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

(Together with the condensed consolidated interim financial statements and the consolidated interim directors' report of Banco de Sabadell, S.A. and Subsidiaries for the period ended 30 June 2023)

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

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Independent Auditor's Report on the Condensed Consolidated Interim Financial Statements

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

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

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Opinion

We have audited the condensed consolidated interim financial statements of Banco de Sabadell, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form the Banco de Sabadell Group (hereinafter the "Group"), which comprise the balance sheet at 30 June 2023, and the income statement, statement of recognised income and expense, statement of total changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes (all condensed and consolidated).

In our opinion, the accompanying condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2023 have been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information.

Basis for Opinion

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

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

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

Key Audit Matters

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

Impairment of loans and advances to customers

See notes 1, 4.1, 4.2 and 10 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to customers reflects a net balance of Euros 156,549 million at 30 June 2023, while allowances and provisions recognised at that date for impairment total Euros 3,105 million. For the purposes of estimating impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in their credit risk since initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3) or whether neither of the foregoing circumstances apply (Stage 1). For the Group, establishing this classification is a relevant process inasmuch as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Allowances and provisions for credit risk determined individually consider estimates of future business performance and the market value of collateral provided for credit transactions.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default, probability of default and loss given default; and determining the future macroeconomic scenarios. We also assessed the mathematical accuracy of the calculations of expected losses and the reliability of the data used. To this end, we brought in our credit risk specialists. Our procedures related to the control environment focused on the following key areas: – Identifying the credit risk management framework and assessing the compliance of the Group's accounting policies with the applicable regulations. – Evaluating the appropriateness of the classification of the loans and advances to customers portfolio based on credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. – Assessing the relevant controls relating to the monitoring of transactions. – Evaluating whether the internal models for estimating both individual and collective allowances and provisions for credit risk, and for the management and valuation of collateral, are functioning correctly.

Impairment of loans and advances to customers

See notes 1, 4.1, 4.2 and 10 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
In the case of allowances and provisions calculated collectively, expected losses are estimated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past and present information and future forecasts to be considered. The Group regularly conducts tests of its internal models in order to improve their predictive capabilities based on actual historical experience. The ongoing geopolitical uncertainty, the current levels of inflation and central banks' monetary policy decisions continue to cause uncertainty as to future macroeconomic developments, impacting on the economy and business activities of the countries where the Group operates. Calculating expected credit risk losses therefore entails greater uncertainty and requires a higher degree of judgement, primarily as regards estimating macroeconomic scenarios, and the Group has supplemented its estimate of resulting expected loss with certain additional temporary adjustments. The consideration of this matter as a key audit matter is based both on the significance of the Group's loans and advances to customers portfolio, and thus of the related allowance and provision for impairment, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses.	– Assessing whether the aspects observed by the Internal Validation Unit in its periodic reviews and in the tests of the models used to estimate collective allowances and provisions for impairment have been taken into consideration. – Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place. Our tests of detail on the estimated expected losses included the following: – With regard to the impairment of individually significant transactions, we analysed the appropriateness of the discounted cash flow models used by the Group. We also selected a sample from the population of significant transactions and assessed the appropriateness of both the credit risk classification and the corresponding allowance and provision recognised. – With respect to the allowances and provisions for impairment estimated collectively, we evaluated the methodology used by the Group, assessing the integrity and accuracy of the input balances for the process and whether the calculation engine is functioning correctly by replicating the calculation process, taking into account the segmentation and assumptions used by the Group. – Regarding whether the loans and advances to customers portfolio has been appropriately classified based on credit risk, in accordance with the criteria defined by the Group, we selected a sample and assessed the appropriateness of accounting classification for credit risk. – We evaluated the methods and assumptions used to estimate exposure at default, probability of default and loss given default. – We considered the macroeconomic scenario variables used by the Group in its internal models to estimate expected losses.

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Impairment of loans and advances to customers See notes 1, 4.1, 4.2 and 10 to the condensed consolidated interim financial statements	
Key audit matter	*How the matter was addressed in our audit*
	– We analysed a sample of guarantees associated with credit transactions, checking their valuation, and to this end we brought in our real estate valuation specialists. – We evaluated the additional adjustments to the internal models used to estimate the expected losses recognised by the Group at 30 June 2023. We also analysed whether the disclosures in the explanatory notes to the condensed consolidated interim financial statements were prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group operates in a complex technological environment that is constantly evolving and which must efficiently and reliably meet business requirements. The high level of dependence on these systems with regard to the processing of the Group's financial and accounting information make it necessary to ensure that these systems function correctly. In this context, it is critical to ensure that management of the technological risks that could affect information systems is adequately coordinated and harmonised, in relevant areas such as data and program security, systems operation, or development and maintenance of IT applications and systems used to prepare financial information. We have therefore considered the risks associated with information technology to be a key audit matter.	With the assistance of our specialists in information systems, we carried out tests, at each of the Group entities that are considered relevant for the purpose of the audit, relating to the internal control over the processes and systems involved in generating financial information in the following areas: – Understanding of the information flows and identification of the key controls that ensure the appropriate processing of the financial information. – Testing of the key automated processes that are involved in generating the financial information. – Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of those applications and systems. – Testing of the controls over the operation, maintenance and development of applications and systems.

Emphasis of Matter

We draw your attention to explanatory note 1 to the accompanying condensed consolidated interim financial statements, which states that such condensed consolidated interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed consolidated interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2022. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Interim Directors' Report

Other information solely comprises the consolidated interim directors' report for the six-month period ended 30 June 2023, the preparation of which is the responsibility Bank's Directors and which does not form an integral part of the condensed consolidated interim financial statements.

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

Based on the work carried out, as described in the preceding paragraph, we have observed that the information contained in the consolidated interim directors' report is consistent with that disclosed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2023 and the content and presentation of the report are in accordance with applicable legislation.

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

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

In preparing the condensed consolidated interim financial statements, the Bank's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank's Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the condensed consolidated interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank’s Directors.
- Conclude on the appropriateness of the Bank’s Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the condensed consolidated interim financial statements, including the disclosures, and whether the condensed consolidated interim financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the Bank's Audit and Control Committee, we determine those that were of most significance in the audit of the condensed consolidated interim financial statements for the six-month period ended 30 June 2023 and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 23 March 2023 for a period of one year, from the year commenced 1 January 2023.

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

Services Provided

Non-audit services provided by KPMG Auditores, S.L. to the Group in the six-month period ended 30 June 2023 consisted of the issuance of comfort letters in debt issue processes, reports on agreed-upon procedures and work in connection with different regulatory requirements prescribed by supervisors.

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

(Signed on original in Spanish)

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

2 August 2023

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

Contents of the condensed consolidated interim financial statements and consolidated interim Directors' Report of Banco Sabadell Group for the six-month period ended 30 June 2023

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2023 and 31 December 2022

Thousand euro

Assets	**Note**	**30/06/2023**	**31/12/2022 (*)**
Cash, cash balances at central banks and other demand deposits (**)	**7**	**30,755,450**	**41,260,395**
Financial assets held for trading		**4,037,739**	**4,017,253**
Derivatives		3,505,133	3,600,122
Equity instruments		—	—
Debt securities	8	532,606	417,131
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*65,213*	*93,000*
Non-trading financial assets mandatorily at fair value through profit or loss		**96,576**	**77,421**
Equity instruments	9	37,137	23,145
Debt securities	8	59,439	54,276
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		—	—
Financial assets designated at fair value through profit or loss		**—**	**—**
Debt securities		—	—
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		—	—
Financial assets at fair value through other comprehensive income		**5,611,942**	**5,802,264**
Equity instruments	9	178,676	179,572
Debt securities	8	5,433,266	5,622,692
Loans and advances		—	—
Central banks		—	—
Credit institutions		—	—
Customers		—	—
Memorandum item: loaned or pledged as security with sale or pledging rights		*1,110,265*	*1,977,469*
Financial assets at amortised cost		**187,805,207**	**185,045,452**
Debt securities	8	21,940,267	21,452,820
Loans and advances	10	165,864,940	163,592,632
Central banks		168,648	162,664
Credit institutions		9,147,471	4,700,287
Customers		156,548,821	158,729,681
Memorandum item: loaned or pledged as security with sale or pledging rights		*9,504,881*	*6,542,504*
Derivatives – Hedge accounting		**3,363,326**	**3,072,091**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(1,672,486)**	**(1,545,607)**
Investments in joint ventures and associates		**450,068**	**376,940**
Joint ventures		—	—
Associates		450,068	376,940
Assets under insurance or reinsurance contracts		**—**	**—**
Tangible assets	**11**	**2,445,467**	**2,581,791**
Property, plant and equipment		2,156,638	2,282,049
For own use		2,146,826	2,272,705
Leased out under operating leases		9,812	9,344
Investment properties		288,829	299,742
Of which: leased out under operating leases		*288,829*	*281,707*
Memorandum item: acquired through finance leases		*916,229*	*897,903*
Intangible assets	**12**	**2,443,604**	**2,484,162**
Goodwill		1,018,311	1,026,810
Other intangible assets		1,425,293	1,457,352
Tax assets		**6,818,708**	**6,851,068**
Current tax assets		305,470	206,561
Deferred tax assets	32	6,513,238	6,644,507
Other assets	**13**	**489,894**	**479,680**
Insurance contracts linked to pensions		88,688	89,729
Inventories		77,487	93,835
Rest of other assets		323,719	296,116
Non-current assets and disposal groups classified as held for sale	**14**	**807,202**	**738,313**
TOTAL ASSETS		**243,452,697**	**251,241,223**

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

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated balance sheet as at 30 June 2023.

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2023 and 31 December 2022

Thousand euro

Liabilities	**Note**	**30/06/2023**	**31/12/2022 (*)**
Financial liabilities held for trading		**3,868,016**	**3,598,483**
Derivatives		3,522,622	3,374,036
Short positions		345,394	224,447
Deposits		–	–
Central banks		–	–
Credit institutions		–	–
Customers		–	–
Debt securities issued		–	–
Other financial liabilities		–	–
Financial liabilities designated at fair value through profit or loss		**—**	**—**
Deposits		–	–
Central banks		–	–
Credit institutions		–	–
Customers		–	–
Debt securities issued		–	–
Other financial liabilities		–	–
Memorandum item: subordinated liabilities		–	–
Financial liabilities at amortised cost		**223,886,942**	**232,529,932**
Deposits		189,160,120	203,293,522
Central banks	15	9,720,733	27,843,687
Credit institutions	15	17,812,898	11,373,390
Customers	16	161,626,489	164,076,445
Debt securities issued	17	26,298,741	22,577,549
Other financial liabilities		8,428,081	6,658,861
Memorandum item: subordinated liabilities		*4,078,507*	*3,477,976*
Derivatives – Hedge accounting		**1,623,369**	**1,242,470**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(1,155,111)**	**(959,106)**
Liabilities under insurance or reinsurance contracts		**—**	**—**
Provisions	**18**	**552,908**	**644,509**
Pensions and other post employment defined benefit obligations		63,049	63,384
Other long term employee benefits		69	170
Pending legal issues and tax litigation		74,741	89,850
Commitments and guarantees given		172,467	176,823
Other provisions		242,582	314,282
Tax liabilities		**398,869**	**226,711**
Current tax liabilities		286,177	112,994
Deferred tax liabilities	32	112,692	113,717
Share capital repayable on demand		**—**	**—**
Other liabilities	**13**	**729,395**	**872,108**
Liabilities included in disposal groups classified as held for sale	**14**	**27,861**	**—**
TOTAL LIABILITIES		**229,932,249**	**238,155,107**

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated balance sheet as at 30 June 2023.

