.93	85	15,056	2.97	110
Total assets	**252,255**	**1.44**	**896**	**256,295**	**1.54**	**987**	**262,174**	**1.82**	**1,203**	**259,909**	**2.38**	**1,559**	**248,912**	**2.98**	**1,831**
Financial institutions (2)	47,923	0.64	76	49,144	0.53	65	49,752	-0.03	-4	46,426	-1.09	-127	36,788	-2.60	-236
Customer deposits	160,319	-0.07	-29	162,073	-0.11	-46	164,089	-0.22	-90	163,043	-0.35	-144	161,138	-0.56	-221
Capital markets	22,171	-1.07	-59	22,108	-1.13	-62	22,332	-1.33	-75	22,602	-2.11	-120	25,074	-2.67	-165
Other liabilities	8,800	-1.17	-25	9,954	-1.78	-44	12,698	-2.14	-69	14,438	-2.50	-91	12,870	-3.43	-109
Shareholders' equity	13,042	--	--	13,017	--	--	13,304	--	--	13,400	--	--	13,042	--	--
Total funds	**252,255**	**-0.06**	**-38**	**256,295**	**-0.14**	**-88**	**262,174**	**-0.36**	**-238**	**259,909**	**-0.74**	**-482**	**248,912**	**-1.19**	**-731**
Net interest income			**858**			**899**			**965**			**1,077**			**1,100**
Customer spread		**2.22**			**2.23**			**2.32**			**2.53**			**2.73**	
Net interest margin as % of ATA		**1.38**			**1.40**			**1.46**			**1.64**			**1.79**	

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

Financial income or expenses arising from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes negative interest rates applied to balances of credit institutions on the liabilities side, the most significant item being TLTRO III borrowing in 2022.

Sabadell ex-TSB

(€ million)	1Q22			2Q22			3Q22			4Q22			1Q23		
	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results	Avge. balance	Rate %	Results
Cash and cash equivalents (1)	49,869	-0.26	-32	48,660	-0.22	-27	49,867	0.29	37	43,854	1.49	165	38,630	2.63	250
Loans to customers (net)	110,966	2.19	599	113,279	2.24	633	114,829	2.47	715	114,851	2.85	825	112,346	3.33	922
Fixed-income securities	20,202	0.66	33	22,575	0.90	51	25,136	1.14	72	25,915	1.64	107	26,435	2.23	145
Other assets	18,299	0.22	10	19,044	0.29	14	19,565	0.39	19	21,050	0.57	30	18,988	0.73	34
Total assets	**199,336**	**1.24**	**610**	**203,557**	**1.32**	**671**	**209,397**	**1.60**	**843**	**205,669**	**2.17**	**1,127**	**196,399**	**2.79**	**1,352**
Financial institutions (2)	41,095	0.82	83	42,336	0.76	80	43,070	0.20	22	39,442	-0.78	-78	30,939	-2.38	-181
Customer deposits	118,055	-0.08	-22	120,644	-0.12	-36	123,482	-0.23	-73	122,462	-0.32	-99	120,722	-0.53	-158
Capital markets	20,065	-1.08	-53	20,023	-1.09	-55	20,232	-1.27	-65	20,725	-2.06	-108	23,018	-2.62	-149
Other liabilities and shareholders' equity	20,121	-0.60	-30	20,555	-0.81	-41	22,614	-1.03	-59	23,040	-1.21	-70	21,720	-1.25	-67
Total funds	**199,336**	**-0.05**	**-23**	**203,557**	**-0.10**	**-52**	**209,397**	**-0.33**	**-174**	**205,669**	**-0.68**	**-354**	**196,399**	**-1.15**	**-555**
Net interest income			**587**			**619**			**669**			**773**			**797**
Customer spread		**2.11**			**2.12**			**2.24**			**2.53**			**2.80**	
Net interest margin as % of ATA		**1.19**			**1.22**			**1.27**			**1.49**			**1.64**	

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

Financial income or expenses arising from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes negative interest rates applied to balances of credit institutions on the liabilities side, the most significant item being TLTRO III borrowing in 2022.

Net trading income and exchange differences:

As of the end of March 2023, this item amounted to 1 million euros, falling from the previous year's figure of 33 million euros, which mainly included gains on trading and hedging derivatives and larger sales from the fixed-income portfolio. In a quarter-on-quarter basis, there was a positive variation of 11 million euros.

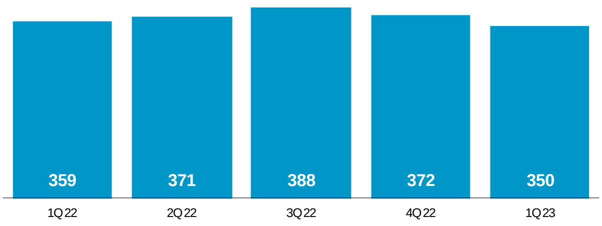
Net fees and commissions:

Net fees and commissions were reduced by -2.4% year-on-year and ended the first quarter of 2023 at 350 million euros, due to lower asset under management fees, in particular pension funds and insurance brokerage fees due to a change in the product mix, as well as lower commissions for services.

Quarter-on-quarter, they fell by -5.9%, due mainly to the positive seasonality in Q4 2022 related to asset under management success fees due to the distribution of insurance products, and also driven by lower commissions for services in the first quarter of the year, specifically those related to foreign currency and notes exchange.

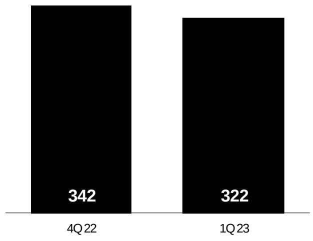
Evolution of net fees and commissions

Total group (€ millions)



	Total group	Constant FX
Change YoY:	-2.4%	-2.1%
Change QoQ:	-5.9%	-6.5%

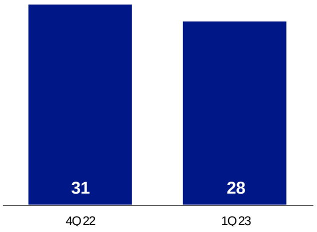
Sabadell ex - TSB (€ millions)



Change YoY:
-1.9%

Change QoQ:
-5.7%

TSB (€ millions)



Change YoY:
-7.8%
-2.7% Constant FX

Change QoQ:
-8.5%
-7.5% Constant FX

Net fees and commissions

	Excl. TSB			Total group			Excl. TSB			Total group		
(€ million)	4Q22	1Q23	QoQ (%)	4Q22	1Q23	QoQ (%)	1Q22	1Q23	YoY (%)	1Q22	1Q23	YoY (%)
Lending fees	47	46	-3.1	47	46	-3.1	44	46	4.4	44	46	4.4
Guarantees commissions	25	26	3.6	25	26	3.6	24	26	8.2	24	26	8.2
Risk transaction fees	**72**	**72**	**-0.7**	**72**	**72**	**-0.7**	**68**	**72**	**5.7**	**68**	**72**	**5.7**
Cards	42	39	-8.3	63	57	-9.2	40	39	-3.4	57	57	-0.5
Payment orders	21	21	0.8	21	22	0.6	19	21	13.2	19	22	12.8
Securities	12	14	16.1	12	14	16.1	14	14	-0.1	14	14	-0.1
Sight accounts	60	64	6.7	68	71	3.3	59	64	8.8	68	71	3.1
Foreign currency and notes exchange	28	23	-18.8	35	29	-16.3	28	23	-16.0	33	29	-11.8
Other transactions	24	13	-45.5	15	7	-56.4	17	13	-26.4	12	7	-44.5
Commissions for services	**187**	**174**	**-7.2**	**215**	**199**	**-7.4**	**176**	**174**	**-1.5**	**204**	**199**	**-2.5**
Mutual funds	29	29	2.3	29	29	2.3	32	29	-7.3	32	29	-7.3
Pension funds and insurance brokerage	49	42	-13.3	52	45	-13.0	47	42	-9.7	49	45	-9.2
Wealth management	5	5	7.0	5	5	7.0	6	5	-7.2	6	5	-7.2
Asset Under Management commissions	**83**	**77**	**-6.6**	**85**	**80**	**-6.6**	**84**	**77**	**-8.6**	**87**	**80**	**-8.4**
Total commissions	**342**	**322**	**-5.7**	**372**	**350**	**-5.9**	**328**	**322**	**-1.9**	**359**	**350**	**-2.4**

Income from equity method and dividends:

This item amounted to 31 million euros as of the end of March 2023, representing a decrease compared to the previous year, mainly because the first quarter of 2022 included higher results from BS Capital investees.

In quarterly terms, they showed a positive variation due to higher results of BS Capital and the larger contribution of the insurance business.

Other operating income and expenses:

This item amounted to -172 million euros as of the end of March 2023, increasing from the first quarter of 2022 due to the -157 million euros recorded for the banking tax.

The quarter-on-quarter variation was affected by the record of -114 million euros in the fourth quarter of 2022 for Banco Sabadell's contribution to the Deposit Guarantee Fund (DGF), -35 million euros due to the payment of the tax on deposits of credit institutions (IDEC), as well as -57 million euros, net, resulting from the agreement regarding the issues emerged following the migration of the IT platform of TSB, which were partially offset with a tax-payable amount of 45 million euros (32 million euros, net) due to insurance claim recoveries, amounting to a total net of -25 million euros.

Total costs:

Total costs amounted to 730 million euros as of the end of March 2023, representing a slight year-on-year increase of 0.7%, mainly due to the increase in amortisations, general expenses impacted by inflationary pressures, and given that the total synergies of personnel expenses from the efficiency plan undertaken in Spain had not yet materialised in the first quarter of 2022.

In the quarter, costs rose by 1.4%, mainly due to higher general expenses.

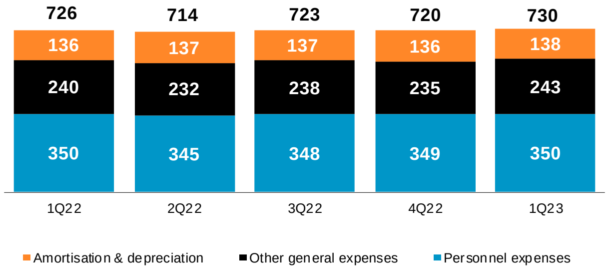
It is worth noting that the cost-to-income ratio improved compared to the figure recorded both at the end of March and at the end of December 2022, standing at 43.5% and at 53.6% when including amortisations.