Condensed consolidated balance sheets of Banco Sabadell Group

As at 30 June 2023 and 31 December 2022

Thousand euro

Equity	Note	30/06/2023	31/12/2022 (*)
Shareholders' equity		**13,989,501**	**13,635,172**
Capital	19	703,371	703,371
Paid up capital		703,371	703,371
Unpaid capital which has been called up		—	—
Memorandum item: capital not called up		—	—
Share premium		7,899,227	7,899,227
Equity instruments issued other than capital		—	—
Equity component of compound financial instruments		—	—
Other equity instruments issued		—	—
Other equity		18,446	21,548
Retained earnings		6,386,407	5,859,520
Revaluation reserves		—	—
Other reserves		(1,535,895)	(1,602,079)
Reserves or accumulated losses of investments in joint ventures and associates		65,397	(72,449)
Other		(1,601,292)	(1,529,630)
(-) Treasury shares		(45,774)	(23,767)
Profit or loss attributable to owners of the parent		563,719	889,392
(-) Interim dividends		—	(112,040)
Accumulated other comprehensive income		**(504,101)**	**(583,400)**
Items that will not be reclassified to profit or loss		(32,070)	(29,125)
Actuarial gains or (-) losses on defined benefit pension plans		(1,950)	(1,969)
Non-current assets and disposal groups classified as held for sale		—	—
Share of other recognised income and expense of investments in joint ventures and associates		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income		(30,120)	(27,156)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		—	—
Items that may be reclassified to profit or loss		(472,031)	(554,275)
Hedge of net investments in foreign operations [effective portion]		58,863	119,348
Foreign currency translation		(326,560)	(476,030)
Hedging derivatives. Cash flow hedges reserve [effective portion]		(89,994)	(64,224)
Fair value changes of debt instruments measured at fair value through other comprehensive income		(183,217)	(180,199)
Hedging instruments [not designated elements]		—	—
Non-current assets and disposal groups classified as held for sale		—	—
Share of other recognised income and expense of investments in joint ventures and associates		68,877	46,830
Minority interests [Non-controlling interests]		**35,048**	**34,344**
Accumulated other comprehensive income		(1)	—
Other items		35,049	34,344
TOTAL EQUITY		**13,520,448**	**13,086,116**
TOTAL EQUITY AND TOTAL LIABILITIES		**243,452,697**	**251,241,223**
Memorandum item: off-balance sheet exposures			
Loan commitments given	**20**	**26,943,572**	**27,460,615**
Financial guarantees given	**20**	**2,015,656**	**2,086,993**
Other commitments given	**20**	**8,585,586**	**9,674,382**

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated balance sheet as at 30 June 2023.

Condensed consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

	Note	30/06/2023	30/06/2022 (*)
Interest income	21	3,950,670	2,190,251
Financial assets at fair value through other comprehensive income		57,760	30,585
Financial assets at amortised cost		3,531,941	1,926,018
Other interest income		360,969	233,648
(Interest expenses)	21	(1,680,675)	(433,618)
(Expenses on share capital repayable on demand)		—	—
Net interest income		**2,269,995**	**1,756,633**
Dividend income		7,167	2,476
Profit or loss of entities accounted for using the equity method		64,705	96,443
Fee and commission income	22	831,956	838,830
(Fee and commission expenses)	22	(134,842)	(109,467)
Gains or (-) losses on financial assets and liabilities, net	23	34,837	(30,855)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		1,229	28,269
Financial assets at amortised cost		(3,923)	7,532
Other financial assets and liabilities		5,152	20,737
Gains or (-) losses on financial assets and liabilities held for trading, net		26,627	(68,208)
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		26,627	(68,208)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net		12,891	(7,513)
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortised cost		—	—
Other gains or (-) losses		12,891	(7,513)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		—	—
Gains or (-) losses from hedge accounting, net		(5,910)	16,597
Exchange differences [gain or (-) loss], net	23	(3,409)	113,805
Other operating income	24	38,568	31,225
(Other operating expenses)	25	(299,836)	(177,842)
Income from assets under insurance or reinsurance contracts		—	—
(Expenses on liabilities under insurance or reinsurance contracts)		—	—
Gross income		**2,809,141**	**2,521,248**

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2023.

Condensed consolidated income statements of Banco Sabadell Group

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

	Note	30/06/2023	30/06/2022 (*)
(Administrative expenses)		(1,204,029)	(1,167,279)
(Staff expenses)	26	(716,983)	(694,485)
(Other administrative expenses)	26	(487,046)	(472,794)
(Depreciation and amortisation)		(273,855)	(272,402)
(Provisions or (-) reversal of provisions)	18	(2,572)	(25,692)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	27	(436,938)	(393,780)
(Financial assets at fair value through other comprehensive income)		852	(60)
(Financial assets at amortised cost)		(437,790)	(393,720)
Profit/(loss) on operating activities		**891,747**	**662,095**
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)		—	(12,700)
(Impairment or (-) reversal of impairment on non-financial assets)	28	(7,539)	(31,486)
(Tangible assets)		(1,138)	(17,565)
(Intangible assets)		—	—
(Other)		(6,401)	(13,921)
Gains or (-) losses on derecognition of non-financial assets, net	29	(11,078)	(16,246)
Negative goodwill recognised in profit or loss		—	—
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	30	(23,820)	(14,812)
Profit or (-) loss before tax from continuing operations		**849,310**	**586,851**
(Tax expense or (-) income related to profit or loss from continuing operations)		(284,912)	(165,871)
Profit or (-) loss after tax from continuing operations		**564,398**	**420,980**
Profit or (-) loss after tax from discontinued operations		—	—
PROFIT OR LOSS FOR THE PERIOD		**564,398**	**420,980**
Attributable to minority interests [non-controlling interests]		679	13,964
Attributable to owners of the parent		563,719	407,016
Earnings per share (euros)	**3**	**0.09**	**0.06**
Basic (euros)		0.09	0.06
Diluted (euros)		0.09	0.06

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2023.

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

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

	30/06/2023	30/06/2022 (*)
Profit or loss for the period	**564,398**	**420,980**
Other comprehensive income	**79,298**	**(202,182)**
Items that will not be reclassified to profit or loss	(2,944)	4,270
Actuarial gains or (-) losses on defined benefit pension plans	27	(9,109)
Non-current assets and disposal groups held for sale	—	—
Share of other recognised income and expense of investments in joint ventures and associates	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(2,527)	11,151
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Income tax relating to items that will not be reclassified	(444)	2,228
Items that may be reclassified to profit or loss	82,242	(206,452)
Hedge of net investments in foreign operations [effective portion]	(60,485)	(63,353)
Valuation gains or (-) losses taken to equity	(60,485)	(63,353)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	149,468	106,993
Translation gains or (-) losses taken to equity	149,468	106,993
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	(36,390)	(42,895)
Valuation gains or (-) losses taken to equity	(35,324)	(16,292)
Transferred to profit or loss	(2,799)	(26,603)
Transferred to initial carrying amount of hedged items	1,733	—
Other reclassifications	—	—
Hedging instruments [not designated elements]	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Debt instruments at fair value through other comprehensive income	(3,546)	(152,587)
Valuation gains or (-) losses taken to equity	1,555	(131,518)
Transferred to profit or loss	(5,101)	(21,069)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	
Share of other recognised income and expense of investments in joint ventures and associates	22,047	(109,274)
Income tax relating to items that may be reclassified to profit or (-) loss	11,148	54,664
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**643,696**	**218,798**
Attributable to minority interests [non-controlling interests]	678	13,964
Attributable to owners of the parent	643,018	204,834

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated statement of recognised income and expenses for the six-month period ended 30 June 2023.

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

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

												Minority interests		
Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	**Total**
Closing balance 31/12/2022 (*)	**703,371**	**7,899,227**	**—**	**21,548**	**5,859,520**	**—**	**(1,365,777)**	**(23,767)**	**858,642**	**(112,040)**	**(650,647)**	**—**	**34,344**	**13,224,421**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies (see Note 1.5)	—	—	—	—	—	—	(236,302)	—	30,750	—	67,247	—	—	**(138,305)**
Opening balance 01/01/2023	**703,371**	**7,899,227**	**—**	**21,548**	**5,859,520**	**—**	**(1,602,079)**	**(23,767)**	**889,392**	**(112,040)**	**(583,400)**	**—**	**34,344**	**13,086,116**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**563,719**	**—**	**79,299**	**(1)**	**679**	**643,696**
Other equity changes	**—**	**—**	**—**	**(3,102)**	**526,887**	**—**	**66,184**	**(22,007)**	**(889,392)**	**112,040**	**—**	**—**	**26**	**(209,364)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	(111,645)	—	—	—	—	—	—	—	—	**(111,645)**
Purchase of treasury shares	—	—	—	—	—	—	—	(60,887)	—	—	—	—	—	**(60,887)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	1,349	38,880	—	—	—	—	—	**40,229**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	777,352	—	—	—	(889,392)	112,040	—	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	(3,102)	—	—	—	—	—	—	—	—	—	**(3,102)**
Other increase or (-) decrease in equity	—	—	—	—	(138,820)	—	64,835	—	—	—	—	—	26	**(73,959)**
Closing balance 30/06/2023	**703,371**	**7,899,227**	**—**	**18,446**	**6,386,407**	**—**	**(1,535,895)**	**(45,774)**	**563,719**	**—**	**(504,101)**	**(1)**	**35,049**	**13,520,448**

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated statement of total changes in equity for the six-month period ended 30 June 2023.

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

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

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

												Minority interests		
Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	**Total**
Closing balance 31/12/2021 (*)	**703,371**	**7,899,22**	**—**	**19,108**	**5,441,185**	**—**	**(1,201,701)**	**(34,523)**	**530,238**	**—**	**(385,604)**	**—**	**24,980**	**12,996,281**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies (see Note 1.5)	—	—	—	—	—	—	(236,301)	—	—	—	108,029	—	—	**(128,272)**
Opening balance 01/01/2022	**703,371**	**7,899,22**	**—**	**19,108**	**5,441,185**	**—**	**(1,438,002)**	**(34,523)**	**530,238**	**—**	**(277,575)**	**—**	**24,980**	**12,868,009**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**407,016**	**—**	**(202,182)**	**—**	**13,964**	**218,798**
Other equity changes	**—**	**—**	**—**	**(786)**	**360,333**	**—**	**(59,149)**	**4,719**	**(530,238)**	**—**	**—**	**—**	**(747)**	**(225,868)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	(168,809)	—	—	—	—	—	—	—	—	**(168,809)**
Purchase of treasury shares	—	—	—	—	—	—	—	(50,878)	—	—	—	—	—	**(50,878)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	2,737	55,597	—	—	—	—	—	**58,334**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	530,238	—	—	—	(530,238)	—	—	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	(786)	—	—	—	—	—	—	—	—	—	**(786)**
Other increase or (-) decrease in equity	—	—	—	—	(1,096)	—	(61,886)	—	—	—	—	—	(747)	**(63,729)**
Closing balance 30/06/2022	**703,371**	**7,899,22**	**—**	**18,322**	**5,801,518**	**—**	**(1,497,151)**	**(29,804)**	**407,016**	**—**	**(479,757)**	**—**	**38,197**	**12,860,939**

Shown for comparative purposes only (see Note 1.5).