Total costs

	Excl. TSB			Total group			Excl. TSB			Total group		
(€ million)	4Q22	1Q23	QoQ (%)	4Q22	1Q23	QoQ (%)	1Q22	1Q23	YoY (%)	1Q22	1Q23	YoY (%)
Personnel expenses	**-258**	**-264**	**2.5**	**-349**	**-350**	**0.3**	**-261**	**-264**	**1.2**	**-350**	**-350**	**0.2**
IT and communications	-55	-55	1.3	-101	-108	6.5	-56	-55	-0.9	-109	-108	-0.7
Advertising	-10	-11	8.2	-18	-17	-3.3	-10	-11	6.7	-18	-17	-5.8
Premises and office supplies	-8	-10	27.8	-15	-17	16.7	-10	-10	-2.3	-16	-17	4.4
Technical reports and judicial expenses	-4	-5	26.0	-9	-9	7.0	-5	-5	-2.1	-9	-9	-1.1
Subcontracted administrative services	-9	-14	54.4	-23	-33	42.8	-14	-14	0.2	-29	-33	13.8
Contributions and taxes	-33	-24	-26.9	-36	-27	-26.2	-25	-24	-3.6	-29	-27	-9.4
Others	-24	-22	-9.1	-33	-31	-5.9	-18	-22	18.7	-29	-31	7.8
Other general expenses	**-142**	**-141**	**-1.1**	**-235**	**-243**	**3.3**	**-139**	**-141**	**1.7**	**-240**	**-243**	**1.0**
Amortisation & depreciation	**-99**	**-100**	**0.1**	**-136**	**-138**	**1.0**	**-94**	**-100**	**5.9**	**-136**	**-138**	**1.3**
Total costs	**-499**	**-504**	**1.0**	**-720**	**-730**	**1.4**	**-493**	**-504**	**2.2**	**-726**	**-730**	**0.7**
Memorandum item:												
Efficiency ratio (%)							42.71	39.11		47.98	43.50	
Efficiency ratio with amortisation & depreciation (%)							52.77	48.73		59.03	53.59	

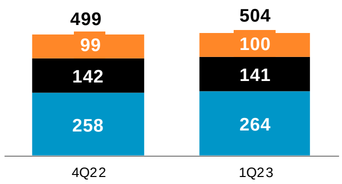
Evolution of total costs

Total group (€ millions)



	Total group	Constant FX
Change YoY:	+0.7%	+2.0%
Change QoQ:	+1.4%	+1.2%

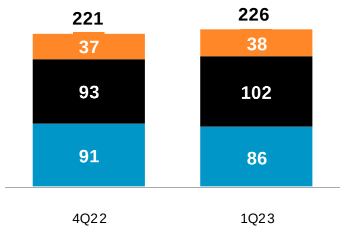
Sabadell ex - TSB (€ millions)



Change YoY:
+2.2%

Change QoQ:
+1.0%

TSB (€ millions)



Change YoY:
-2.7%
+2.7% Constant FX

Change QoQ:
+2.4%
+3.8% Constant FX

Core results:

Core results (net interest income + fees and commissions - costs) followed a positive trend, standing at 720 million euros as of the end of March 2023, growing by 46.7% year-on-year as a result of the good evolution of net interest income. In the quarter, they fell by -1.2%, mainly due to lower fees and the increase in costs commented.

	Total group					
(€ million)	4Q22	1Q23	QoQ (%)	1Q22	1Q23	YoY (%)
Net interest income	1,077	1,100	2.2	858	1,100	28.3
Net fees and commissions	372	350	-5.9	359	350	-2.4
Costs	-720	-730	1.4	-726	-730	0.7
Core results	**729**	**720**	**-1.2**	**491**	**720**	**46.7**

Provisions for loan losses and other impairments:

This item amounted to a total of -236 million euros as of the end of March 2023, compared to -227 million euros as of the end of the previous March, increasing by 4.0% due to the record of higher credit provisions, which were partly offset by the reduction of real estate provisions.

In the quarter, provisions were reduced by -27.0%, due to the record of lower credit provisions, as the fourth quarter of 2022 included provisions linked to the update of the macroeconomic environment, and to lower real estate provisions.

This level of provisions resulted in a Group credit cost of risk of 45 bps and a total cost of risk of 57 bps as of the end of March 2023, improving by 3 bps compared to December 2022.

Gains on sale of assets and other results:

Gains on the sale of assets and other results amounted to -3 million euros as of the end of March 2023, falling both year-on-year and quarter-on-quarter due to the recognition of lower IT asset write-offs.

Net profit:

The Group's net profit amounted to 205 million euros as of the end of March 2023, impacted by the -157 million euros corresponding to the banking tax mentioned previously. Excluding this impact, profit amounted to 361 million euros, representing a year-on-year growth of 69.4%, mainly driven by improved net interest income.

Balance sheet

Highlights:

Performing loan volumes fell in a year-on-year basis due to the depreciation of the pound sterling, the lower volumes of mortgage loans and the maturity of the Treasury loans in public sector, which also explain the reduction in the quarter.

On-balance sheet customer funds increased in a year-on-year basis, driven by the positive evolution of term deposits and retail issuances, mainly commercial paper. In contrast, they fell during the quarter, due to the decline of sight deposit accounts, as customers moved funds to products that offer higher returns.

Off-balance sheet funds fell in a year-on-year basis, impacted by volatility in the financial markets, which mainly affected mutual funds, while in the quarter they increased, since the performance of financial markets reversed.

Balance sheet

(€million)	31.03.22	31.12.22	31.03.23	Change YoY (%)	Change QoQ (%)
Cash, cash balances at central banks and other demand deposits	53,159	41,260	38,093	-28.3	-7.7
Financial assets held for trading and fair value with changes in PL	2,509	4,095	3,769	50.2	-8.0
Financial assets in fair value OCI	7,287	5,802	5,834	-19.9	0.5
Financial assets at amortised cost	175,632	185,045	185,824	5.8	0.4
Loans and advances to customers	157,264	158,730	155,413	-1.2	-2.1
Loans and advances of central banks and credit institutions	3,358	4,863	8,285	146.7	70.4
Debt securities	15,010	21,453	22,126	47.4	3.1
Investments in subsidaries, joint ventures and associates	552	515	432	-21.7	-16.2
Tangible assets	2,719	2,582	2,473	-9.1	-4.2
Intangible assets	2,529	2,484	2,464	-2.6	-0.8
Other assets	8,869	9,596	9,592	8.1	0.0
Total assets	**253,256**	**251,380**	**248,480**	**-1.9**	**-1.2**
Financial liabilities held for trading and fair value with changes in PL	1,684	3,598	3,429	103.6	-4.7
Financial liabilities at amortised cost	236,919	232,530	229,901	-3.0	-1.1
Central banks	37,978	27,844	18,521	-51.2	-33.5
Credit institutions	9,600	11,373	17,304	80.3	52.1
Customer deposits	162,602	164,076	161,567	-0.6	-1.5
Debt securities issued	21,107	22,578	25,878	22.6	14.6
Other financial liabilities	5,632	6,659	6,632	17.8	-0.4
Provisions	689	645	615	-10.7	-4.6
Other liabilities	1,024	1,382	1,390	35.8	0.6
Subtotal liabilities	**240,316**	**238,155**	**235,335**	**-2.1**	**-1.2**
Shareholders' equity	13,375	13,841	13,657	2.1	-1.3
Accumulated other comprehensive income	-472	-651	-546	15.9	-16.0
Minority interest	37	34	34	-8.4	0.0
Net equity	**12,940**	**13,224**	**13,145**	**1.6**	**-0.6**
Total liabilities and equity	**253,256**	**251,380**	**248,480**	**-1.9**	**-1.2**
Financial guarantees granted	1,991	2,087	1,990	0.0	-4.6
Commitments for loans granted	28,045	27,461	26,443	-5.7	-3.7
Other commitments granted	7,762	9,674	9,124	17.6	-5.7

Assets:

The Group's total assets amounted to 248,480 million euros, dropping by -1.9% year-on-year and by -1.2% in the quarter, affected by the 8,500 million euros TLTRO III repayment and the 1,083 million euros (1,000 million pound) repayment made to the Bank of England under the TFSME (Term Funding Scheme with additional incentives for SMEs).

Excluding TSB, total assets amounted to 196,699 million euros, falling by -1.9% year-on-year and by -1.1% in the quarter.

Loans and advances to customers:

Gross performing loans ended March 2023 with a balance of 152,637 million euros, declining by -1.4% year-on-year and by -2.2% in the quarter. At constant exchange rates, the year-on-year decline was smaller, at -0.5%, while the quarterly decline stood at -2.5%.

In Spain, gross performing loans decreased by -0.2% year-on-year, impacted by the maturity of Treasury loans (2,000 million euros), also affecting the quarterly evolution (1,350 million euros), falling by -2.2%, also impacted by the reduction of the mortgage book and the lower lending to SMEs and Corporates.

Gross performing loans of foreign branches (Europe and Miami, included in the Spain perimeter) amounted to 8,995 million euros, representing a year-on-year growth of 3.1%, mainly due to the good business performance of the Miami branch. In the quarter, they fell by -5.2%, affected by the reduction recorded by the Miami branch, also impacted by the negative evolution of the US dollar.

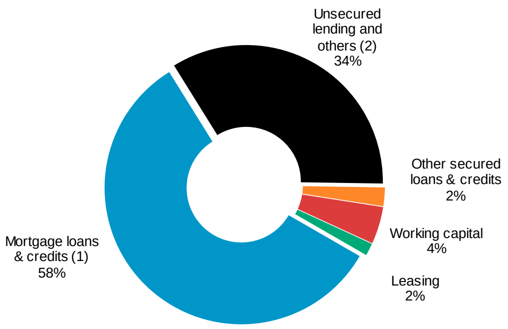
At TSB, lending was impacted by the depreciation of the pound sterling in the year, recording a year-on-year decline of -5.2%. At constant exchange rates, this decline falls to -1.5%, due to a lower volume of mortgages, affected by lower mortgage inflows, and by the increased competition in the United Kingdom. In the quarter, this item fell by -2.6%, affected by the aforesaid reduction in mortgage lending.

Mexico recorded a year-on-year growth of 9.5%, underpinned by the appreciation of the Mexican peso and the US dollar, while in the quarter there was a slight reduction of -0.3%. At constant exchange rates, year-on-year growth was 2.7%, while the quarter saw a reduction of -2.1%.

Loans and advances to customers

	Excl. TSB					Total group				
				Change					Change	
(€ million)	31.03.22	31.12.22	31.03.23	YoY (%)	QoQ (%)	31.03.22	31.12.22	31.03.23	YoY (%)	QoQ (%)
Mortgage loans & credits	49,436	49,433	48,903	-1.1	-1.1	90,790	89,340	88,261	-2.8	-1.2
Other secured loans & credits	2,792	3,000	2,978	6.6	-0.7	3,331	3,412	3,370	1.2	-1.2
Working capital	5,992	7,489	6,739	12.5	-10.0	5,992	7,489	6,739	12.5	-10.0
Leasing	2,120	2,227	2,237	5.5	0.5	2,120	2,227	2,237	5.5	0.5
Unsecured lending and others	50,108	50,872	49,786	-0.6	-2.1	52,509	53,663	52,029	-0.9	-3.0
Performing gross loans	**110,448**	**113,020**	**110,643**	**0.2**	**-2.1**	**154,742**	**156,130**	**152,637**	**-1.4**	**-2.2**
Stage 3 assets (customer)	5,085	4,897	4,948	-2.7	1.0	5,708	5,461	5,524	-3.2	1.2
Accruals	-50	87	107	--	22.9	35	159	174	--	9.6
Gross loans to customers (excluding repos)	**115,483**	**118,005**	**115,698**	**0.2**	**-2.0**	**160,485**	**161,750**	**158,335**	**-1.3**	**-2.1**
Reverse repos	54	0	120	122.3	--	54	0	120	122.3	--
Gross loans to customers	**115,537**	**118,005**	**115,818**	**0.2**	**-1.9**	**160,539**	**161,750**	**158,454**	**-1.3**	**-2.0**
NPL and country-risk provisions	-3,050	-2,797	-2,818	-7.6	0.8	-3,275	-3,020	-3,041	-7.1	0.7
Loans and advances to customers	**112,487**	**115,208**	**113,000**	**0.5**	**-1.9**	**157,264**	**158,730**	**155,413**	**-1.2**	**-2.1**

Loans and advances to customers, by product type 31.03.2023 (%) (*)

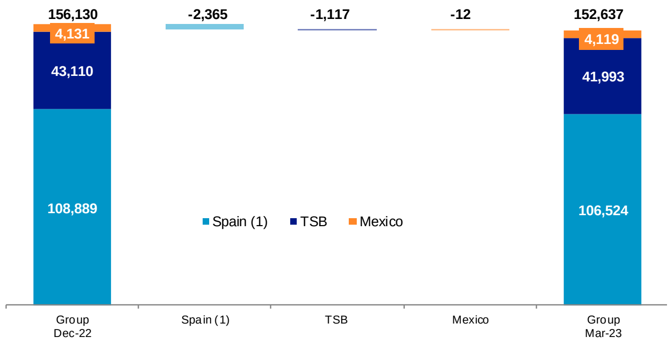


(1) Includes mortgage loans and credits both to individuals and companies.

(2) Includes ICO loans.

(*) Excluding stage 3 assets and accrual adjustments.