(*) Correspond to balances included in the consolidated annual financial statements for 2021 signed off by the directors of Banco de Sabadell, S.A.

Condensed consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

	Note	30/06/2023	30/06/2022 (*)
Cash flows from operating activities		**(10,797,092)**	**(2,942,804)**
Profit or loss for the period		564,398	420,980
Adjustments to obtain cash flows from operating activities		976,909	837,819
Depreciation and amortisation		273,855	272,402
Other adjustments		703,054	565,417
Net increase/decrease in operating assets		(3,183,054)	(9,949,805)
Financial assets held for trading		(20,485)	(2,288,803)
Non-trading financial assets mandatorily at fair value through profit or loss		(19,154)	15,779
Financial assets designated at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		185,192	701,764
Financial assets at amortised cost		(3,231,704)	(8,128,541)
Other operating assets		(96,903)	(250,004)
Net increase/decrease in operating liabilities		(9,081,018)	5,703,062
Financial liabilities held for trading		269,533	1,431,227
Financial liabilities designated at fair value through profit or loss		—	—
Financial liabilities at amortised cost		(9,215,894)	4,750,728
Other operating liabilities		(134,657)	(478,893)
Cash payments or refunds of income taxes		(74,327)	45,140
Cash flows from investing activities		**(125,492)**	**(334)**
Payments		(236,134)	(184,575)
Tangible assets		(130,591)	(104,545)
Intangible assets		(105,518)	(78,283)
Investments in joint ventures and associates		(25)	(1,747)
Subsidiaries and other business units		—	—
Non-current assets and liabilities classified as held for sale		—	—
Other payments related to investing activities		—	—
Collections		110,642	184,241
Tangible assets		51,407	39,016
Intangible assets		—	—
Investments in joint ventures and associates		13,682	120,503
Subsidiaries and other business units		—	—
Non-current assets and liabilities classified as held for sale		45,553	24,722
Other collections related to investing activities		—	—

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated cash flow statement for the six-month period ended 30 June 2023.

Condensed consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

	Note	30/06/2023	30/06/2022 (*)
Cash flows from financing activities		**353,678**	**(1,029,971)**
Payments		(686,552)	(1,088,305)
Dividends		(111,645)	(168,809)
Subordinated liabilities		(400,000)	(750,000)
Redemption of own equity instruments		—	—
Acquisition of own equity instruments		(60,887)	(50,878)
Other payments related to financing activities		(114,020)	(118,618)
Collections		1,040,230	58,334
Subordinated liabilities		1,000,000	—
Issuance of own equity instruments		—	—
Disposal of own equity instruments		40,230	58,334
Other collections related to financing activities		—	—
Effect of changes in foreign exchange rates		**63,961**	**44,154**
Net increase (decrease) in cash and cash equivalents		**(10,504,945)**	**(3,928,955)**
Cash and cash equivalents at the beginning of the period	**7**	**41,260,395**	**49,213,196**
Cash and cash equivalents at the end of the period	**7**	**30,755,450**	**45,284,241**

Memorandum item			
CASH FLOWS CORRESPONDING TO:			
Interest received		3,858,766	2,156,490
Interest paid		1,080,859	646,977
Dividends received		7,167	2,476
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
Cash	7	632,042	677,758
Cash equivalents in central banks	7	29,187,973	43,741,283
Other demand deposits	7	935,435	865,200
Other financial assets		—	—
Less: bank overdrafts repayable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**30,755,450**	**45,284,241**
Of which: held by Group entities but not available for the Group		—	—

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

Notes 1 to 35 and accompanying Schedules I to IV form an integral part of the condensed consolidated cash flow statement for the six-month period ended 30 June 2023.

Explanatory notes to the condensed consolidated interim financial statements of Banco Sabadell Group for the six-month period ended 30 June 2023

Note 1 – Activity, accounting policies and practices

1.1 Activity

Banco de Sabadell, S.A. (hereinafter also referred to as "Banco Sabadell", "the Bank", "the Institution", or "the Company"), with Tax Identification Number (NIF) A08000143 and with registered office in Alicante, Avenida Óscar Esplá, 37, engages in banking business and is subject to the standards and regulations governing banking institutions operating in Spain. The Institution is entered in the Bank of Spain's Official Register of Credit Institutions under code number 0081. The supervision of Banco Sabadell on a consolidated basis is performed by the European Central Bank (ECB).

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

The Bank is the parent company of a group of entities (see Schedule I to the 2022 consolidated annual financial statements and Note 2) whose activity it controls directly or indirectly and which comprise, together with the Bank, Banco Sabadell Group (hereinafter, "the Group").

1.2 Basis of presentation

The Group's consolidated annual financial statements for 2022 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU IFRS) applicable at the end of 2022, taking into account Bank of Spain (BoS) Circular 4/2017 of 27 November as well as other provisions of the financial reporting regulations applicable to the Group, in order to fairly present the Group's equity and consolidated financial situation as at 31 December 2022 and the results of its consolidated operations, changes in equity and cash flows in 2022.

Note 1 to the consolidated annual financial statements for 2022 includes a summary of the principles, accounting policies and measurement criteria applied by the Group. The aforesaid consolidated annual financial statements were authorised by the directors of Banco Sabadell at the Board meeting of 16 February 2023 and approved at the Annual General Meeting of 23 March 2023.

These condensed consolidated interim financial statements for the six-month period ended 30 June 2023 have been prepared and are presented in accordance with IAS 34 "Interim Financial Reporting", as set out in the EU IFRS, and they were authorised by the Bank's directors on 26 July 2023, taking into account Bank of Spain Circular 4/2017 of 27 November and its subsequent amendments.

The condensed consolidated interim financial statements have been prepared applying the same consolidation principles, accounting policies and measurement criteria as those applied by the Group in the consolidated annual financial statements for the financial year 2022, taking into consideration the standards and interpretations that have come into force since 1 January 2023 (see Notes 1.3 and 1.5), so that they fairly present the Group's consolidated equity and consolidated financial situation as at 30 June 2023 and the consolidated results of its operations and consolidated cash flows materialising in the Group over the six-month period from 1 January to 30 June 2023.

In accordance with that set forth in IAS 34, the interim financial information is prepared with the sole purpose of explaining the significant events and changes that occurred in the six-month period, without duplicating information already published in the most recent consolidated annual financial statements. Therefore, for a proper comprehension of the information included in these condensed consolidated interim financial statements, they should be read together with the Group's consolidated annual financial statements for 2022.

These condensed consolidated interim financial statements have been prepared based on the accounting records kept by the Bank and each of the other entities in the Group, and include adjustments and reclassifications necessary to ensure the harmonisation of the accounting policies and measurement criteria applied by the Group.

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

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

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

1.3 Regulatory amendments in the first half of 2023

Standards and Interpretations issued by the International Accounting Standards Board (IASB) that entered into force in 2023

In the first half of 2023, the standards and interpretations adopted by the European Union, together with their amendments, which have been applied by the Group due to their entry into force or their early application, are the following:

Standards and Interpretations	Title
IFRS 17	Insurance contracts
Amendment to IFRS 17	Initial application of IFRS 17 and IFRS 9: Comparative information
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction

(*) The consolidated annual financial statements for the year 2022 contain a brief description of these amendments.

Except for the impact arising from the adoption of IFRS 17 (see section on Adoption of IFRS 17 “Insurance contracts” in this note and Note 1.5), the application of the aforesaid standards has had no significant effects on these condensed consolidated interim financial statements.

Adoption of IFRS 17 “Insurance contracts”

IFRS 17 came into effect on 1 January 2023, replacing IFRS 4, and modified the set of accounting requirements for recognising and measuring insurance contracts. The consolidated annual financial statements for 2022 include a description of the main features of the standard.

The initial application of this standard basically affects, at a consolidated level, the amount at which insurance undertakings associated with the Group that are controlled by Zürich Seguros (i.e. BanSabadell Vida, S.A. de Seguros y Reaseguros, BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros and BanSabadell Pensiones, E.G.F.P., S.A.) are recognised.

The application of IFRS 17 requires restatement of comparative information, the transition date for this standard being 1 January 2022. In this respect, the initial application of IFRS 17 has produced a reduction of the Group’s equity of 128 million euros as at 1 January 2022 and of 138 million euros as at 31 December 2022.

The main quantitative impacts of the initial application of IFRS 17 on the information set out in the financial statements for the financial year 2022 are set out below:

- The reconciliation between the Group's consolidated balance sheet as at 31 December 2021 published in the consolidated annual financial statements for the financial year 2021 and the opening consolidated balance sheet as at 1 January 2022 restated under IFRS 17 criteria is as follows:

Million euro

	Published balance 31/12/2021	IFRS 17 impact	Restated balance 01/01/2022
Total assets	**251,947**	**(128)**	**251,819**
Of which:			
Investments in joint ventures and associates	*639*	*(128)*	*511*
Total liabilities	**238,951**	**—**	**238,951**
Total equity	**12,996**	**(128)**	**12,868**
Of which:			
Other reserves	*(1,202)*	*(236)*	*(1,438)*
Accumulated other comprehensive income	*(386)*	*108*	*(278)*

- The reconciliation between the Group's consolidated balance sheet as at 31 December 2022 published in the consolidated annual financial statements for the financial year 2022 and the Group's consolidated balance sheet as at 31 December 2022 restated under IFRS 17 criteria is as follows:

Million euro

	Published balance 31/12/2022	IFRS 17 impact	Restated balance 31/12/2022
Total assets	**251,379**	**(138)**	**251,241**
Of which:			
Investments in joint ventures and associates	*515*	*(138)*	*377*
Total liabilities	**238,155**	**—**	**238,155**
Total equity	**13,224**	**(138)**	**13,086**
Of which:			
Other reserves	*(1,366)*	*(236)*	*(1,602)*
Profit or loss attributable to owners of the parent	*859*	*31*	*890*
Accumulated other comprehensive income	*(651)*	*67*	*(584)*

- The reconciliation between the Group's consolidated recognised income and expenses as at 30 June 2022 published in the condensed consolidated interim financial statements for the financial year 2022 and the Group's consolidated recognised income and expenses as at 30 June 2022 restated under IFRS 17 criteria is as follows:

Million euro

	Published balance 30/06/2022	IFRS 17 impact	Restated balance 30/06/2022
Profit or loss for the period	**407**	**14**	**421**
Of which:			
Profit or loss of entities accounted for using the equity method	*82*	*14*	*96*
Other comprehensive income	**(126)**	**(76)**	**(202)**
Of which:			
Share of other recognised income and expense of investments in joint ventures and associates	*(33)*	*(76)*	*(109)*

The entry into force of IFRS 17 has not had any significant impact on the classification and recognition of the Group's other assets and liabilities.

Standards and interpretations issued by the IASB not yet in force

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

Standards and interpretations	Title	Mandatory for years beginning:
Not approved for application in the EU		
Amendments to IAS 12	International tax reform – Pillar Two Model Rules	Immediately and 1 January 2023 (**)
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 1 (*)	Presentation of financial statements: - Classification of liabilities as current or non-current - Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16 (*)	Lease liabilities in sale and leaseback transactions	1 January 2024

(*) The consolidated annual financial statements for the year 2022 include a brief description of these amendments.

(**) The exception described in this note may be applied immediately, whereas the breakdown requirements must be applied for the annual reporting periods beginning on or after 1 January 2023.

It is estimated that the adoption of the amendments issued by the IASB not yet in effect will not have a significant impact for the Group.

Not approved for application in the EU

Amendments to IAS 12 “International tax reform – Pillar Two Model Rules”

These amendments aim to respond the concerns raised by various stakeholders regarding the potential implications for the accounting of deferred taxes arising from the international tax reform of the Organisation for Economic Co-operation and Development (OECD). The OECD published the Pillar Two Model Rules in December 2021 to ensure that large multinational enterprises would be subject to a minimum tax rate of 15%.

Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union establishes a top-up tax through a system of two interlocked rules, together referred to as the GloBE or Pillar Two rules, promoted by the OECD and designed to ensure that where the effective tax rate of a multinational enterprise in a given jurisdiction is below 15%, an additional top-up tax will be collected. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 December 2023. It should be noted that the release of the Directive is not considered to be, in and of itself, a standard enacted in Spain.

The IAS 12 amendments introduce, on one hand, a temporary exception to the accounting for deferred taxes arising in jurisdictions that implement the international tax standards in order to ensure consistency in the financial statements while enabling implementation of the rules and, on the other hand, disclosure requirements to help investors better understand the exposure to income taxes arising from the Pillar Two rules before the regulations in each jurisdiction come into effect.

It is considered that the impact of the international tax reform will not be significant for the Group.

Amendments to IAS 7 and IFRS 7 “Supplier finance arrangements”

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

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

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

The preparation of the condensed consolidated interim financial statements requires certain accounting estimates to be made. It also requires the use of professional judgement in the process of applying the Group's accounting policies. Such judgements and estimates may affect the value of assets and liabilities and the disclosure of contingent assets and contingent liabilities as at the date of the condensed consolidated interim financial statements, as well as the income and expenses during the period to which they relate.

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

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

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

The main changes in judgements and estimates occurring during the first half of 2023 are described below:

Macroeconomic scenarios used to determine loan book impairment

The macroeconomic and financial scenarios used to calculate losses on the loan book have been determined taking into consideration the uncertain geopolitical context and the energy crisis in Europe, as well as high and persistent inflation and tight financial conditions.

In the three main scenarios considered, the probabilities of occurrence in the baseline, downside and upside scenarios are 62%, 28% and 10%, respectively (in the case of the subsidiary TSB, the probability of the baseline scenario is 60%, for the upside scenario it is 10% and for the downside scenario it is 20%, while an additional stress scenario, the severe downside scenario, is also included with a probability of 10%). A 5-year time horizon has been used to carry out the forecasts of these scenarios. The main variables considered are changes in GDP, the unemployment rate and house prices. In 2022, the Group also considered three macroeconomic scenarios, weighted at 61% for the baseline scenario, 30% for the downside scenario and 9% for the upside scenario.

The scenarios consider the consequences of the significant cycle of interest rate hikes in an environment where geopolitical uncertainty remains high. Thus, the main drivers setting the scenarios apart stem from the development of the conflict in Ukraine, geopolitical relations with Russia and the impacts of monetary tightening.

The baseline scenario features heightened concerns about economic growth stemming from the successive interest rate hikes, in an environment where inflation still remains high. Central banks maintain an orthodox stance and keep interest rates at restrictive levels whilst continuing to reduce their balance sheets, seeking to ensure that inflation will return to its target level. This makes it possible to keep inflation expectations anchored. Inflation remains at high levels throughout much of 2023. It then gradually falls back towards monetary policy target levels, although it could remain above those targets for a while. This context, combined with the geopolitical uncertainty, leads to an environment of economic stagnation in the main developed economies. Spain is in a more secure position than the rest of Europe and its experience is therefore relatively more favourable. Financial conditions remain restrictive and there is more stability in long-term government bond yields, after the sharp repricing observed in 2022. Peripheral countries' risk premiums remain relatively contained and in line with their respective credit ratings.

In the downside scenario, the global economy is subjected to new shocks that lead to a recession in 2023. These include the total breakdown of commercial relations between Europe and Russia and some ineffective governmental policies intended to cushion the impact of the Russian gas cut-off. The exacerbation of the recent problems experienced in part of the US banking industry could be an additional trigger for this scenario. Inflation remains high to begin with, but gradually falls towards monetary policy target levels due to weak demand. In this scenario, central banks pause the monetary tightening process, in view of the poor economic environment and sluggish capital markets. With regard to the financial markets, government bond yields partially reverse the upward movements of the last few months, although they remain at high levels compared to recent years. In addition, the implementation of an expansionary fiscal policy and worsening public accounts combine to put upward pressure on risk premiums.

In the upside scenario, global economic growth is vigorous and synchronised in view of an improved geopolitical context and the absence of both supply chain disruptions and further economic shocks. In addition, productivity gains stemming from an increasingly digitalised and sustainable economy filter through. Inflation falls back faster than in the baseline scenario and it is maintained at levels close to the monetary policy targets. This encourages central banks to set rates at levels in line with monetary neutrality and global financing conditions ease. The economic and financial environment allows risk premiums to remain contained.

The Group applies a series of additional adjustments to the results of its credit risk models, referred to as post model adjustments (PMAs) or overlays, in order to address situations in which the results of the models are not sufficiently sensitive to the uncertainty of the macroeconomic environment. These adjustments are temporary and remain in place until the reasons for which they were originally applied cease to exist. The application of these adjustments is subject to the governance principles established by the Group. As at 30 June 2023, the Group maintains a series of provisions in addition to those for expected losses, which include sector-specific aspects of the current macroeconomic climate and inflationary environment. These provisions were allocated in 2022 and there have been no significant qualitative or quantitative changes in 2023.

As at 30 June 2023 and 31 December 2022, the main forecast variables considered for Spain and the United Kingdom are those shown below:

%

	30/06/2023									
	Spain					**United Kingdom**				
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
GDP growth										
Baseline scenario	2.0	2.0	1.9	1.7	1.8	0.2	0.6	1.2	1.3	1.4
Upside scenario	6.0	3.6	2.0	2.0	2.0	0.5	1.8	1.8	1.4	1.4
Downside scenario	-0.9	0.6	2.0	1.7	1.8	-0.5	-1.1	1.1	1.3	1.4
Unemployment rate										
Baseline scenario	12.7	12.4	12.2	12.0	11.9	4.1	4.5	4.7	4.6	4.3
Upside scenario	10.8	9.4	8.9	8.7	8.5	3.9	3.8	3.8	3.8	3.8
Downside scenario	16.9	16.3	15.5	14.7	14.5	4.7	5.9	5.6	5.0	4.5
House price growth (*)										
Baseline scenario	0.3	1.8	2.0	2.0	2.0	-1.4	-5.7	-0.2	1.9	2.5
Upside scenario	3.0	3.6	3.8	3.6	3.6	-0.3	0.4	0.8	1.2	2.5
Downside scenario	-3.0	-1.6	2.0	2.0	2.0	-2.6	-11.3	-2.7	0.0	1.6

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

%

	31/12/2022									
	Spain					United Kingdom				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
GDP growth										
Baseline scenario	1.3	2.0	2.0	1.8	1.7	-1.3	-0.2	1.0	1.3	1.4
Upside scenario	4.4	4.4	2.5	2.0	2.0	-0.4	0.8	1.3	1.3	1.4
Downside scenario	-1.1	0.1	1.6	1.8	1.7	-2.5	-1.4	1.0	1.3	1.4
Unemployment rate										
Baseline scenario	12.7	12.4	12.1	11.9	11.7	4.4	5.2	5.0	4.6	4.2
Upside scenario	11.6	10.2	9.0	8.6	8.4	3.8	3.8	3.8	3.8	3.8
Downside scenario	15.6	16.7	15.8	14.9	14.2	5.4	6.3	5.7	5.0	4.5
House price growth (*)										
Baseline scenario	1.0	1.6	2.0	2.0	2.0	-3.3	-5.1	0.7	1.9	2.5
Upside scenario	3.0	3.6	3.8	3.6	3.6	-0.9	-2.3	0.7	2.9	3.7
Downside scenario	-2.6	-1.6	2.0	2.0	2.0	-3.4	-11.1	-0.5	4.3	4.3

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

1.5 Comparability

The information contained in the condensed consolidated interim financial statements and explanatory notes corresponding to 31 December 2022 and 30 June 2022 is shown solely and exclusively for purposes of comparison against the information relating to the six-month period ended 30 June 2023.

As indicated in the section on Adoption of IFRS 17 "Insurance contracts" of Note 1.3, the comparative information set out in the condensed consolidated interim financial statements and explanatory notes has been restated to reflect the application of IFRS 17.

1.6 Seasonality of the Group's transactions

Given the activities engaged in by the Group's companies, their transactions are neither cyclical nor seasonal. Consequently, these explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2023 do not contain specific disclosures in that regard.

Note 2 – Banco Sabadell Group

Schedule I to the consolidated annual financial statements for the year ended 31 December 2022 contains material disclosures about the Group companies that were consolidated as at that date and those accounted for using the equity method.

Schedule I to these condensed consolidated interim financial statements gives details of the business combinations, acquisitions and sales of equity holdings in other institutions (subsidiaries and/or associates) carried out by the Group during the six-month period ended 30 June 2023.

Changes in the scope of consolidation during the first half of 2023

No material changes in the scope of consolidation have taken place during the first half of 2023.

Other corporate actions in the first half of 2023

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

The total transaction amount 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 is subject to the corresponding requisite approvals.

Note 3 – Shareholder remuneration and earnings per share

Details are provided hereafter about the dividends paid out by the Bank during the six-month period ended 30 June 2023:

	30/06/2023		
	% of par	Euros per share	Amount (thousand euro) (*)
Ordinary shares	16 %	0.02	113,039
Other shares (non-voting, redeemable, etc.)	—	—	—
Total dividends paid	16 %	0.02	113,039
a) Dividends charged to results	16 %	0.02	113,039
b) Dividends charged to reserves or share premium	—	—	—
c) Dividends in kind	—	—	—

(*) Includes the treasury stock dividend.

On 25 January 2023, the Board of Directors agreed to submit a proposal to the Annual General Meeting to increase the payout ratio to 50%, to be paid out of 2022 earnings, combining a cash dividend with a share buyback.

To reach the aforesaid payout level, the Board of Directors submitted a proposal to the Annual General Meeting concerning the distribution of a supplementary gross cash dividend of 0.02 euros per share to be paid out of 2022 earnings, which was approved at the Annual General Meeting on 23 March 2023 and paid out in the same month. Consequently, the cash dividend reached 0.04 euros per share, paid out of 2022 earnings.

The remaining shareholder remuneration, up to 430 million euros equivalent to 50% of the payout ratio, will be distributed through a share buyback for a maximum cash amount of 204 million euros, which was approved at the Annual General Meeting on 23 March 2023 and which received the requisite authorisation from the European Central Bank on 30 June 2023. On the latter date, public notice was given of the establishment and execution of this temporary share buyback programme, in accordance with the provisions of Article 5 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016. The Buyback Programme began on 3 July 2023 and will end no later than 2 February 2024 and, in any event, once the maximum pecuniary amount has been reached or the maximum number of shares have been acquired.