Gross performing loans by geography (€ million)



Change YoY:	-0.2%	-5.2% (*)	+9.5% (*)	-1.4%
Change QoQ:	-2.2%	-2.6% (*)	-0.3% (*)	-2.2%

(*) In TSB -1.5% YoY and -3.4% QoQ in GBP and in Mexico +2.7% YoY and -2.1% QoQ in MXN.

(1) Spain includes foreign branches (€8,995M in Mar 23 and €9,485M in Dec 22).

Liabilities:

Customer funds:

As of the end of March 2023, on-balance sheet customer funds came to a total of 162,307 million euros, increasing by 0.6% year-on-year and decreasing by -1.1% in the quarter, in both cases highlighting the good evolution of term deposits and retail issuances, mainly commercial paper, and the reduction of sight deposit accounts, as customers transferred their funds to products that offer higher returns.

Sight deposit account balances amounted to 142,624 million euros, representing a reduction of -2.7% compared to March 2022 and of -3.3% compared to the previous quarter.

Term deposits came to a total of 18,372 million euros, representing an increase of 19.4% year-on-year and of 13.8% in the quarter.

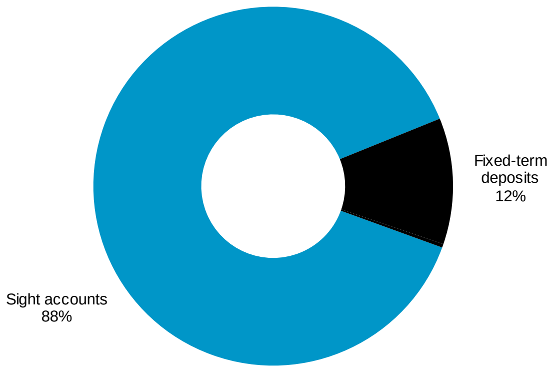
Total off-balance sheet funds amounted to 39,513 million euros as of the end of March 2023, representing a reduction of -2.7% year-on-year, impacted by volatility in financial markets, particularly in mutual funds, while in the quarter this trend reversed, and they grew by 2.7%.

Funds under management and third-party funds:

This item amounted to a total of 226,957 million euros, representing a year-on-year increase of 1.2% and a quarterly increase of 0.8%.

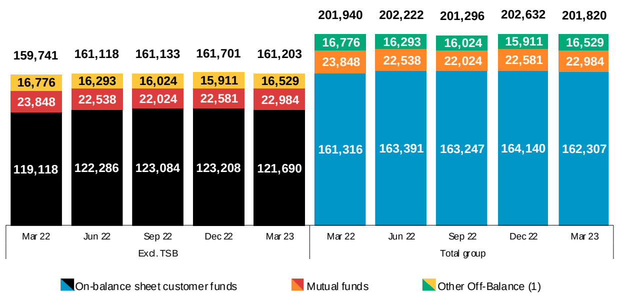
The exposure to central banks includes 13,500 million euros of ECB borrowing, with the balance falling during the quarter by 8,500 million euros following the early TLTRO III repayment. It also includes 5,118 million euros borrowed from the Bank of England under the Term Funding Scheme with additional incentives for SMEs (TFSME), of which 1,083 million euros (1,000 million pounds) were repaid this quarter.

Customer deposits, 31.03.2023 (%) (*)



(*) Excluding accrual adjustments and hedging derivatives.

Evolution of customer funds (€ million)



Excl. TSB (*)		Total group (*)	
Change YoY:	+2.2%	Change YoY:	+0.6%
Change QoQ:	-1.2%	Change QoQ:	-1.1%

(*) Change on on-balance sheet customer funds.

(1) Includes pension funds, third-party insurance products and managed accounts.

Customer funds

(€ million)		Excl. TSB 31.03.22	Excl. TSB 31.12.22	Excl. TSB 31.03.23	Excl. TSB Change YoY (%)	Excl. TSB Change QoQ (%)	Total group 31.03.22	Total group 31.12.22	Total group 31.03.23	Total group Change YoY (%)	Total group Change QoQ (%)
Financial liabilities at amortised cost		**184,859**	**181,843**	**179,783**	**-2.7**	**-1.1**	**236,919**	**232,530**	**229,901**	**-3.0**	**-1.1**
Non-retail financial liabilities		65,741	58,635	58,093	-11.6	-0.9	75,602	68,390	67,594	-10.6	-1.2
Central banks		31,464	21,599	13,348	-57.6	-38.2	37,978	27,844	18,521	-51.2	-33.5
Credit institutions		9,589	11,372	17,303	80.5	52.2	9,600	11,373	17,304	80.3	52.1
Institutional issues		19,855	20,657	22,443	13.0	8.6	22,392	22,514	25,138	12.3	11.7
Other financial liabilities		4,834	5,007	4,999	3.4	-0.2	5,632	6,659	6,632	17.8	-0.4
On-balance sheet customer funds	(1)	**119,118**	**123,208**	**121,690**	**2.2**	**-1.2**	**161,316**	**164,140**	**162,307**	**0.6**	**-1.1**
Customer deposits		119,934	122,701	120,823	0.7	-1.5	162,602	164,076	161,567	-0.6	-1.5
Sight accounts	(1)	106,279	110,156	106,185	-0.1	-3.6	146,520	147,540	142,624	-2.7	-3.3
Fixed-term deposits	(1)	13,428	12,594	14,194	5.7	12.7	15,386	16,141	18,372	19.4	13.8
Repos		174	0	455	162.3	--	634	405	517	-18.5	27.7
Accruals and derivative hedging adjustments		54	-49	-12	--	-76.4	61	-9	54	-12.0	--
Debt and other marketable securities	(1)	14,797	17,687	19,218	29.9	8.7	16,866	19,100	21,786	29.2	14.1
Subordinated liabilities	(2)	4,241	3,478	4,092	-3.5	17.7	4,241	3,478	4,092	-3.5	17.7
On-balance sheet funds		**138,973**	**143,865**	**144,133**	**3.7**	**0.2**	**183,709**	**186,654**	**187,445**	**2.0**	**0.4**
Mutual funds		23,848	22,581	22,984	-3.6	1.8	23,848	22,581	22,984	-3.6	1.8
Managed mutual funds		0	0	0	--	--	0	0	0	--	--
Dedicated investment companies		1,289	703	638	-50.5	-9.1	1,289	703	638	-50.5	-9.1
Third-party funds		22,558	21,878	22,345	-0.9	2.1	22,558	21,878	22,345	-0.9	2.1
Managed accounts		3,715	3,532	3,669	-1.2	3.9	3,715	3,532	3,669	-1.2	3.9
Pension funds		3,416	3,182	3,229	-5.5	1.5	3,416	3,182	3,229	-5.5	1.5
Individual		2,217	2,065	2,097	-5.4	1.6	2,217	2,065	2,097	-5.4	1.6
Company		1,194	1,112	1,126	-5.6	1.3	1,194	1,112	1,126	-5.6	1.3
Group		6	5	5	-7.0	1.2	6	5	5	-7.0	1.2
Third-party insurance products		9,645	9,197	9,631	-0.1	4.7	9,645	9,197	9,631	-0.1	4.7
Off-balance sheet customer funds		**40,624**	**38,492**	**39,513**	**-2.7**	**2.7**	**40,624**	**38,492**	**39,513**	**-2.7**	**2.7**
Funds under management and third-party funds		**179,597**	**182,358**	**183,646**	**2.3**	**0.7**	**224,333**	**225,146**	**226,957**	**1.2**	**0.8**

(1) On-balance sheet customer funds at the Group level as of 31.03.2023 included 142,624 million euros of sight deposit accounts (147,540 million euros as of 31.12.2022 and 146,520 million euros as of 31.03.2022), 17,907 million euros of term deposits excluding multi-seller covered bonds, subordinated deposits and Yankee CD (15,690 million euros as of 31.12.2022 and 14,436 million euros as of 31.03.2022) and 1,777 million euros of retail issuances (commercial paper), included in 'debt and other marketable securities' (910 million euros as of 31.12.2022 and 360 million euros as of 31.03.2022).

(2) Subordinated liabilities of debt securities.

Equity:

The following table shows the evolution of equity as of the end of March 2023:

Equity

(€million)	31.03.22	31.12.22	31.03.23	Change YoY	Change QoQ
Shareholders' equity	**13,375**	**13,841**	**13,657**	**282**	**-184**
Issued capital	703	703	703	0	0
Reserves	12,467	12,393	12,777	310	384
Other equity	20	22	20	0	-2
Less: treasury shares	-29	-24	-48	-19	-24
Attributable net profit	213	859	205	-8	-654
Less: interim dividends	0	-112	0	0	112
Accumulated other comprehensive income	**-472**	**-651**	**-546**	**-75**	**104**
Minority interest	**37**	**34**	**34**	**-3**	**0**
Net equity	**12,940**	**13,224**	**13,145**	**204**	**-80**

Risk management

Highlights:

The Group's stage 3 ratio stood at 3.5% as of the end of March 2023, falling by -14 bps with respect to the previous March.

In the last year, non-performing assets (NPAs) were reduced by -500 million euros (-7%), while in the quarter they increased slightly by 37 million euros, of which 77 million euros correspond to the larger balance of stage 3 loans and -40 million euros correspond to the reduction of foreclosed assets.

With regard to the breakdown of loans by stages, it should be noted that 88.1% are classified as stage 1 with a coverage level of 0.3%, the balance of stage 2 loans represents 8.4% of the total with coverage of 3.7%, while the balance of stage 3 loans represents 3.5% of the total with coverage of 39.5%, which rises to 42.3% when excluding TSB.

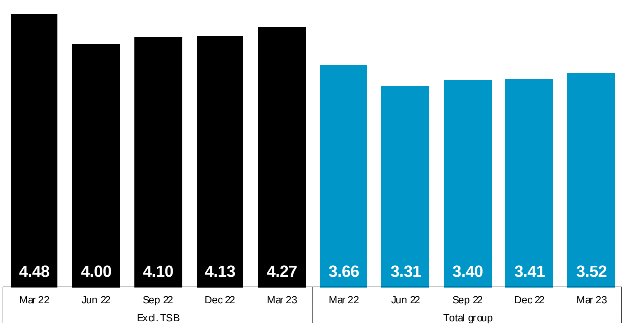
The NPA coverage ratio including total provisions in the quarter stood at 52.0%, with the stage 3 coverage ratio including total provisions standing at 54.6% and the foreclosed asset coverage ratio standing at 38.4%.

Risk management:

Non-performing assets showed a balance of 7,008 million euros as of the end of March 2023, of which 5,891 million euros correspond to stage 3 loans and 1,117 million euros correspond to foreclosed assets.

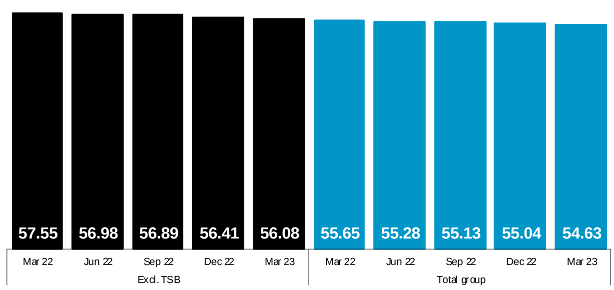
The gross NPA ratio stood at 4.2%, while the net NPA ratio considering total provisions stood at 2.0%.

Stage 3 ratios (%) (*)



(*) Calculated including contingent exposures.