Earnings per share

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

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

	30/06/2023	30/06/2022
Profit or loss attributable to owners of the parent (thousand euro)	563,719	407,016
Adjustment: Remuneration of other equity instruments (thousand euro)	(58,711)	(63,795)
Profit or (-) loss after tax from discontinued operations (thousand euro)	—	—
Profit or loss attributable to owners of the parent, adjusted (thousand euro)	505,008	343,222
Weighted average number of ordinary shares outstanding (*)	5,589,218,277	5,594,862,967
Assumed conversion of convertible debt and other equity instruments	—	—
Weighted average number of ordinary shares outstanding, adjusted	5,589,218,277	5,594,862,967
Earnings per share (euros)	0.09	0.06
Basic earnings per share adjusted for mandatory convertible bonds (euro)	0.09	0.06
Diluted earnings per share (euro)	0.09	0.06

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

As at 30 June 2023 and 2022, there were no other financial instruments or share-based commitments with employees with a significant impact on the calculation of diluted earnings per share for the periods presented. For this reason, basic earnings per share coincide with diluted earnings per share.

Note 4 – Risk management

Note 4 “Risk management” in the consolidated annual financial statements for 2022 gives information about the corporate risk culture, the Global Risk Framework and the overall organisation of the risk function, as well as the management and monitoring of the main financial and non-financial risks.

Material disclosures updated as at 30 June 2023 in relation to risk management are provided here below.

4.1. Macroeconomic, political and regulatory environment

Macroeconomic environment

- The first half of the year was marked by concerns about economic activity and the financial sector, in an environment where the central banks continued to implement monetary tightening.
- The collapse of several regional banks in the United States and problems at Credit Suisse caused temporarily heightened stress for the banking industry. The episode was managed efficiently by the financial authorities and the consequences were limited, given the unique nature of the problems in those institutions.
- The conflict in Ukraine has become less central as a factor influencing economic activity, although the international geopolitical environment remains unstable.
- The global economy demonstrated more resilience than expected due to, among other things, the easing of energy prices in Europe. However, economies are still fragile and prospects going forward look more bleak.
- Spain outperformed the main developed economies, supported by the foreign sector and, to a lesser extent, by business investment.
- Inflation levels in the major economies eased up during the six-month period. The focus now is on prices in the service sector, where inflation is proving more persistent.
- The EU and the UK reached an agreement to resolve the tensions around the status of Northern Ireland in the framework of the Brexit agreements.
- Central banks continued to tighten their monetary policy in the face of relatively high core inflation.
- Yields on long-term government debt fluctuated within a certain range (with the exception of the United Kingdom), showing greater stability than in 2022.
- Risk premiums in the European periphery dropped, generally reaching levels below those that would be consistent their fundamentals.
- Risk assets posted gains at the end of the half-year, particularly US stocks, which were driven by the tech industry.

Political and regulatory environment

Impacts stemming from the war in Ukraine

The war between Russia and Ukraine, which broke out at the end of February 2022 and which is still ongoing as at 30 June 2023, prompted governments to adopt plans and measures similar to those proposed during the health emergency in order to mitigate the impacts of the conflict (ICO guarantee lines and direct aid for affected sectors).

Banco Sabadell's credit risk with both individuals and companies from these countries is limited, and the same is true of its counterparty credit risk with financial institutions from both countries. Specifically, the largest exposures relate to mortgage loans granted to customers of Russian, Ukrainian or Belarusian nationality residing outside Spain, which amounted to 258 million euros as at 30 June 2023 and 293 million euros as at 31 December 2022. The real estate assets securing those exposures are located in Spain and had an average loan-to-value of 38% as at 30 June 2023 (39% as at 31 December 2022). Furthermore, these are all transactions that, on average, were originated more than 7 years ago.

Impacts of interest rate hikes and rising inflation

Measures to ease the mortgage burden

On 22 November 2022, the government introduced a package of measures designed to ease the mortgage burden. The package focuses on three key aspects.

Firstly, it amends the 2012 Code of Good Practice to provide greater relief to vulnerable households. This includes a reduction of the interest rate during a five-year grace period (to Euribor minus 0.10% instead of Euribor plus 0.25%), the option to apply for debt restructuring for a second time and to extend the period during which customers can request that their home be surrendered in settlement of the outstanding debt to two years. In addition, the scope of the Code of Good Practice was extended so that households that have not managed to increase their effort rate by the required 50% may take advantage of certain measures.

Secondly, a new temporary Code of Good Practice was established (valid for two years) to help middle-class families ease the financial burden of mortgages taken out up to 31 December 2022. This is achieved by freezing repayment instalment amounts and extending the repayment period of the loan to seven years.

Thirdly, it was decided to reduce expenses and fees to make it easier to change from a floating-rate mortgage to a fixed-rate mortgage, and to scrap the fees charged for early repayments and for changing from a floating-rate mortgage to a fixed-rate mortgage throughout the whole of 2023.

Uptake of the two Codes of Good Practice by financial institutions is voluntary, although once they sign up to them, compliance is mandatory. Banco Sabadell signed up to the new Code of Good Practice on 16 December 2022.

In the United Kingdom, Banco Sabadell's subsidiary, TSB, signed up to the Mortgage Charter which was launched at the end of June 2023. The aim of this initiative is to ease the burden of mortgage repayments for the most vulnerable customers through a series of commitments undertaken by the banking industry. The key measures agreed include offering tailored support for customers struggling to pay their mortgage, delaying property repossessions for at least 12 months following the first missed payment, and offering customers the option to switch to an interest-only mortgage for a six-month period, or to temporarily extend the term of the mortgage to reduce their monthly repayments.

4.2. Credit risk

Credit risk exposure

The table below shows the distribution, by headings of the condensed consolidated balance sheet and off-balance sheet exposures, of the Group's maximum gross credit risk exposure as at 30 June 2023 and 31 December 2022, without deducting collateral or credit enhancements obtained in order to ensure the fulfilment of payment obligations, broken down by portfolios and in accordance with the nature of the financial instruments:

Thousand euro

Maximum credit risk exposure	Note	30/06/2023	31/12/2022
Financial assets held for trading		**532,606**	**417,131**
Equity instruments		—	—
Debt securities	8	532,606	417,131
Non-trading financial assets mandatorily at fair value through profit or loss		**96,576**	**77,421**
Equity instruments	9	37,137	23,145
Debt securities	8	59,439	54,276
Financial assets at fair value through other comprehensive income		**5,611,942**	**5,802,264**
Equity instruments	9	178,676	179,572
Debt securities	8	5,433,266	5,622,692
Financial assets at amortised cost		**190,912,576**	**188,068,718**
Debt securities	8	21,940,459	21,453,031
Loans and advances	10	168,972,117	166,615,687
Derivatives		**6,868,459**	**6,672,213**
Total risk, broken down by financial assets		**204,022,159**	**201,037,747**
Loan commitments given	20	26,943,572	27,460,615
Financial guarantees given	20	2,015,656	2,086,993
Other commitments given	20	8,585,586	9,674,382
Total off-balance sheet exposures		**37,544,814**	**39,221,990**
Total maximum credit risk exposure		**241,566,973**	**240,259,737**

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

The values of the guarantees received to secure collection, as at 30 June 2023 and 31 December 2022, are as follows:

Thousand euro

	30/06/2023	31/12/2022
Value of collateral	95,773,807	97,340,958
Of which: securing stage 2 loans	*8,426,068*	*8,515,648*
Of which: securing stage 3 loans	*2,012,365*	*2,046,793*
Value of other guarantees	16,244,495	17,180,550
Of which: securing stage 2 loans	*2,177,195*	*2,635,673*
Of which: securing stage 3 loans	*1,094,914*	*1,080,167*
Total value of guarantees received	**112,018,302**	**114,521,508**

Credit quality of financial assets

The breakdown of total exposures rated according to the various internal rating levels, as at 30 June 2023 and 31 December 2022, is set out here below:

Million euro

Breakdown of exposure by rating	Exposures assigned rating/score				
	30/06/2023				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	23,040	189	6	–	23,235
A	14,286	19	–	–	14,305
BBB	86,784	244	–	–	87,028
BB	27,651	562	1	*3*	28,214
B	20,254	3,765	5	*67*	24,024
Other	3,396	8,111	5,523	*49*	17,030
No rating/score assigned	4,174	21	–	–	4,195
Total gross amount	**179,586**	**12,910**	**5,535**	**119**	**198,031**
Impairment allowances	**(357)**	**(481)**	**(2,269)**	***(1)***	**(3,107)**
Total net amount	**179,229**	**12,429**	**3,266**	***119***	**194,924**

Million euro

Breakdown of exposure by rating	Exposures assigned rating/score				
	31/12/2022				
	Stage 1	Stage 2	Stage 3	*Of which: purchased credit-impaired*	Total
AAA/AA	20,031	202	7	–	20,240
A	10,905	52	–	–	10,957
BBB	86,498	182	–	–	86,680
BB	30,428	474	1	*2*	30,903
B	20,728	3,843	4	*68*	24,575
Other	4,022	8,929	5,414	*54*	18,365
No rating/score assigned	3,531	20	35	–	3,586
Total gross amount	**176,143**	**13,702**	**5,461**	***124***	**195,306**
Impairment allowances	**(347)**	**(480)**	**(2,196)**	***(1)***	**(3,023)**
Total net amount	**175,796**	**13,222**	**3,265**	**123**	**192,283**

The breakdown of total off-balance sheet exposures rated according to the various internal rating levels, as at 30 June 2023 and 31 December 2022, is set out hereafter:

Million euro

Breakdown of exposure by rating	Exposures assigned rating/score				
	30/06/2023				
	Stage 1	Stage 2	Stage 3	*Of which: Purchased credit-impaired*	Total
AAA/AA	1,365	43	–	–	1,407
A	2,806	10	–	–	2,816
BBB	12,889	48	1	–	12,939
BB	9,166	72	3	–	9,241
B	8,603	729	5	*24*	9,338
Other	388	834	385	–	1,607
No rating/score assigned	195	2	–	–	197
Total gross amount	**35,412**	**1,739**	**394**	***25***	**37,545**
Impairment allowances	**(53)**	**(27)**	**(92)**	**–**	**(172)**
Total net amount	**35,359**	**1,711**	**302**	***25***	**37,372**

Million euro

Breakdown of exposure by rating	Exposures assigned rating/score				
	31/12/2022				
	Stage 1	**Stage 2**	**Stage 3**	***Of which: Purchased credit-impaired***	**Total**
AAA/AA	1,433	64	—	—	1,497
A	1,235	—	—	—	1,235
BBB	11,866	40	1	—	11,907
BB	9,791	164	3	—	9,958
B	11,585	867	5	*24*	12,457
Other	693	959	397	—	2,049
No rating/score assigned	117	2	—	—	119
Total gross amount	**36,720**	**2,096**	**406**	**24**	**39,222**
Impairment allowances	**(51)**	**(30)**	**(96)**	**—**	**(177)**
Total net amount	**36,669**	**2,066**	**310**	**24**	**39,045**

Further details on the credit rating and credit scoring models are included in section 4.4.2.2 of the consolidated annual financial statements for 2022.

Assets classified as stage 3 increased by 74 million euros in the first half of 2023. Consequently, the Group's NPL ratio increased during this period, as shown in the table below:

%

	30/06/2023	**31/12/2022**
NPL ratio (*)	3.50	3.41
Stage 3 coverage ratio (*)	40.10	39.42
Stage 3 coverage ratio, with total provisions (*)	55.70	55.04

(*) The NPL ratio ex-TSB stood at 4.23%, the Stage 3 coverage ratio stood at 42.97%, and the Stage 3 coverage ratio, with total provisions stood at 57.43% as at 30 June 2023 (4.13%, 42.25%, and 56.41%, respectively, as at 31 December 2022).