Stage 3 coverage ratios with total provisions (%) (*)

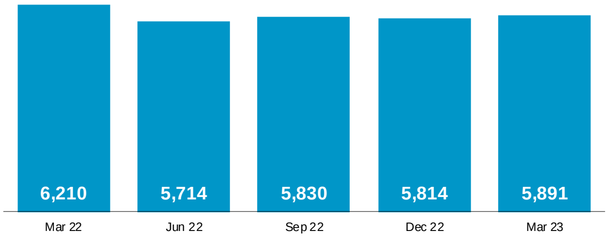


Stage 3 ratios, by segment (*)

Total group	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23
Real estate development and/or construction purposes	8.86%	7.77%	8.23%	6.95%	7.30%
Construction purposes non-related to real estate dev.	9.49%	12.04%	11.28%	7.06%	9.17%
Large corporates	2.45%	2.21%	2.00%	2.02%	2.22%
SME and small retailers and self-employed	6.54%	5.84%	6.33%	7.62%	7.87%
Individuals with 1st mortgage guarantee assets	2.47%	2.35%	2.37%	2.08%	2.14%
Stage 3 ratio	**3.66%**	**3.31%**	**3.40%**	**3.41%**	**3.52%**

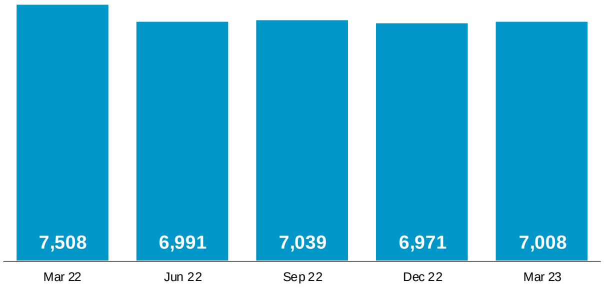
(*) Calculated including contingent exposures.

Evolution of stage 3 assets (€ million) (*)



Evolution of foreclosed assets (€ million) (*)

Evolution of non-performing assets (€ million) (*)



(*) Calculated including contingent exposures.

The table below shows the evolution of non-performing assets over the last few quarters:

Evolution of Group stage 3 loans and foreclosed assets

(€ million)	1Q22	2Q22	3Q22	4Q22	1Q23
Gross entries (stage 3)	640	586	670	978	687
Recoveries and sales	-488	-1,007	-462	-910	-504
Net stage 3 entries	**153**	**-421**	**208**	**68**	**183**
Gross entries (foreclosed assets)	16	21	13	17	12
Sales	-79	-43	-81	-70	-52
Change in foreclosed assets	**-63**	**-22**	**-68**	**-53**	**-40**
Net stage 3 entries + Change in foreclosed assets	**89**	**-443**	**140**	**15**	**143**
Write-offs	-146	-74	-92	-83	-106
Foreclosed assets and stage 3 quarterly change	**-56**	**-517**	**48**	**-68**	**37**

Evolution of Group non-performing assets coverage (*)

(€ million)		Mar 22	Jun 22	Sep 22	Dec 22	Mar 23
Stage 3 exposures		6,210	5,714	5,830	5,814	5,891
Total provisions		3,456	3,159	3,214	3,200	3,219
Stage 3 coverage ratio with total provisions (%)		**55.7%**	**55.3%**	**55.1%**	**55.0%**	**54.6%**
Stage 3 exposures		6,210	5,714	5,830	5,814	5,891
Stage 3 provisions		2,560	2,263	2,273	2,292	2,328
Stage 3 coverage ratio (%)		**41.2%**	**39.6%**	**39.0%**	**39.4%**	**39.5%**
Problematic RE Assets		1,299	1,277	1,209	1,157	1,117
Provisions		494	499	470	443	429
Problematic Real Estate coverage ratio (%)		**38.0%**	**39.0%**	**38.9%**	**38.3%**	**38.4%**
Total problematic assets		7,508	6,991	7,039	6,971	7,008
Provisions		3,950	3,658	3,684	3,644	3,648
Problematic assets coverage (%)		**52.6%**	**52.3%**	**52.3%**	**52.3%**	**52.0%**
Gross loans to customers excluding repos + guarantees granted + problematic RE Assets		171,005	174,040	172,594	171,910	168,347
Gross NPA ratio (%)	(1)	**4.4%**	**4.0%**	**4.1%**	**4.1%**	**4.2%**
Net problematic assets		3,559	3,334	3,355	3,327	3,360
Net NPA ratio (%)	(1)	**2.1%**	**1.9%**	**1.9%**	**1.9%**	**2.0%**
Net problematic assets as % of total assets		**1.4%**	**1.3%**	**1.3%**	**1.3%**	**1.4%**

(*) Includes contingent exposures.
(1) The gross NPA ratio is calculated as gross non-performing assets divided by gross customer lending excluding reverse repos and guarantees given plus foreclosed assets, while the net NPA ratio is calculated as net non-performing assets, including all provisions, divided by gross customer lending excluding reverse repos and guarantees given plus foreclosed assets.

Forbearance and restructured loans

The outstanding balance of forborne and restructured loans as of the end of March 2023 is as follows:

(€million)	Mar 22		Jun 22		Sep 22		Dec 22		Mar 23	
	Total	Of which: stage 3	Total	Of which: stage 3	Total	Of which: stage 3	Total	Of which: stage 3	Total	Of which: stage 3
Public sector	10	8	9	7	9	7	8	7	8	7
Companies and self employed	4,768	1,990	4,553	1,830	4,354	1,911	4,016	1,804	3,920	1,822
Of which: Financing for construction and real estate development	296	155	293	151	283	153	257	136	247	137
Individuals	1,862	1,055	1,755	993	1,674	992	1,570	933	1,605	969
Total	**6,640**	**3,052**	**6,317**	**2,830**	**6,037**	**2,910**	**5,594**	**2,744**	**5,533**	**2,797**
Provisions	**1,267**	**1,122**	**1,142**	**1,009**	**1,146**	**1,033**	**1,081**	**981**	**1,020**	**925**
Coverage ratio	**19.1%**	**36.8%**	**18.1%**	**35.6%**	**19.0%**	**35.5%**	**19.3%**	**35.7%**	**18.4%**	**33.1%**

Foreclosed assets (*)

(€million)	Gross amount	Allowances for losses
Real estate assets deriving from financing of construction and real estate development	**503**	**205**
Finished buildings	458	178
Housing	269	89
Rest	189	89
Buildings under construction	5	3
Housing	4	3
Rest	0	0
Land	40	24
Building land	21	12
Other land	19	12
Real estate assets deriving from home loan mortgages	**588**	**214**
Real estate assets acquired in discharge of debts	**25**	**10**
Total real-estate portfolio	**1,117**	**429**

(*) Foreclosed assets, including properties outside Spain, considering the collateral in the original loan and the credit risk transferred through the enforcement of the APS.

Breakdown of loans and provisions, by stages

(€ million)	Stage 1	Stage 2	Stage 3
Gross loans to customers excluding repos and guarantees granted	147,278	14,061	5,891
Change QoQ	*-2.2%*	*-1.9%*	*1.3%*
Provisions	376	515	2,328
% Stage / Total Loans	**88.1%**	**8.4%**	**3.5%**
Coverage group	**0.3%**	**3.7%**	**39.5%**
Coverage excl. TSB	**0.3%**	**4.2%**	**42.3%**

Liquidity management

Highlights:

The Group has a sound liquidity position, with an LCR (Liquidity Coverage Ratio) of 220% as of the end of March 2023 (250% excluding TSB and 202% at TSB) and total liquid assets of 58,419 million euros.

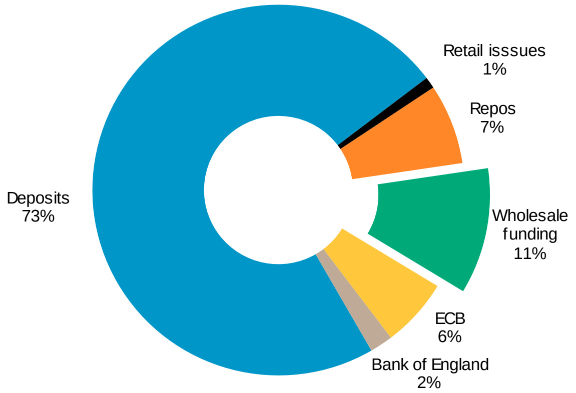
The loan-to-deposit ratio as of the end of March 2023 was 95.0%, with a balanced retail funding structure.

It is worth highlighting the instruments issued by Banco Sabadell in the first quarter of the year, which included 1,000 million euros of covered bonds, 750 million euros of Senior Non-Preferred debt, 500 million euros of Additional Tier 1 preferred securities and 500 million euros of Tier 2 subordinated debt. TSB issued 1,000 million pounds in covered bonds.

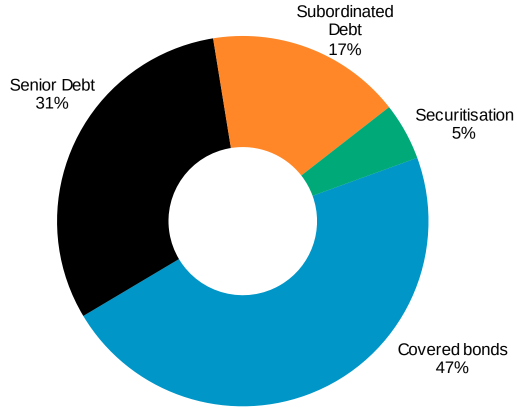
(€ million)		31.03.22	31.12.22	31.03.23
Loans and advances to customers	(1)	157,210	158,730	155,293
Brokered loans		-1,325	-1,806	-1,177
Adjusted net loans and advances		**155,885**	**156,924**	**154,116**
On-balance sheet customer funds		**161,316**	**164,140**	**162,307**
Loan-to-deposits ratio (%)		**96.6**	**95.6**	**95.0**

(1) Excludes reverse repos.

Funding structure, 31.03.2023 (%)



Wholesale market breakdown, 31.03.2023 (%)



Maturities

(€million)	2023	2024	2025	2026	2027	2028	>2028	Outstanding balance
Covered bonds	1,388	2,703	836	1,390	2,237	1,554	1,450	11,559
Senior Debt	23	745	1,489	0	500	750	0	3,507
Senior Non Preferred Debt	0	975	500	1,317	18	500	945	4,255
Subordinated	0	0	0	500	0	500	1,315	2,315
Total	**1,411**	**4,423**	**2,825**	**3,207**	**2,755**	**3,304**	**3,710**	**21,635**

New issuances in the year

(€ million)	1Q23	2Q23	3Q23	4Q23
Covered bonds	2,137			
Senior Non Preferred Debt	750			
Subordinated	500			
AT1	500			
Total	**3,887**			

Maturities in the year

(€ million)	1Q23	2Q23	3Q23	4Q23
Covered bonds	0	250	50	1,088
Senior Debt	1,004	22	0	1
AT1	400	0	0	0
Total	**1,404**	**272**	**50**	**1,089**

Capital management and credit ratings

Highlights:

The phase-in CET1 ratio stood at 12.78% as of the end of March 2023, increasing by 12 bps compared to December 2022.

The fully-loaded CET1 ratio also stood at 12.78%, growing by 24 bps in the quarter, of which 13 bps correspond to the organic generation of capital (with -10 bps being the impact of the banking tax), 7 bps to fair value reserve adjustments and 4 bps to the reduction of risk-weighted assets and other. The impact of the first application of IFRS17 was -13 bps.

The minimum prudential requirements applicable to Banco Sabadell following the Supervisory Review and Evaluation Process (SREP) are 8.64% for CET1 and 13.08% for Total Capital.

The phase-in Total Capital ratio stood at 18.09% as of the end of March 2023, thus remaining above requirements with an MDA buffer of 413 bps.

The phase-in leverage ratio was 4.72%.

The MREL ratio as a percentage of RWAs stood at 27.57%, above the requirement for the year 2024 of 25.35%[1], while the MREL ratio as a percentage of the Leverage Ratio Exposure (LRE) was 8.65%, also above the requirement for 2024 of 6.36%.

[1] Ratio includes the Combined Buffer Requirement, estimated at 3.13% for 2024.