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

%

	30/06/2023	**Proforma 30/06/2023 (*)**	**31/12/2022**	**Proforma 31/12/2022 (*)**
Real estate development and construction	7.19	7.24	6.95	6.99
Non-real estate construction	6.80	6.81	7.06	7.07
Corporates	2.29	2.29	2.02	2.02
SMEs and self-employed	7.69	7.74	7.62	7.66
Individuals with 1st mortgage guarantee	2.19	3.01	2.08	2.86
Group NPL ratio	**3.50**	**4.23**	**3.41**	**4.13**

(*) Corresponds to the NPL ratio excluding TSB.

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

4.3. Liquidity risk

Assessment of liquidity needs and funding policy

The Bank's liquidity position has remained at comfortable levels during the first half of 2023. Throughout the period, the funding gap generated at the Group level has been positive, mainly due to a reduction of customer funds which was offset by reduced lending as a result of customers' reduced borrowing needs.

In the first half of 2023, Banco Sabadell's medium- and long-term maturities of wholesale debt amounted to 1.25 billion euros (not including partial and total redemptions derived from securitisations placed in the market) and it carried out five wholesale market issues amounting to a value of 3.5 billion euros. Specifically, on 18 January 2023 it executed an issue of perpetual preferred securities contingently convertible into ordinary shares of Banco Sabadell (Additional Tier 1) for 500 million euros with an early call option available to Banco Sabadell on 18 July 2028; on 7 February 2023 it issued Senior Non Preferred bonds for 750 million euros with a 6-year maturity and an early call option in the fifth year; on 16 February 2023 it issued subordinated bonds for 500 million euros with a 10.5-year maturity and an early call option after five and a half years; on 28 February 2023 it issued mortgage covered bonds for 1,000 million euros with a 3.5-year maturity and on 7 June 2023 it executed a green format issue of Senior Preferred debt for 750 million euros with a 6-year maturity and an early call option in the fifth year. Furthermore, in the first half of the year, Banco Sabadell successfully exercised one early call option on wholesale market issues. Specifically, on 23 February 2023 it exercised its option for early redemption of 400 million euros of an Additional Tier 1 issue.

In the second half of 2023, Banco Sabadell has scheduled maturities of medium- and long-term wholesale debt amounting to 1,138 million euros (not including partial and total redemptions derived from securitisations placed in the market).

With regard to asset securitisation transactions, Banco Sabadell did not proceed to early liquidation of any fund in the first half of 2023.

With regard to TSB, on 14 February 2023, it executed a new issuance of covered bonds in the amount of 1 billion pounds with a 4-year maturity. It did not exercise any early call option.

As at 30 June 2023, the balance drawn down from the facility that the Bank holds with the Bank of Spain for monetary policy operations with the European Central Bank stood at 5 billion euros (22 billion euros as at 31 December 2022), corresponding to the TLTRO III (Targeted Longer Term Refinancing Operations) liquidity auction, which matures in March 2024.

On the other hand, as at 30 June 2023, the total amount drawn down from the TFSME (Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises) provided by the Bank of England (BoE) stood at 4,660 million euros (as at 31 December 2022, BoE borrowing stood at 6,201 million euros, including 5,637 million euros drawn from the TFSME and 564 million euros drawn from the ILTR (Indexed Long-Term Repo)).

Capital markets

The Group has and regularly renews a number of programmes for funding in capital markets, with a view to diversifying its various available funding sources. Specifically with regard to short-term funding, the Institution has a corporate commercial paper programme registered with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV), and with regard to medium- and long-term funding, it has a Euro Medium Term Notes (EMTN) programme registered with the Irish Stock Exchange and the Base Prospectus of Non-Equity Securities registered with the CNMV.

The level of funding in capital markets has increased due to regulatory requirements, such as MREL (Minimum Requirement for own funds and Eligible Liabilities), focusing on products that have a tighter cost-to-term ratio given the Institution's credit rating. During the first half of 2023, as indicated previously, Banco Sabadell carried out five wholesale market issues amounting to 3.5 billion euros, while TSB carried out one issue in the amount of 1 billion pounds sterling.

Details of the Group's funding in capital markets, by type of product, as at 30 June 2023 and 31 December 2022 are shown below:

Million euro

	30/06/2023	**31/12/2022**
Outstanding nominal balance	**24,988**	**22,077**
Covered bonds	11,371	9,409
Of which: TSB	*2,622*	*1,409*
Commercial paper and ECP	9	7
Senior debt	4,215	4,440
Senior non-preferred debt	4,255	3,505
Subordinated debt and preferred securities	4,065	3,465
Asset-backed securities	1,072	1,251

Maturities of the Group's issues (excluding securitisations, ECP and commercial paper), by type of product and considering their legal maturity, aimed at institutional investors as at 30 June 2023 and 31 December 2022 are analysed below:

Million euro

	3Q23	4Q23	2024	2025	2026	2027	2028	>2028	Balance outstanding
Mortgage bonds and covered bonds (*)	50	1,088	2,724	836	1,390	2,265	1,568	1,450	11,371
Senior debt	—	—	735	1,480	—	500	750	750	4,215
Senior non-preferred debt	—	—	975	500	1,317	18	500	945	4,255
Subordinated debt and preferred securities	—	—	—	—	500	—	500	3,065	4,065
Total	**50**	**1,088**	**4,434**	**2,816**	**3,207**	**2,783**	**3,318**	**6,210**	**23,906**

(*) Collateralised issues.

Million euro

	2023	2024	2025	2026	2027	2028	> 2028	Balance outstanding
Mortgage bonds and covered bonds (*)	1,388	2,696	836	390	1,100	1,549	1,450	9,409
Senior debt (**)	975	735	1,480	—	500	750	—	4,440
Senior non-preferred debt (**)	—	975	500	1,317	18	500	195	3,505
Subordinated debt and preferred securities (**)	—	—	—	500	—	500	2,465	3,465
TOTAL	**2,363**	**4,406**	**2,816**	**2,207**	**1,618**	**3,299**	**4,110**	**20,819**

(*) Secured issues.

(**) Unsecured issues.

As at 30 June 2023, the Bank had outstanding issues of mortgage covered bonds amounting to 16,864 million euros (16,114 million euros as at 31 December 2022), which are secured by eligible mortgage loans and credit in the amount of 25,423 million euros (24,187 million euros at 31 December 2022). The mortgage covered bonds therefore have an overcollateralisation ratio of 155% (150% as at 31 December 2022), with all their collateral denominated in euros. More information can be found on the corporate website at www.grupbancsabadell.com (see section on Shareholders and Investors - Fixed income investors).

Liquid assets

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

Million euro

	30/06/2023	31/12/2022
Cash(*) + Net Interbank Position	24,462	35,012
Funds available in Bank of Spain facility	16,340	7,788
ECB eligible assets not pledged in facility	9,059	6,010
Other non-ECB eligible marketable assets (**)	5,346	5,234
Memorandum item:		
Balance drawn from Bank of Spain facility (***)	*5,000*	*22,000*
Balance drawn from Bank of England Term Funding Scheme (****)	*4,660*	*6,201*
Total Liquid Assets Available	**55,207**	**54,044**

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

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

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

(****) As at the end of June 2023, includes 4 billion pounds sterling to support small and medium-sized enterprises (TFSME). As at year-end 2022, includes 5 billion pounds sterling of TFSME and 500 million pounds from the Indexed Long Term Repo (ILTR).

Compared to year-end 2022, the Group's first line of liquidity increased in the first half of the year by 1,163 million euros. The balance of reserves and marginal deposit facility in central banks and the net interbank position showed a decline of -10,550 million euros in the first half of 2023, while ECB-eligible liquid assets increased by 11,601 million euros and available assets not deemed eligible by the European Central Bank increased by 112 million euros. These balance variations are largely explained by a positive change in the wholesale issuance volume, a higher valuation of assets and a positive customer funding gap, all partially offset by the reduction of own-name collateral, considering the impact associated with the gradual withdrawal of the temporary measures concerning the acceptance of collateral and the reduction of haircuts applied during the Covid-19 pandemic, as well as the reduced balance of drawings from the TFSME and ILTR facilities.

It should be noted that the Group follows a decentralised liquidity management model. This model tends to restrict the transfer of liquidity between the different subsidiaries involved in liquidity management, thereby limiting intra-group exposures, beyond any restrictions imposed by the local Regulators of each subsidiary. Thus, the subsidiaries involved in liquidity management determine their liquidity position by considering only those assets in their possession that meet the eligibility, availability and liquidity criteria set forth both internally and in regulations in order to comply with regulatory minima.

In addition to the first line of liquidity, each Liquidity Management Unit (LMU) monitors its liquidity buffer with an internal conservative criterion called the counterbalancing capacity. In the case of the BSab LMU (includes Banco de Sabadell S.A., which in turn includes activity in foreign branches as well as the businesses of Banco de Sabadell S.A. in Mexico), this liquidity buffer comprises the first and second lines of liquidity. As at 30 June 2023, the second line of liquidity added a volume of 11,587 million euros to the liquidity buffer (12,885 million euros as at 31 December 2022), including the covered bond issuing capacity, considering the average valuation applied by the central bank to own-use covered bonds used to obtain funding, as well as the deposits held in other financial institutions and immediately available for the business in Mexico not included in the first line of liquidity.

For the TSB LMU, this metric is calculated as the sum of the first line of liquidity plus assets pre-positioned with the Bank of England in order to obtain funding. As at 30 June 2023, the second line of liquidity, considering the amount of loans pre-positioned with the Bank of England, amounted to 4,282 million euros (3,366 million euros as at 31 December 2022).

There are no significant amounts of cash or cash equivalents that are unavailable for use by the Group.

Compliance with regulatory ratios

As part of its liquidity management, the Group monitors the short-term Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), reporting the necessary information to the Regulator on a monthly and quarterly basis, respectively. The measurement of liquidity based on these metrics forms part of liquidity risk control arrangements in all LMUs.

In terms of the LCR, since 1 January 2018, the regulatory minimum requirement has been 100%, a level amply surpassed by all of the Institution's LMUs, particularly in the case of Banco Sabadell Spain and TSB, both of which had very comfortable LCRs of 233% and 177%, respectively, as at 30 June 2023. At the Group level, the LCR has remained stable at well above 100% at all times, ending the second quarter of 2023 at 200%.

In terms of the NSFR, the regulatory minimum requirement, effective from June 2021, is 100%, a level amply surpassed by all of the Institution's LMUs given their funding structure, in which customer deposits are predominant and where the majority of market funding is in the medium/long term. It is particularly worth mentioning Banco Sabadell Spain and TSB, whose levels are far above 100%, standing at 133% and 155%, respectively, as at 30 June 2023. The Group-level ratio ended the second quarter of 2023 at 141%.

4.4. Market risk

Trading activity

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

The market risk incurred in trading activity in terms of 1-day VaR with a 99% confidence interval for the first half of 2023 and the full year 2022 was as follows:

Million euro

	30/06/2023			31/12/2022		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest rate risk	2.38	4.00	1.38	1.08	2.21	0.61
Foreign exchange risk (trading)	0.82	1.13	0.49	1.30	2.42	0.90
Equity	—	—	—	0.13	1.24	—
Credit spread	0.26	0.55	0.15	0.25	0.57	0.11
Aggregate VaR	**3.47**	**5.12**	**2.05**	**2.75**	**4.81**	**2.10**

The VaR figures for trading activity show a slight increase during the first half of the year, mainly in terms of interest rate risk. This is because the trading desks have greater exposure to this risk factor, particularly to short-term interest rates.