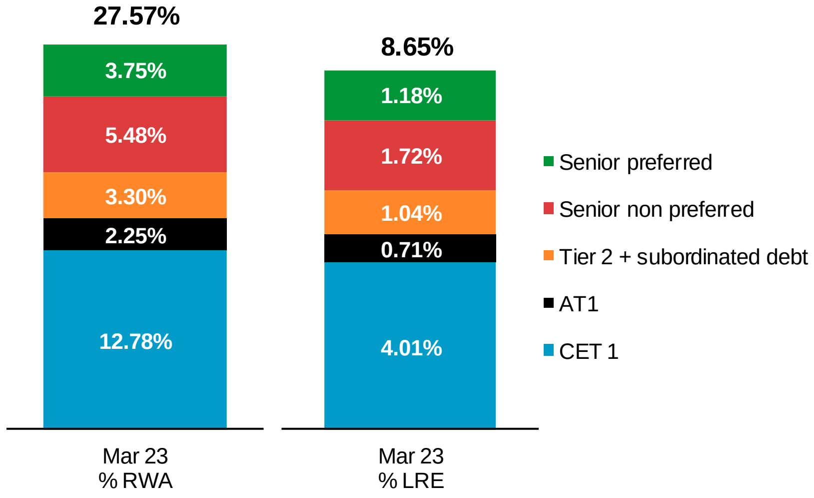
Capital ratios

		Phase-in			Fully-loaded		
(€million)		31.03.22	31.12.22	31.03.23	31.03.22	31.12.22	31.03.23
Issued capital		703	703	703	703	703	703
Reserves		12,625	12,839	12,694	12,625	12,839	12,694
Deductions	(1)	-3,221	-3,465	-3,471	-3,326	-3,556	-3,475
Common Equity Tier 1		**10,108**	**10,078**	**9,926**	**10,002**	**9,986**	**9,922**
CET 1 (%)		**12.59%**	**12.66%**	**12.78%**	**12.45%**	**12.54%**	**12.78%**
Preference shares and other		1650	1650	1750	1650	1650	1750
Primary capital		**11,758**	**11,728**	**11,676**	**11,652**	**11,636**	**11,672**
Tier I (%)		**14.64%**	**14.73%**	**15.04%**	**14.51%**	**14.61%**	**15.03%**
Secondary capital		**1,997**	**1,911**	**2,375**	**1,997**	**1,911**	**2,375**
Tier II (%)		**2.49%**	**2.40%**	**3.06%**	**2.49%**	**2.40%**	**3.06%**
Total capital		**13,754**	**13,638**	**14,051**	**13,649**	**13,547**	**14,047**
Total capital ratio (%)		**17.13%**	**17.13%**	**18.09%**	**16.99%**	**17.01%**	**18.09%**
Risk weighted assets (RWA)		**80,303**	**79,612**	**77,659**	**80,326**	**79,633**	**77,655**
Leverage ratio (%)		**5.49%**	**4.62%**	**4.72%**	**5.45%**	**4.59%**	**4.71%**
CET 1 - BS (non-consolidated basis) (%)		**13.47%**	**13.28%**	**13.30%**			
Tier I - BS (non-consolidated basis) (%)		**15.51%**	**15.31%**	**15.48%**			
Tier II - BS (non-consolidated basis) (%)		**2.38%**	**2.27%**	**2.90%**			
Total capital ratio - BS (non-consolidated basis) (%)		**17.88%**	**17.58%**	**18.39%**			
ADIs	(2)	**2,603**	**2,920**	**2,943**			

Note: The CET1 ratio includes the dividend accrual with a pay-out ratio of 50% for 2023 and December 2022.

(1) Includes IFRS 9 transitional adjustments.
(2) "Available Distributable Items": Refers to distributable profit. It does not include interim dividends or share premiums.

Evolution of Group MREL (% RWAs, % LRE)



Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	07.07.2022	A (low)	R-1 (low)	Stable
S&P Global Rating (1)	21.04.2023	BBB	A-2	Positive
Moody's	21.12.2022	Baa3	P-2	Positive
Fitch Ratings	07.02.2023	BBB-	F3	Stable

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On 18 May 2022, **DBRS Ratings GmbH** affirmed Banco Sabadell's long-term rating of 'A (low)', upgrading its outlook from negative to stable, in order to reflect its view that the impact of COVID-19 on the Bank has been less than anticipated in both Spain and the United Kingdom, Sabadell's key operating markets. The short-term rating was also maintained at 'R-1 (low)'. The full report on the revision was published on 7 July.

On 21 April 2023, **S&P Global Ratings** affirmed Banco Sabadell's long-term rating of 'BBB', improving the outlook to positive from stable, reflecting the possibility that the rating may be upgraded over the next 12-24 months if Banco Sabadell continues closing its efficiency and profitability gap with peers, and achieving returns more commensurate with the magnitude and depth of its franchise. The short-term rating was also affirmed at 'A-2'.

On 7 November 2022, **Moody's Investors Service** affirmed the ratings of Banco Sabadell's long-term deposits and long-term senior debt of 'Baa2' and 'Baa3', upgrading its outlook to positive from stable, reflecting the possibility that the rating could improve over the next 12-18 months if Banco Sabadell continues improving its profitability due to the growth of its net interest income and its containment of operating costs and credit provisions. The short-term rating was also maintained at 'P-2'. The full report on the revision was published on 21 December.

On 30 June 2022, **Fitch Ratings** affirmed Banco Sabadell's long-term rating of 'BBB-', with a stable outlook, reflecting the Group's adequate capitalisation and risk diversification and its challenges in relation to profitability and keeping cost of risk contained. They indicated that the factors that had a negative outlook (asset quality and profitability) have stabilised. The short-term rating was kept at 'F3'. The full report on the revision was published on 7 February.

Results, by business unit

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

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

- Three geographical areas: Banking Business in Spain, United Kingdom and Mexico.
- Each business unit is allocated capital equivalent to 12% of its risk-weighted assets, 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 region and then broken down according to the customers at which each segment is aimed.

Segmentation by geographical region and business unit

- **Banking Business Spain** groups together the Retail Banking, Business Banking and Corporate Banking business units, where Individuals and Businesses are managed under the same Branch Network:

  - Retail Banking: Offers financial products and services to individuals for personal use. These include investment products and medium- and long-term finance, such as consumer loans, home mortgages and leasing or rental services, as well as short-term finance. Funds come mainly from customer deposits and sight deposit accounts, savings insurance, mutual funds and pension plans. The main services also include payment methods such as cards and insurance linked to consumer loans and mortgages.

  - Business Banking: Offers financial products and services to companies and self-employed workers. These include investing and financing products, such as working capital products, revolving loans and medium- and long-term finance. It also offers custom structured finance and capital market solutions, as well as specialised advice for businesses. Funds mainly come from deposits, customer sight deposit accounts and mutual funds. The main services also include collection/payment solutions such as cards and POS terminals, as well as import and export services.

  - Corporate Banking: This unit is responsible for managing the segment of large corporations which, because of their unique characteristics, require a tailor-made service, supplementing the range of transaction banking products with the services of the specialised units, thus offering a single, all-encompassing solution to their needs, taking into account the particular features of the economic activity sector and the markets in which they operate. It has units that develop custom products for large corporations and financial institutions. The units responsible for the development of these custom products do so for the entire Banco Sabadell Group, extending their capabilities to the Corporate and Institutional Banking segment. Through its international presence in 17 countries, with representative offices and operational branches, it offers financial and advisory solutions to large Spanish and international corporations and financial institutions. It has operational branches in London, Paris, Lisbon, Casablanca and Miami.

- **Banking Business United Kingdom:**

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

- **Banking Business Mexico:**

  Offers banking and financial services for Corporate Banking and Commercial Banking in Mexico.

  The information presented herein is based on the standalone accounting records of each Group company, after all consolidation disposals and adjustments have been made.

  Each business unit bears its own direct costs, calculated on the basis of general accounting.

  Key information relating to the segmentation of the Group's activity is given hereafter.

Profit and loss 1Q23

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Net interest income	**752**	**303**	**45**	**1,100**
Net fees and commissions	321	28	2	350
Core revenues	**1,073**	**331**	**46**	**1,450**
Net trading income and exchange differences	-6	7	-1	1
Income from equity method and dividends	31	0	0	31
Other operating income/expense	-157	-11	-4	-172
Gross operating income	**941**	**328**	**42**	**1,311**
Operating expenses	-388	-188	-17	-593
Amortisation & depreciation	-95	-38	-4	-138
Total costs	-483	-226	-21	-730
Pre-provisions income	**458**	**102**	**21**	**581**
Total provisions & impairments	-214	-19	-3	-236
Gains on sale of assets and other results	-1	0	-1	-3
Profit before tax	**243**	**83**	**16**	**342**
Income tax	-106	-29	-2	-137
Minority interest	0	0	0	0
Attributable net profit	**137**	**53**	**14**	**205**
ROTE	9.5%	11.0%	12.8%	9.9%
Efficiency	39.0%	57.4%	40.8%	43.5%
Efficiency w ith amortisation & depreciation	48.6%	68.9%	50.9%	53.6%
Stage 3 ratio	4.3%	1.4%	2.5%	3.5%
Stage 3 coverage ratio w ith total provisions	55.8%	41.3%	69.7%	54.6%

Profit and loss 1Q22

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Net interest income	**556**	**271**	**31**	**858**
Net fees and commissions	326	30	3	359
Core revenues	**882**	**301**	**33**	**1,217**
Net trading income and exchange differences	27	5	0	33
Income from equity method and dividends	59	0	0	59
Other operating income/expense	-7	-12	-4	-23
Gross operating income	**961**	**294**	**30**	**1,285**
Operating expenses	-385	-191	-15	-590
Amortisation & depreciation	-91	-42	-3	-136
Total costs	-476	-232	-18	-726
Pre-provisions income	**485**	**62**	**12**	**560**
Total provisions & impairments	-218	-11	3	-227
Gains on sale of assets and other results	-10	0	-3	-13
Profit before tax	**257**	**50**	**12**	**320**
Income tax	-59	-31	-3	-93
Minority interest	13	0	0	13
Attributable net profit	**184**	**19**	**10**	**213**
ROTE	7.2%	3.6%	7.9%	6.5%
Efficiency	42.5%	64.7%	49.0%	48.0%
Efficiency w ith amortisation & depreciation	52.6%	78.9%	58.8%	59.0%
Stage 3 ratio	4.6%	1.4%	2.3%	3.7%
Stage 3 coverage ratio w ith total provisions	57.3%	38.7%	71.6%	55.7%

Balance sheet 1Q23

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Total assets	**186,941**	**55,127**	**6,411**	**248,480**
Performing gross loans	106,524	41,993	4,119	152,637
RE exposure	688	0	0	688
Subtotal liabilities	**176,757**	**52,740**	**5,838**	**235,335**
On-balance sheet customer funds	118,177	40,617	3,513	162,307
Capital markets w holesale funding	20,734	3,697	0	24,431
Equity	**10,185**	**2,387**	**573**	**13,145**
Off-balance sheet customer funds	39,513	0	0	39,513

Balance sheet 1Q22

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Total assets	**192,156**	**55,978**	**5,121**	**253,256**
Performing gross loans	106,687	44,294	3,762	154,742
RE exposure	805	0	0	805
Subtotal liabilities	**182,368**	**53,371**	**4,576**	**240,316**
On-balance sheet customer funds	116,670	42,199	2,448	161,316
Capital markets w holesale funding	18,707	2,955	0	21,662
Equity	**9,789**	**2,607**	**545**	**12,940**
Off-balance sheet customer funds	40,624	0	0	40,624

Banking Business Spain

Net profit as of the end of March 2023 amounted to 137 million euros, impacted by the new banking tax of -157 million euros. Excluding this impact, profit amounted to 294 million euros, representing a year-on-year growth of 59.3%, due mainly to the good evolution of net interest income.

Net interest income amounted to 752 million euros as of the end of March 2023, representing a year-on-year growth of 35.2%, due to a higher customer margin and improved fixed-income revenue, underpinned by higher interest rates, which offset higher wholesale funding costs.

Net fees and commissions stood at 321 million euros, -1.6% less than at the end of March 2022, mainly due to the drop in asset under management fees, particularly pension funds and insurance brokerage fees.

Net trading income and exchange differences amounted to -6 million euros, falling in a year-on-year basis due to reduced gains on trading derivatives.