Structural interest rate risk

In Banco Sabadell, as part of the continuous improvement process, structural interest rate risk management and monitoring activities are implemented and regularly updated, aligning the Institution with best market practices and current regulations. In particular, throughout the first half of 2023 work has continued on the review and continuous improvement of the systems and behavioural models in accordance with the guidelines established by the European Banking Authority (hereinafter, "EBA"). Specifically, a new behavioural model for non-maturity deposits has been developed, in which the outcomes are obtained using different interest rate scenarios.

In terms of the evolution of interest rates, in the first half of 2023 the trend of rising benchmark rates has continued across all currencies. In the specific case of the euro, the 12-month Euribor stood at 4.13% as at the end of June 2023 (vs. 3.29% as at year-end 2022). The marginal deposit rate of the European Central Bank ended the six-month period at 3.5% (+150 basis points over the year), while the base rate of the Bank of England ended at 5.0% (+150 basis points over the year). The situation envisaged in the short-to-medium term is that rates of the Group's main currencies (EUR, USD and GBP) will continue to rise, influenced by inflationary pressures.

In 2023, the Bank's loan book continued to trend towards a higher proportion of fixed-rate transactions (mainly mortgages and business loans), while on the liabilities side, there has been evidence of a shift of balances from non-interest-bearing demand deposits to other interest-bearing products such as term deposits. Also noteworthy on the balance sheet for the first half of 2023 is the reduction of ECB funding through the TLTRO III facility (early repayment of 8.5 billion euros and maturity of 8.5 billion euros), with a total outstanding balance of 5 billion euros remaining, which matures in March 2024. All this has translated into a smaller net balance of interest-rate sensitive items on the balance sheet.

Furthermore, the Group continues to monitor customer behaviour in reaction to interest rate hikes and variations of other economic variables (unemployment rates, gross domestic product, etc.), in order to anticipate possible changes and impacts on the behavioural assumptions used to measure and manage IRRBB. In particular, it analyses customer behaviour related to non-maturity items (changes in the stability of demand deposits and possible migration to other products that earn more interest) and related to items with an expected maturity that may be different to the contractually established maturity (due to early repayment of loans, early termination of term deposits or recovery time, and balance of non-performing exposures).

Structural foreign exchange risk

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

The purpose of managing structural foreign exchange risk is to minimise the impact on the value of the Institution's portfolio/equity in the event of any adverse movements in currency markets. The foregoing takes into account the potential impacts on the capital (CET1) ratio and on the net interest margin, subject to the risk appetite defined in the RAS. Furthermore, the levels set for the established risk metrics must be complied with at all times.

Foreign exchange risk is monitored regularly and reports are sent to supervisory bodies on existing risk levels and on compliance with the limits set forth by the Board of Directors. The main monitoring metric is currency exposure, which measures the maximum potential loss that the open structural position could produce over a 1-month time horizon, with a 99% confidence level and in stressed market conditions.

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

The Bank's Financial Division, through the ALCO, designs and executes strategies to hedge structural FX positions in order to achieve its objectives in relation to the management of structural foreign exchange risk.

The most prominent permanent investments in non-local currencies are made in US dollars, pounds sterling and Mexican pesos.

The Group has been following a hedging policy for its equity that seeks to minimise the sensitivity of capital ratios to adverse movements in these currencies against the euro. To that end, the evolution of foreign business is monitored, as are the political and macroeconomic variables that could have a significant impact on exchange rates.

As regards permanent investments in US dollars, the overall position in this currency has gone from 1,278 million as at 31 December 2022 to 1,357 million as at 30 June 2023. In relation to this position, as at 30 June 2023, a buffer of 35% of total investment is maintained.

In terms of permanent investments in Mexican pesos, the capital buffer has gone from 9,253 million Mexican pesos as at 31 December 2022 (of a total exposure of 15,261 million Mexican pesos) to 9,703 million Mexican pesos as at 30 June 2023 (of a total exposure of 15,669 million Mexican pesos), representing 62% of the total investment made.

As regards permanent investments in pounds sterling, the capital buffer increased from 333 million pounds sterling as at 31 December 2022 to 393 million pounds sterling as at 30 June 2023 (total exposure has gone from 1,998 million pounds sterling as at 31 December 2022 to 2,060 million pounds sterling as at 30 June 2023), representing 19% of the total investment made (excluding intangibles).

Currency hedges are continuously reviewed in light of market movements.

The net position of foreign currency assets and liabilities includes the structural position of the Institution, which as at 30 June 2023 was valued at 3,119 million euros, of which 1,942 million euros corresponded to permanent equity holdings in pounds sterling, 807 million euros corresponded to permanent equity holdings in US dollars and 321 million euros to permanent equity holdings in Mexican pesos. Net assets and liabilities valued at historical exchange rates are hedged with currency forwards and currency options in line with the Group's risk management policy.

As at 30 June 2023, the sensitivity of the equity exposure to a 1.30%[1] exchange rate depreciation against the euro of the main currencies to which there is exposure would amount to 41 million euros, of which 62% corresponds to the pound sterling, 26% to the US dollar and 10% to the Mexican peso.

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[1] Depreciation potential of the equity exposure, at a moderately conservative level, calculated based on quarterly exchange rate volatility over the past three years.

4.5. Strategic risk

Macroeconomic uncertainty continued in 2023, brought on by the conflict between Russia and Ukraine and the consequent energy crisis, with high energy prices that in turn generated increased inflation, although the energy crisis has not been as bad as expected, given the absence of energy shortages.

Higher inflation prompted central banks to tighten their monetary policy, generating an increase in interest rates. Inflation data followed a positive trend in Europe, with the exception of the United Kingdom, where headline inflation in recent months continued to rise and core inflation reached its highest level since 1992. On the other hand, inflation in the Eurozone was below expectations, reaching its lowest level in the last 15 months.

This rise in inflation resulted in monetary policies under which successive interest rate hikes were implemented. That said, the data points to a slowdown in the rise of inflation and the Federal Reserve (Fed) has therefore paused its rate increases after ten consecutive hikes, while in the Eurozone, interest rates are expected to peak at the end of 2023 with a reduction anticipated during 2024.

The economy in Spain remains in good shape, thanks to the foreign sector and the good performance of the services sector. Thus, the Bank of Spain (BoS) has revised its GDP forecast for 2023 upwards by +0.7, to reach an annual rate of 2.3%.

In the first six months of 2023 the banking industry came under stress following the collapse of two American banks and liquidity problems at Credit Suisse, which led to falls in banks' share prices due to the contagion effect. This was compounded by the rise in interest rates and maturity of TLTRO borrowing. All this has shifted the focus onto interest rate risk and liquidity risk management and control. In this respect, Banco Sabadell has been constantly tracking its capital and liquidity levels, being careful not to exceed the RAS metrics used to monitor these parameters, which have remained at comfortable levels.

4.6. Brexit

The Group continues to monitor the developments and consequences of Brexit. Since the Brexit deals came into effect on 1 January 2021, attention has focused on the difficulties identified by certain sectors in relation to the continuation of trade relations between the UK and the EU and the way in which companies have been adapting to the new trade arrangements. It is difficult to separate the impacts caused by Brexit from the disruptions observed in global supply chains associated, initially, with pandemic-related restrictions, thereafter with the reopening of the economy and the recovery of demand and, subsequently, with the conflict in Ukraine and the energy crisis.

The most noteworthy event related to Brexit in recent months was the agreement reached between the United Kingdom and the European Union to relieve the tensions that have been building over the past few years in relation to the Northern Ireland Protocol, which is part of the Brexit agreements, and to change cross-border arrangements in Northern Ireland. The agreement concluded with the signature of the Windsor Framework. Under this umbrella, trade relations between the parties around that border will be regulated and a joint committee (EU-UK Joint Committee) will be in charge of overseeing the framework's implementation. Specifically, the new Framework lays down more flexible rules for the trade of goods between Northern Ireland and Great Britain, but retains certain controls over goods from Great Britain that will enter the Republic of Ireland. At the same time, changes have also been made in relation to medicines, private equity transactions and value added tax. Furthermore, the new Framework also includes a backstop known as the 'Stormont Brake', which gives the Northern Ireland Assembly the right to veto new regulations approved by the EU where they could be detrimental to the region.

With regard to the financial sector, the UK and the EU have signed a Memorandum of Understanding (MoU) on financial services regulatory cooperation. The MoU sets out plans for cooperation between the UK and the EU and its objective is to establish a constructive and mutually beneficial relationship between both regions in relation to financial services. On the other hand, the United Kingdom is close to enacting new legislation on financial services and markets, which will transpose the EU regulations in this area into British law, in addition to introducing new features in some areas such as digital. The United Kingdom also continues to publish proposals, for consultation purposes, regarding its regulation of financial services, using the new regulatory freedoms proffered by Brexit. The Treasury Select Committee has created a sub-committee to hasten the scrutiny of these regulatory proposals, in order to use the new freedoms to make legislative processes less bureaucratic and more nimble. On the other hand, news of financial service activity moving from the UK to the EU and to the US continues to be published.

In relation to the Group's specific activity in the United Kingdom, and from an operational standpoint, there are no signs of vulnerability in terms of existing contracts between counterparties, cross-dependency on financial market infrastructures, reliance on funding markets, etc. It is also worth noting that TSB has a low risk profile, with a robust capital position (fully-loaded CET1 capital ratio of 17.3%), with a balance sheet that is evenly distributed between loans and deposits (loan-to-deposit ratio of 104%) and with a loan book in which over 90% of loans are mortgage-secured. Furthermore, the quality of this mortgage book is very high, with an average LTV of 55%, and only a relatively small exposure to high-risk segments.

In 2023, the Bank analysed the recoverability of the capital invested in TSB, based on the financial forecasts approved by the Board of Directors. The results of the analysis showed that there are no signs of impairment in this investment, as detailed in Note 12 to these condensed consolidated interim financial statements.

Note 5 – Minimum own funds and capital management

Capital ratios

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

The Covid-19 health crisis prompted competent institutions in Europe to temporarily lower liquidity, capital and operational requirements applicable to banks, to ensure that they could continue carrying out their role of providing funding to the real economy.

In particular, the European Commission, the European Central Bank and the EBA provided clarity regarding the application of the flexibility already embedded in Regulation (EU) 575/2013 by issuing interpretations and guidance on the application of the prudential framework in the context of Covid-19. These transitional provisions will end in December 2024, as established in Regulation (EU) 2020/873.

In accordance with the aforesaid regulatory framework, credit institutions must comply with a total capital ratio of 8% at all times. However, Regulators may exercise their authority and require institutions to maintain additional capital.

On 14 December 2022, Banco Sabadell received the decision of the European Central Bank concerning the minimum prudential requirements applicable as from 1 January 2023, as a result of the Supervisory Review and Evaluation Process (SREP). On a consolidated basis, Banco Sabadell is required to keep a phase-in Common Equity Tier 1 (CET1) ratio of at least 8.65% and a phase-in Total Capital ratio of at least 13.09%. These ratios include the minimum required by Pillar 1 (8%, of which 4.50% corresponds to CET1), the Pillar 2R (2.15%, of which 1.21% must be met with CET1), the capital conservation buffer (2.50%), the requirement applicable due to the Bank's status as an 'other systemically important institution' (0.25%), and the countercyclical buffer (0.19%) that stems from the Bank of England's Financial Policy Committee (FPC) decision dated 13 December 2021 to increase the countercyclical buffer from 0% to 1% as from 13 December 2022.