Income from equity method and dividends showed a year-on-year reduction, as the figure as of the end of March 2022 included higher results recorded from BS Capital investees.

Other income and expenses were impacted by the -157 million euros banking tax as of March 2023.

Total costs increased by 1.6% year-on-year, mainly due to an increase in software amortisations and given the fact that the total synergies in relation to personnel expenses delivered by the last efficiency plan had not yet materialised in the first quarter of 2022.

Provisions and impairments amounted to -214 million euros, down by -2.0% year-on-year, due mainly to the record of lower provisions for real estate assets.

Gains on sale of assets and other results improved in a year-on-year basis due to the recognition of lower IT asset write-offs.

				Simple evolution				
(€ million)	1Q22	1Q23	YoY (%)	1Q22	2Q22	3Q22	4Q22	1Q23
Net interest income	**556**	**752**	**35.2**	**556**	**583**	**629**	**730**	**752**
Net fees and commissions	326	321	-1.6	326	334	346	338	321
Core revenues	**882**	**1,073**	**21.6**	**882**	**917**	**975**	**1,068**	**1,073**
Net trading income and exchange differences	27	-6	--	27	52	21	-5	-6
Income from equity method and dividends	59	31	-46.5	59	26	28	12	31
Other operating income/expense	-7	-157	--	-7	-110	1	-109	-157
Gross operating income	**961**	**941**	**-2.0**	**961**	**885**	**1,025**	**967**	**941**
Operating expenses	-385	-388	0.8	-385	-372	-375	-382	-388
Amortisation & depreciation	-91	-95	4.7	-91	-92	-95	-95	-95
Total costs	-476	-483	1.6	-476	-464	-470	-477	-483
Pre-provisions income	**485**	**458**	**-5.5**	**485**	**421**	**555**	**489**	**458**
Total provisions & impairments	-218	-214	-2.0	-218	-226	-193	-284	-214
Gains on sale of assets and other results	-10	-1	-86.8	-10	-7	6	2	-1
Profit before tax	**257**	**243**	**-5.3**	**257**	**188**	**369**	**208**	**243**
Income tax	-59	-106	79.3	-59	-53	-103	-55	-106
Minority interest	13	0	--	13	1	0	-3	0
Attributable net profit	**184**	**137**	**-25.7**	**184**	**135**	**265**	**156**	**137**
Accumulated ratios								
ROTE	7.2%	9.5%		7.2%	7.4%	8.4%	8.7%	9.5%
Efficiency	42.5%	39.0%		42.5%	41.4%	40.5%	40.3%	39.0%
Efficiency with amortisation & depreciation	52.6%	48.6%		52.6%	51.4%	50.5%	50.2%	48.6%
Stage 3 ratio	4.6%	4.3%		4.6%	4.1%	4.2%	4.2%	4.3%
Stage 3 coverage ratio with total provisions	57.3%	55.8%		57.3%	56.7%	56.5%	56.2%	55.8%

Performing gross loans remained broadly in line with the previous year, despite of the maturity of Treasury loans (2,000 million euros).

On-balance sheet customer funds increased by 1.3% year-on-year, supported by the growth of term deposits and commercial paper. Off-balance sheet funds fell by -2.7% year-on-year mainly on mutual funds, impacted by financial market volatility.

				Simple evolution				
(€ million)	1Q22	1Q23	YoY (%)	1Q22	2Q22	3Q22	4Q22	1Q23
Total assets	**192,156**	**186,941**	**-2.7**	**192,156**	**196,349**	**198,115**	**189,545**	**186,941**
Performing gross loans	106,687	106,524	-0.2	106,687	110,177	109,632	108,889	106,524
RE exposure	805	688	-14.6	805	778	739	713	688
Subtotal liabilities	**182,368**	**176,757**	**-3.1**	**182,368**	**186,480**	**187,892**	**179,402**	**176,757**
On-balance sheet customer funds	116,670	118,177	1.3	116,670	119,636	119,773	120,118	118,177
Capital markets wholesale funding	18,707	20,734	10.8	18,707	18,213	19,020	19,444	20,734
Equity	**9,789**	**10,185**	**4.0**	**9,789**	**9,869**	**10,223**	**10,143**	**10,185**
Off-balance sheet customer funds	40,624	39,513	-2.7	40,624	38,831	38,049	38,492	39,513
Other data								
Employees	12,836	13,077		12,836	12,949	13,061	12,991	13,077
Branches	1,289	1,222		1,289	1,290	1,288	1,226	1,222

Banking Business UK

Net profit amounted to 53 million euros as of the end of March 2023, representing a strong year-on-year growth, mainly on the improvement of net interest income.

Net interest income amounted to a total of 303 million euros, 12.0% higher than in the previous year, mainly due to higher loan book yields as a result of higher interest rates.

Net fees and commissions amounted to 28 million euros as of the end of March 2023, with a year-on-year reduction of -2 million euros due to a reduction in sight deposit account fees.

Total costs came to -226 million euros, -2.7% lower year-on-year, positively affected by the depreciation of the pound sterling.

Provisions and impairments amounted to -19 million euros, representing a year-on-year growth, mainly due to the macroeconomic situation.

Corporation tax as of the end of March 2022 recorded -15 million euros as a result of the impact on deferred tax assets following the bank levy review in the United Kingdom, which reduced this levy from 8% to 3%.

(€ million)	1Q22	1Q23	YoY (%)	YoY (%) at constant FX	Simple evolution				
					1Q22	2Q22	3Q22	4Q22	1Q23
Net interest income	**271**	**303**	**12.0**	**18.2**	**271**	**280**	**296**	**304**	**303**
Net fees and commissions	30	28	-7.8	-2.7	30	34	39	31	28
Core revenues	**301**	**331**	**10.0**	**16.1**	**301**	**314**	**335**	**334**	**331**
Net trading income and exchange differences	5	7	37.7	45.4	5	-3	8	-5	7
Income from equity method and dividends	0	0	--	--	0	0	0	0	0
Other operating income/expense	-12	-11	-11.1	-6.1	-12	-9	-9	-65	-11
Gross operating income	**294**	**328**	**11.4**	**17.6**	**294**	**302**	**334**	**264**	**328**
Operating expenses	-191	-188	-1.3	4.2	-191	-188	-190	-184	-188
Amortisation & depreciation	-42	-38	-9.0	-4.0	-42	-41	-37	-37	-38
Total costs	-232	-226	-2.7	2.7	-232	-229	-228	-221	-226
Pre-provisions income	**62**	**102**	**63.9**	**73.1**	**62**	**74**	**107**	**43**	**102**
Total provisions & impairments	-11	-19	66.5	75.8	-11	-20	-41	-30	-19
Gains on sale of assets and other results	0	0	--	--	0	0	0	1	0
Profit before tax	**50**	**83**	**64.4**	**73.6**	**50**	**53**	**65**	**14**	**83**
Income tax	-31	-29	-5.4	-0.1	-31	-19	-26	-20	-29
Minority interest	0	0	--	--	0	0	0	0	0
Attributable net profit	**19**	**53**	**176.7**	**192.1**	**19**	**35**	**39**	**-6**	**53**
Accumulated ratios									
ROTE	3.6%	11.0%			3.6%	5.2%	6.0%	4.2%	11.0%
Efficiency	64.7%	57.4%			64.7%	63.4%	61.1%	63.0%	57.4%
Efficiency with amortisation & depreciation	78.9%	68.9%			78.9%	77.2%	74.0%	76.1%	68.9%
Stage 3 ratio	1.4%	1.4%			1.4%	1.3%	1.4%	1.3%	1.4%
Stage 3 coverage ratio with total provisions	38.7%	41.3%			38.7%	40.3%	39.7%	42.3%	41.3%

Performing gross loans fell by -5.2% year-on-year, negatively impacted by the depreciation of the pound sterling. At a constant exchange rate, this decrease was smaller, at -1.5%, due to the reduced size of the mortgage book.

Similarly, on-balance sheet customer funds decreased by -3.7% year-on-year, affected by the depreciation of the pound sterling, whereas, considering a constant exchange rate, they remained stable, as the reduction of sight deposits was offset by the growth of term deposits.

(€ million)	1Q22	1Q23	YoY (%)	YoY (%) at constant FX	Simple evolution				
					1Q22	2Q22	3Q22	4Q22	1Q23
Total assets	**55,978**	**55,127**	**-1.5**	**2.4**	**55,978**	**55,297**	**55,808**	**55,810**	**55,127**
Performing gross loans	44,294	41,993	-5.2	-1.5	44,294	43,903	42,857	43,110	41,993
Subtotal liabilities	**53,371**	**52,740**	**-1.2**	**2.7**	**53,371**	**52,708**	**53,263**	**53,316**	**52,740**
On-balance sheet customer funds	42,199	40,617	-3.7	0.0	42,199	41,105	40,163	40,931	40,617
Capital markets wholesale funding	2,955	3,697	25.1	30.0	2,955	2,913	2,831	2,537	3,697
Equity	**2,607**	**2,387**	**-8.4**	**-4.8**	**2,607**	**2,589**	**2,545**	**2,494**	**2,387**
Other data									
Employees	5,702	5,656			5,702	5,595	5,503	5,482	5,656
Branches	290	220			290	220	220	220	220

Banking Business Mexico

Net profit as of the end of March 2023 amounted to 14 million euros, representing a year-on-year growth of 49.4%, supported mainly by the good performance of net interest income.

Net interest income amounted to 45 million euros, increasing by 45.3% year-on-year, supported by the appreciation of the Mexican peso. At a constant exchange rate, the growth amounted to 26.5% due to higher loan book yields and increased fixed-income revenue.

Net fees and commissions amounted to 2 million euros as of the end of March 2023, falling by -1 million euros compared to the previous year due to reduced commercial activity.

Total costs stood at -21 million euros, representing a year-on-year growth, affected by the appreciation of the Mexican peso.

Provisions and impairments stood above the end-March 2022 figure, which included releases of several borrowers' provisions.

(€ million)	1Q22	1Q23	YoY (%)	YoY (%) at constant FX	Simple evolution 1Q22	2Q22	3Q22	4Q22	1Q23
Net interest income	**31**	**45**	**45.3**	**26.5**	**31**	**36**	**40**	**43**	**45**
Net fees and commissions	3	2	-38.5	-46.4	3	3	3	4	2
Core revenues	**33**	**46**	**38.7**	**20.8**	**33**	**38**	**43**	**47**	**46**
Net trading income and exchange differences	0	-1	--	--	0	1	1	1	-1
Income from equity method and dividends	0	0	--	--	0	0	0	0	0
Other operating income/expense	-4	-4	11.1	-27.0	-4	-5	-4	-5	-4
Gross operating income	**30**	**42**	**39.0**	**25.9**	**30**	**35**	**40**	**43**	**42**
Operating expenses	-15	-17	15.9	0.9	-15	-18	-21	-18	-17
Amortisation & depreciation	-3	-4	42.0	23.7	-3	-3	-4	-4	-4
Total costs	-18	-21	20.3	4.7	-18	-21	-25	-22	-21
Pre-provisions income	**12**	**21**	**65.7**	**59.4**	**12**	**13**	**15**	**21**	**21**
Total provisions & impairments	3	-3	--	--	3	-2	0	-9	-3
Gains on sale of assets and other results	-3	-1	-49.3	-55.9	-3	0	-2	-9	-1
Profit before tax	**12**	**16**	**30.5**	**25.6**	**12**	**11**	**13**	**2**	**16**
Income tax	-3	-2	-38.5	-44.8	-3	-2	-1	-3	-2
Minority interest	0	0	--	--	0	0	0	0	0
Attributable net profit	**10**	**14**	**49.4**	**46.7**	**10**	**9**	**13**	**0**	**14**
Accumulated ratios									
ROTE	7.9%	12.8%			7.9%	8.2%	9.0%	6.6%	12.8%
Efficiency	49.0%	40.8%			49.0%	50.8%	51.3%	48.7%	40.8%
Efficiency with amortisation & depreciation	58.8%	50.9%			58.8%	60.4%	60.9%	58.3%	50.9%
Stage 3 ratio	2.3%	2.5%			2.3%	2.3%	2.2%	2.3%	2.5%
Stage 3 coverage ratio with total provisions	71.6%	69.7%			71.6%	73.3%	79.7%	70.1%	69.7%

Performing gross loans grew by 9.5% year-on-year, supported by the appreciation of the Mexican peso and the US dollar. At constant exchange rates, this increase was 2.7%.

Similarly, on-balance sheet customer funds increased by 43.5% year-on-year, supported by foreign currency appreciation. At constant exchange rates, this item increased by 29.8%.

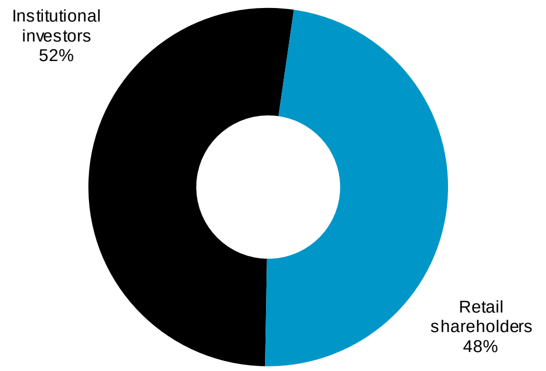
(€ million)	1Q22	1Q23	YoY (%)	YoY (%) at constant FX	Simple evolution 1Q22	2Q22	3Q22	4Q22	1Q23
Total assets	**5,121**	**6,411**	**25.2**	**16.0**	**5,121**	**5,583**	**6,483**	**6,025**	**6,411**
Performing gross loans	3,762	4,119	9.5	2.7	3,762	4,065	4,256	4,131	4,119
Subtotal liabilities	**4,576**	**5,838**	**27.6**	**18.8**	**4,576**	**4,990**	**5,888**	**5,437**	**5,838**
On-balance sheet customer funds	2,448	3,513	43.5	29.8	2,448	2,650	3,311	3,090	3,513
Equity	**545**	**573**	**5.1**	**-6.6**	**545**	**592**	**595**	**588**	**573**
Other data									
Employees	447	418			447	431	423	422	418
Branches	15	15			15	15	15	15	15

4. Share price performance

		31.03.22	31.12.22	31.03.23
Shareholders and trading				
Number of shareholders		224,715	218,610	222,228
Total number of shares (million)		5,627	5,627	5,627
Average daily trading volume (millions shares)		64	41	45
Share price (€)	(1)			
Opening session (of the year)		0.592	0.592	0.881
High (of the year)		0.950	0.950	1.334
Low (of the year)		0.565	0.565	0.886
Closing session		0.746	0.881	0.989
Market capitalisation (€ million)		4,170	4,927	5,533
Stock market multiples				
Earnings per share (EPS) (€)	(2)	0.10	0.13	0.18
Book value (€ millon)		13,336	13,841	13,728
Book value per share (€)		2.38	2.47	2.45
Tangible book value (€ millon)		10,781	11,357	11,264
TBV per share (€)		1.93	2.03	2.01
Price / Tangible book value (times)		0.39	0.43	0.49
Price / Earnings ratio (P/E) (times)		7.35	6.58	5.56

(1) Historical values not adjusted.
(2) Net profit adjusted by the Additional Tier 1 coupons recorded under shareholders' equity.

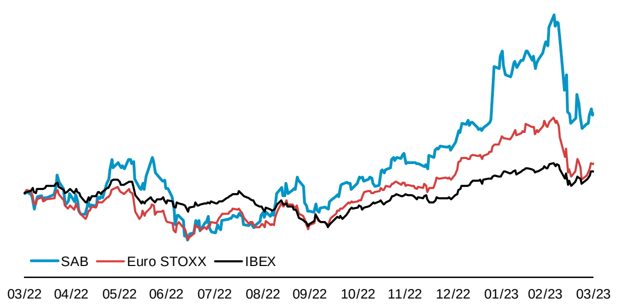
Shareholder breakdown (%)



Source: GEM, data as of 31 March 2023

Comparative evolution of SAB share price

Period from 31.03.2022 to 31.03.2023



5. Key developments in the quarter

Banco Sabadell receives notice of MREL requirements for 2024

On 11 January 2023, Banco Sabadell received a communication through 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 minimum requirement for own funds and eligible liabilities (MREL) is 22.22% of the total risk exposure amount (TREA) and 6.36% of the leverage ratio exposure (LRE).
- The subordination requirement is 17.23% of the TREA and 6.36% of the LRE.

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

- The MREL requirement is 21.05% of the TREA and 6.22% of the LRE.
- The subordination requirement is 14.45% of the TREA and 6.06% 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. Banco Sabadell is already compliant with the requirements that it needs to meet from 1 January 2024 onwards, which coincide with Banco Sabadell's expectations and are in line with its funding plans.

Banco Sabadell's Board of Directors agrees to propose dividend distribution, which is ultimately approved

At its meeting held on 25 January 2023, in accordance with the Shareholder Remuneration Policy approved at that same meeting, the Board of Directors of Banco Sabadell agreed to submit a proposal to the Annual General Meeting for the distribution of a supplementary dividend of 0.02 euros (gross) per share, to be paid out of the earnings of 2022, in cash, foreseeably in the month following the Annual General Meeting. This proposal was approved at the Annual General Meeting held on 23 March 2023.

This dividend supplements the interim dividend of 0.02 euros (gross) per share, agreed by the Board of Directors on 26 October 2022, which was paid out on 30 December 2022.

In addition to the cash dividend, the Board of Directors of Banco Sabadell also agreed to establish a share buyback, to be purchased out of the earnings of 2022, for redemption, subject to the corresponding prior authorisations, at a maximum of 204 million euros, the terms of which will be announced separately prior to launch.

Total shareholder remuneration, which combines the cash dividend with the share buyback programme, corresponding to the financial year 2022 will be equivalent to 50% of attributable profit.

Banco Sabadell signs strategic deal with Nexi

On 27 February 2023, Banco Sabadell signed a strategic deal to provide merchant acquiring services with Nexi S.p.A. (Nexi), a leading European paytech company, for a renewable ten-year period, under which Nexi is to acquire 80% of Banco Sabadell 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 is 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.

This transaction, subject to the corresponding necessary approvals, will add 14 bps to Banco Sabadell's fully-loaded CET1 capital ratio upon closing, which is expected to take place in the fourth quarter of 2023.

This partnership ratifies Banco Sabadell's commitment to continue improving the value proposition and customer experience in a key product for the corporate, business and self-employed segments, through a larger and more innovative offering.

S&P upgrades Banco Sabadell rating outlook

On 21 April 2023, S&P Global Ratings maintains Banco Sabadell's long-term rating of BBB, improving the outlook from stable to positive.

This outlook upgrade reflects the possibility of an upgrade over the next 12-24 months if Banco Sabadell continues closing its efficiency and profitability gap with peers, and achieving returns more commensurate with the magnitude and depth of its franchise.

The short-term rating remains at A-2.

6. Glossary of terms on performance measures

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

Following the ESMA guidelines on APMs (ESMA/2015/1415 of October 2015), the purpose of which is to promote the use and transparency of information for the protection of investors in the European Union, the Group presents below, for each APM, the reconciliation with items shown in the financial statements (in each section of the report) as well as its definition and calculation:

		Definition and calculation	Page
ROA	(*) (**)	Consolidated income during the year / ATA. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF), tax on deposits of credit institutions (IDEC), and banking tax (BT) except year end.	5
ROE	(*) (***)	Profit attributed to the Group / average equity. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF), tax on deposits of credit institutions (IDEC), and banking tax (BT), except year end.	5
RORWA	(*)	Profit attributed to the Group / risk-weighted assets (RWA). In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF),tax on deposits of credit institutions (IDEC) and banking tax (BT), except year end.	5
ROTE	(*) (***)	Profit attributed to the Group / average equity. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF), tax on deposits of credit institutions (IDEC) and banking tax (BT), except year end. The denominator excludes intangible assets and the goodwill of the investees.	5
Efficiency ratio	(*)	Administrative expenses / adjusted gross income. The denominator includes the linear accrual of contributions to deposit guarantee fund and resolution fund, tax on deposits of credit institutions, and banking tax (BT), except year end.	5
Efficiency ratio with amortisation & depreciation	(*)	Administrative expenses and amortisation & depreciation / adjusted gross income. The denominator includes the linear accrual of contributions to deposit guarantee fund, resolution fund and tax on deposits of credit institution and banking tax (BT), except year end.	5
Other operating income/expense		Includes the following accounting items: other operating income and other operating expense as well as income from assets and expenses on liabilities under insurance or reinsurance contracts.	9
Total provisions & impairments		Includes the following accounting items: (i) provisions or reversal of provisions, (ii) impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or gains, (iii) impairment of reversal of impairment of investments in joint ventures and associates, (iv) impairment or reversal of impairment on non-financial assets, (v) profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excluding gains or losses on sales of equity holdings and other items) and (vi) investment properties in the net gains or losses on derecognition of non-financial assets.	9
Gains on sale of assets and other results		Includes the following accounting items: net gains or losses on derecognition of non-financial assets, excluding investment properties, and gains or losses on sales of equity holdings and other items included in the profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.	9
Pre-provisions income		Comprised of the following accounting items: gross income plus administration and amortisation/depreciation expenses.	9
Customer spread	(**)	Difference between return and cost of assets and liabilities related to customers. The ratio has been calculated taking into account the difference between the average rate charged by the bank for customers loans and the average rate paid by the bank for the customers deposits. The average customers loans rate is the annualised ratio between the financial income from customer loans and the average daily balance of customer loans. The average rate of customers funds is the annualised ratio between the financial expenses on customers funds and the average daily balance of customers funds.	10
Credit cost of risk (bps)		Ratio between provisions for NPLs / gross loans to customers excluding repos and guarantees granted. The numerator considers the linear annualization of the provisions for NPLs. In addition, the costs associated with the stage 3 management assets are adjusted.	15
Total cost of risk (bps)		Ratio between total provisions & impairments / gross loans to customers excluding repos and guarantees granted and problematic RE Assets. The numerator considers the linear annualization of total provisions & impairments.	15
Other assets		Includes the following accounting items: derivatives - hedge accounting, fair value changes of the hedged items in portfolio hedge of interest rate risk, tax assets, other assets, assets under insurance or reinsurance contracts and non-current assets and disposal groups classified as held for sale.	16
Other liabilities		Includes the following accounting items: derivatives - hedge accounting, tax liabilities, fair value changes of the hedged items in portfolio hedge of interest rate risk, other liabilities and liabilities included in disposal groups classified as held for sale.	16
Gross loans to customers		Includes loans and advances to customers excluding impairment alowances.	17
Performing gross loans		Includes gross loans to customers excluding repos, stage 3 assets and accrual adjustments.	17
On-balance sheet customer funds		Includes customer deposits (ex repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, commercial paper and others).	19
Off-balance sheet customer funds		Includes mutual funds, asset management, pension funds and third-party insurance products.	19
On-balance sheet funds		Includes accounting sub-headings of customer deposits, debt securities issueds (debt and other tradable securities and subordinated liabilities).	19
Funds under management and third-party funds		Sum of on-balance sheet and off-balance sheet customer funds.	19
Stage 3 coverage ratio with total provisions		Shows the % of stage 3 exposures covered by total provisions. Calculated using the ratio between the allowance of loans and advances to customers (including allowances for guarantees granted) / total stage 3 exposures (including stage 3 guarantees granted).	20
Stage 3 coverage ratio		Shows the % of stage 3 exposures covered by stage 3 provisions. Calculated using the ratio between the stage 3 allowance of loans and advances to customers (including stage 3 allowances for guarantees granted) / total stage 3 exposures (including stage 3 guarantees granted).	20
Problematic assets coverage		Ratio between provisions associated with problematic assets / total problematic assets.	20
Stage 3 ratio		Calculated using the ratio where the numerator includes: i) the assets classified in stage 3 including other valuation adjustments (accrued interest, commissions and others) classified in stage 3 of loans and advances that are not classified as non-current assets held for sale and ii) the guarantees granted classified in stage 3. The denominator includes: (i) gross loans to customers excluding repos and (ii) guarantees granted.	20
Problematic assets		Sum of stage 3 exposures and problematic real estate assets. Also referred to as non-perfoming assets (NPAs).	22
Problematic Real Estate coverage ratio		Ratio between allowances for impairment of problematic RE assets / total problematic RE assets. Amount of problematic RE assets includes property classified in the portfolio of non-current asset and disposable groups classified as held for sale, excluding real estate investments with significant latent capital gains and rental properties, for which there is an agreement of sale that will be carried out after a reform process.	22
Stage 3 exposures		Includes: (i) stage 3 assets including other valuation adjustments (accrued interest, commissions and others) classified in stage 3 of loans and advances that are not classified as non-current assets held for sale and ii) guarantees granted classified in stage 3.	22
Loan-to-deposits ratio		Net loans and receivables divided by retail funding. The numerator excludes mediation loans. The denominator considers real estate funding and customer funds.	24
Total capital ratio		Ratio between total capital and the risk weighted assets. Total capital includes the accounting profit assuming a pay-out of c.50%, that is different from the regulatory criteria which decreases that amount based on the obligations to fulfil for the rest of the year. The denominator has been calculated based on the Group's best estimate.	25
Market capitalisation		Share price multiplied by the average number of outstanding shares at the end of the period.	32
Earnings per share	(*)	Ratio between net profit attributed to the Group and the average number of outstanding shares at the end of the period. In the numerator the annualization of the profit obtained to date is considered and adjusted by the Additional Tier I coupon payment registered in equity as well as by contributions to deposit guarantee and resolution funds (DGF and SRF), tax on deposits of credit institutions (IDEC) and banking tax (BT), except year end.	32
Book value per share	(*)	Ratio between book value / average number of outstanding shares at the end of the period. Book value refers to equity, adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF), tax on deposits of credit institutions (IDEC) and banking tax (BT), except at year end.	32
TBV per share	(*)	Ratio between tangible book value and the average number of outstanding shares at the end of the period. The tangible book value is calculated as the sum of equity adjusted by intangible assets and the goodwill of the investees, and by contributions to deposit guarantee and resolution funds (DGF and SRF), tax on deposits of credit institutions (IDEC), and banking tax (BT), except year end.	32
Price / Tangible book value (times)	(*)	Ratio between share price / tangible book value per share.	32
Price / Earnings ratio (P/E) (times)	(*)	Ratio between share price / earnings per share.	32

(*) The accrual on a straight-line basis of contributions to the deposit guarantee fund and the resolution fund, the tax on deposits of credit institutions, as well as the banking tax, has been calculated based on the Group's best estimates.
(**) Arithmetic mean calculated as the sum of daily balances during the reference period divided by the number of days during that period.
(***) Average funds calculated using the month-end balance from December of the previous year.

Alternative Performance measures	Conciliation (€millions)	1Q22	1Q23
ROA	Average total assets	252,255	248,912
	Consolidated net profit	227	205
	DGF - SRF - IDEC - BT adjustment net of tax	-39	71
	ROA (%)	**0.30**	**0.45**
ROE	Average equity	13,403	13,786
	Attributable net profit	213	205
	DGF - SRF - IDEC - BT adjustment net of tax	-39	71
	ROE (%)	**5.27**	**8.12**
RORWA	Risk weighted assets (RWA)	80,303	77,659
	Attributable net profit	213	205
	DGF - SRF - IDEC - BT adjustment net of tax	-39	71
	RORWA (%)	**0.88**	**1.44**
ROTE	Average equity (excluding intangible assets)	10,825	11,308
	Attributable net profit	213	205
	DGF - SRF - IDEC - BT adjustment net of tax	-39	71
	ROTE (%)	**6.53**	**9.90**
Efficiency ratio	Gross operating income	1,285	1,311
	DGF - SRF - IDEC - BT adjustment	-56	52
	Adjusted gross operating income	**1,229**	**1,363**
	Operating expenses	-590	-593
	Efficiency ratio (%)	**47.98**	**43.50**
	Amortisation & depreciation	-136	-138
	Efficiency ratio with amortisation & depreciation (%)	**59.03**	**53.59**
Other operating income/expense	Other operating income	13	18
	Other operating expenses	-36	-190
	Income from assets under insurance or reinsurance contracts	0	0
	Expenses on liabilities under insurance or reinsurance contracts	0	0
	Other operating income/expense	**-23**	**-172**
Total provisions & impairments	Provisions or reversal of provisions	1	-12
	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or gains	-207	-218
	Provisions for NPLs and other financial assets	**-207**	**-230**
	Impairment of reversal of impairment of investments in joint ventures and associates	0	0
	Impairment or reversal of impairment on non- financial assets	-15	-1
	Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-6	-6
	Gains or losses on sales of equity holdings and other items	1	0
	Gains from sales of investment properties and associates	0	1
	Other impairments	**-20**	**-6**
	Total provisions & impairments	**-227**	**-236**
Gains on sale of assets and other results	Gains or losses on derecognition of non-financial assets, net	-12	-2
	Gains or losses on sales of equity holdings and other items	-1	0
	Gains from sales of investment properties and associates	0	-1
	Gains on sale of assets and other results	**-13**	**-3**
Pre-provisions income	Gross operating income	1,285	1,311
	Operating expenses	-590	-593
	Personnel expenses	-350	-350
	Other general expenses	-240	-243
	Amortisation & depreciation	-136	-138
	Pre-provisions income	**560**	**581**
Customer spread (*)	Loans to customers (net)		
	Avge.balance	155,878	155,284
	Results	879	1,258
	Rate %	2.29	3.29
	Customer deposits		
	Avge.balance	160,319	161,138
	Results	-29	-221
	Rate %	-0.07	-0.56
	Customer spread	**2.22**	**2.73**
Other assets	Derivatives - Hedge accounting	1,015	2,770
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-454	-1344
	Tax assets	6,904	6,807
	Other assets	639	547
	Non-current assets and disposal groups classified as held for sale	764	811
	Other assets	**8,869**	**9,592**
Other liabilities	Derivatives - Hedge accounting	451	1,234
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-329	-860
	Tax liabilities	245	345
	Other liabilities	657	643
	Liabilities included in disposal groups classified as held for sale	0	28
	Other liabilities	**1,024**	**1,390**

(*) Customer spread calculated using cumulative data.

Alternative Performance measures	Conciliation (€millions)	1Q22	1Q23
	Mortgage loans & credits	90,790	88,261
	Other secured loans & credits	3,331	3,370
	Working capital	5,992	6,739
	Leasing	2,120	2,237
	Unsecured lending and others	52,509	52,029
Performing gross loans	**Performing gross loans**	**154,742**	**152,637**
	Stage 3 assets (customer)	5,708	5,524
	Accruals	35	174
	Gross loans to customers excluding repos	**160,485**	**158,335**
	Reverse repos	54	120
Gross loans to customers	**Gross loans to customers**	**160,539**	**158,454**
	NPL and country-risk provisions	-3,275	-3,041
	Loans and advances to customers	**157,264**	**155,413**
	Financial liabilities at amortised cost	236,919	229,901
	Non-retail financial liabilities	75,602	67,594
	Central banks	37,978	18,521
	Credit institutions	9,600	17,304
	Institutional issues	22,392	25,138
	Other financial liabilities	5,632	6,632
On-balance sheet customer funds	**On-balance sheet customer funds**	**161,316**	**162,307**
	Customer deposits	162,602	161,567
	Sight accounts	146,520	142,624
	Fixed-term deposits including available and hybrid financial liabilities	15,386	18,372
	Repos	634	517
	Accruals and derivative hedging adjustments	61	54
	Debt and other marketable securities	16,866	21,786
	Subordinated liabilities (*)	4,241	4,092
On-balance sheet funds	**On-balance sheet funds**	**183,709**	**187,445**
	Mutual funds	23,848	22,984
	Managed accounts	3,715	3,669
	Pension funds	3,416	3,229
	Third-party insurance products	9,645	9,631
Off-balance sheet customer funds	**Off-balance sheet customer funds**	**40,624**	**39,513**
Funds under management and third-party funds	**Funds under management and third-party funds**	**224,333**	**226,957**
	Stage 3 assets (includes valuation adjustments)	5,743	5,557
Stage 3 exposures	Guarantees granted in stage 3	467	334
	Stage 3 exposures (€ million)	**6,210**	**5,891**
	Stage 3 exposures	6,210	5,891
Stage 3 coverage ratio with total provisions (%)	Total provisions	3,456	3,219
	Stage 3 coverage ratio with total provisions (%)	**55.7%**	**54.6%**
	Stage 3 exposures	6,210	5,891
Stage 3 coverage ratio (%)	Stage 3 provisions	2,560	2,328
	Stage 3 coverage ratio (%)	**41.2%**	**39.5%**
	Problematic RE Assets	1,299	1,117
Problematic Real Estate coverage ratio (%)	Provisions	494	429
	Problematic Real Estate coverage ratio (%)	**38.0%**	**38.4%**
	Stage 3 exposures	6,210	5,891
	Problematic RE Assets	1,299	1,117
Problematic assets	**Problematic assets**	**7,508**	**7,008**
	Provisions of problematic assets	3,950	3,648
Problematic assets coverage (%)	**Problematic assets coverage (%)**	**52.6%**	**52.0%**
	Stage 3 exposures	6,210	5,891
Stage 3 ratio (%)	Gross loans to customers excluding repos	160,485	158,335
	Guarantees granted	9,221	8,896
	Stage 3 ratio (%)	**3.66%**	**3.52%**
	Gross loans to customers excluding repos and guarantees granted	169,706	167,230
Credit cost of risk (bps)	Provisions for NPLs	-195	-217
	NPLs costs	-23	-30
	Credit cost of risk (bps)	**41**	**45**
	Gross loans to customers excluding repos and guarantees granted	169,706	167,230
Total cost of risk (bps)	Problematic RE Assets	1,299	1,117
	Total provisions & impairments	-227	-236
	Total cost of risk (bps)	**54**	**57**
	Adjusted net loans and advances w/o repos by brokered loans	155,885	154,116
Loan-to-deposits ratio (%)	On-balance sheet customer funds	161,316	162,307
	Loan-to-deposits ratio (%)	**96.6%**	**95.0%**
	Average number of shares (million)	5,593	5,596
Market capitalisation (€million)	Share price (€)	0.746	0.989
	Market capitalisation (€million)	**4,170**	**5,533**
	Net profit attributed to the Group adjusted	140	246
	Attributable net profit	213	205
Earnings per share (EPS) (€)	DGF - SRF - IDEC - BT adjustment net of tax	-39	71
	Accrued AT1	-34	-31
	Average number of shares (million)	5,593	5,596
	Earnings per share (EPS) (€)	**0.10**	**0.18**
	Adjusted equity	13,336	13,728
	Shareholders' equity	13,375	13,657
	DGF - SRF - IDEC - BT adjustment net of tax	-39	71
	Average number of shares (million)	5,593	5,596
Book value per share (€)	**Book value per share (€)**	**2.38**	**2.45**
	Intangible assets	2,555	2,464
	Tangible book value (€millon)	10,781	11,264
TBV per share (€)	**TBV per share (€)**	**1.93**	**2.01**
	Share price (€)	0.746	0.989
Price / Tangible book value (times)	**Price / Tangible book value (times)**	**0.39**	**0.49**
Price / Earnings ratio (P/E) (times)	**Price / Earnings ratio (P/E) (times)**	**7.35**	**5.56**

(*) Refers to subordinated liabilities of debt securities.

See list, definition and purpose of the APMs used by Banco Sabadell Group here:

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