As at 30 June 2023, the Group's phase-in CET1 ratio stood at 12.88%, comfortably exceeding the aforementioned requirements.

The following table shows the phase-in capital ratios and eligible own funds of the Group as at 30 June 2023 and 31 December 2022:

Thousand euro

	30/06/2023	31/12/2022	Year-on-year change (%)
Capital	703,371	703,371	—
Reserves	12,844,548	12,838,901	0.04
Valuation and transitional adjustments	(434,152)	(544,155)	
Deductions	(2,994,447)	(2,915,365)	2.71
CET1 capital	**10,119,320**	**10,082,751**	**0.36**
CET1 (%)	12.88	12.68	1.58
Preference shares, convertible bonds and deductions	1,750,000	1,650,000	6.06
Additional Tier 1 capital	**1,750,000**	**1,650,000**	**—**
AT1 (%)	2.23	2.07	7.73
Tier 1 capital	**11,869,320**	**11,732,751**	**1.16**
Tier 1 (%)	15.11	14.75	2.44
Tier 2 capital	**2,353,918**	**1,855,001**	**26.90**
Tier 2 (%)	3.00	2.33	28.76
Capital base	**14,223,238**	**13,587,753**	**4.68**
Minimum capital requirements (*)	10,290,924	10,411,235	(1.16)
Capital surplus	**3,932,313**	**3,176,518**	**23.79**
Total capital ratio (%)	**18.11**	**17.08**	**6.03**
Risk-weighted assets (RWAs)	**78,536,802**	**79,544,790**	**(1.27)**

(*) The calculation of minimum capital requirements includes the change in the countercyclical buffer as at 30 June 2023.

Common Equity Tier 1 (CET1) capital accounts for 71.15% of eligible capital. Deductions are mainly comprised of intangible assets, goodwill and deferred tax assets.

Tier 1 comprises, in addition to CET1 funds, items that largely make up Additional Tier 1 capital (12.30% of own funds), which are capital items comprised of equity securities. On 18 January 2023, a new issue, Preferred Securities 1/2023, was executed in the amount of 500 million euros, which replaced the Preferred Securities 2/2017 issue of 400 million euros, whose early call option envisaged in the issue's conditions was exercised on 23 February 2023.

Tier 2 capital provides 16.55% of the solvency ratio and is essentially made up of subordinated debt. As regards subordinated debt, it is worth mentioning the Subordinated Bonds 1/2023 issue carried out on 16 February 2023, which increased the amount of Tier 2 capital by 500 million euros.

As for risk weighted assets (RWAs), these decreased by 1,008 million euros in the period. At Banco Sabadell ex-TSB, the reduction in RWAs is due, firstly, to the improvement in the density of the loan portfolio (here the positive evolution of ratings as a result of businesses' improved balance sheets is worthy of note) and, secondly, to the natural improvement of the portfolio itself over time. This improvement in density is partially offset by the change in the collateral mix of the lending portfolio because a significant volume of ICO loans matured in the period. Additionally, IFRS 17 entered into force in the quarter and there was a reduction in interest rate risk requirements, in large part as a result of the performance of the portfolio. In TSB, it is worth noting the increases in RWAs because of the appreciation of the pound against the euro.

In fully-loaded terms, all of these developments and events, in terms of both available capital and risk-weighted assets, have allowed Banco Sabadell to reach a Common Equity Tier 1 (CET1) ratio as at 30 June 2023 of 12.87% and a Total Capital ratio of 18.10%.

Leverage ratio

The leverage ratio aims to reinforce capital requirements by providing a supplementary measure that is not linked to the level of risk. Article 92 of the CRR-II regulation establishes that a minimum leverage ratio of 3% is required as from June 2021; this percentage is comfortably exceeded by the Group as at 30 June 2023.

The leverage ratio as at 30 June 2023 and 31 December 2022 is shown below:

Thousand euro

	30/06/2023	31/12/2022
Tier 1 capital	11,869,320	11,732,751
Exposure	241,024,355	253,840,350
Leverage ratio	**4.92 %**	**4.62 %**

During the first half of 2023, the leverage ratio increased by 30bps compared to the leverage ratio as at 31 December 2022, mainly due to a decrease in the exposure with central banks linked to TLTRO repayments and, to a lesser extent, due to a smaller exposure due to the decline in lending volumes. Tier 1 capital also improved in the period mainly due to the new Preferred Securities 1/2023 issue in the amount of 500 million euros, which refinances the early redemption of the Preferred Securities 2/2017 issue for 400 million euros, as well as the positive evolution of Common Equity Tier 1 (CET1) capital in the first half of the year.

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

MREL

On 11 January 2023, Banco Sabadell received a communication from the Bank of Spain regarding the decision made by the Single Resolution Board (SRB) concerning the minimum requirement for own funds and eligible liabilities (MREL) and the subordination requirement applicable on a consolidated basis.

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

– The minimum MREL requirement 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), comprising the capital conservation buffer, the systemic risk buffer and the countercyclical buffer, will not be eligible to meet the MREL and subordination requirements expressed in terms of the TREA.

As at 30 June 2023, Banco Sabadell was compliant with the MREL requirements established by the SRB and in force as from 1 January 2023.

The table shown below sets out details of the Group's MREL as a percentage of the TREA, as at 30 June 2023 and 31 December 2022:

	30/06/2023	31/12/2022
CET1 phase-in	12.9 %	12.7 %
AT1 phase-in	2.2 %	2.1 %
Tier 2 phase-in	3.0 %	2.3 %
Subordinated bonds	4.5 %	4.6 %
Not subordinated liabilities	4.7 %	4.6 %
Total MREL	**27.2 %**	**26.3 %**

Note 6 – Fair value of assets and liabilities

Financial assets and financial liabilities

The methodology and classification of the fair value by level is explained in Note 6 to the Group's 2022 consolidated annual financial statements.

Determination of the fair value of financial instruments

A comparison between the value at which the Group's financial assets and financial liabilities are recognised on the condensed consolidated balance sheets, as at 30 June 2023 and 31 December 2022, and their corresponding fair values is shown below:

Thousand euro

		30/06/2023		31/12/2022	
	Note	**amount**	**Fair value**	**amount**	**Fair value**
Assets:					
Cash, cash balances at central banks and other demand deposits	7	30,755,450	30,755,450	41,260,395	41,260,395
Financial assets held for trading		4,037,739	4,037,739	4,017,253	4,017,253
Non-trading financial assets mandatorily at fair value through profit or loss	8, 9	96,576	96,576	77,421	77,421
Financial assets at fair value through other comprehensive income	8, 9	5,611,942	5,611,942	5,802,264	5,802,264
Financial assets at amortised cost	8, 10	187,805,207	185,233,076	185,045,452	178,139,213
Derivatives – Hedge accounting		3,363,326	3,363,326	3,072,091	3,072,091
Total assets		**231,670,240**	**229,098,109**	**239,274,876**	**232,368,637**

Thousand euro

		30/06/2023		31/12/2022	
	Note	**amount**	**Fair value**	**amount**	**Fair value**
Liabilities:					
Financial liabilities held for trading		3,868,016	3,868,016	3,598,483	3,598,483
Financial liabilities at amortised cost	15, 16, 17	223,886,942	214,019,636	232,529,932	221,121,599
Derivatives – Hedge accounting		1,623,369	1,623,369	1,242,470	1,242,470
Total liabilities		**229,378,327**	**219,511,021**	**237,370,885**	**225,962,552**

Financial instruments at fair value

The following tables show the main financial instruments recognised at fair value in the accompanying condensed consolidated balance sheets, broken down by the IFRS 13 level to which they have been assigned:

Thousand euro

		30/06/2023			
	Note	Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		532,606	3,505,115	18	4,037,739
Derivatives		—	3,505,115	18	3,505,133
Equity instruments		—	—	—	—
Debt securities	8	532,606	—	—	532,606
Loans and advances – Customers		—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		31,835	11,249	53,492	96,576
Equity instruments	9	19,224	10,092	7,821	37,137
Debt securities	8	12,611	1,157	45,671	59,439
Loans and advances		—	—	—	—
Financial assets at fair value through other comprehensive income		4,642,089	868,465	101,388	5,611,942
Equity instruments	9	600	122,501	55,575	178,676
Debt securities	8	4,641,489	745,964	45,813	5,433,266
Loans and advances		—	—	—	—
Derivatives – Hedge accounting		—	3,363,255	71	3,363,326
Total assets		**5,206,530**	**7,748,084**	**154,969**	**13,109,583**

Thousand euro

		30/06/2023			
	Note	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities held for trading		345,394	3,522,622	—	3,868,016
Derivatives		—	3,522,622	—	3,522,622
Short positions		345,394	—	—	345,394
Deposits with credit institutions		—	—	—	—
Financial liabilities designated at fair value through profit or loss		—	—	—	—
Derivatives – Hedge accounting		—	1,623,369	—	1,623,369
Total liabilities		**345,394**	**5,145,991**	**—**	**5,491,385**

Thousand euro

		31/12/2022			
	Note	Level 1	Level 2	Level 3	Total
Assets:					
Financial assets held for trading		417,131	3,597,627	2,495	4,017,253
Derivatives		—	3,597,627	2,495	3,600,122
Equity instruments		—	—	—	—
Debt securities	8	417,131	—	—	417,131
Loans and advances – Customers		—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		14,861	10,428	52,132	77,421
Equity instruments	9	1,945	9,286	11,914	23,145
Debt securities	8	12,916	1,142	40,218	54,276
Loans and advances		—	—	—	—
Financial assets at fair value through other comprehensive income		5,557,280	142,327	102,657	5,802,264
Equity instruments	9	631	122,400	56,541	179,572
Debt securities	8	5,556,649	19,927	46,116	5,622,692
Loans and advances		—	—	—	—
Derivatives – Hedge accounting		—	3,062,111	9,980	3,072,091
Total assets		**5,989,272**	**6,812,493**	**167,264**	**12,969,029**

Thousand euro

		31/12/2022			
	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities:					
Financial liabilities held for trading		224,447	3,374,036	—	3,598,483
Derivatives		—	3,374,036	—	3,374,036
Short positions		224,447	—	—	224,447
Deposits with credit institutions		—	—	—	—
Derivatives – Hedge accounting		—	1,242,470	—	1,242,470
Total liabilities		**224,447**	**4,616,506**	**—**	**4,840,953**

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

Thousand euro

	Assets	**Liabilities**
Balance as at 31 December 2022	**167,264**	**—**
Valuation adjustments recognised in profit or loss (*)	1,703	—
Valuation adjustments not recognised in profit or loss	(8,621)	—
Purchases, sales and write-offs	(4,201)	—
Net additions/removals in Level 3	(980)	—
Exchange differences and other	(196)	—
Balance as at 30 June 2023	**154,969**	**—**

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

Income from sales of financial instruments classified as Level 3, recognised in the condensed consolidated income statement for the six-month period ended 30 June 2023, was not significant.

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

Thousand euro

		30/06/2023					
	Fro	**Level 1**		**Level 2**		**Level 3**	
	To:	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Assets:							
Financial assets held for trading		—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss		—	—	—	—	—	—
Financial assets designated at fair value through profit or loss		—	—	—	—	5,500	—
Financial assets at fair value through other comprehensive income		687,365	4,520	—	—	—	—
Derivatives		—	—	—	—	—	—
Liabilities:							
Financial liabilities held for trading		—	—	—	—	—	—
Financial liabilities designated at fair value through profit or loss		—	—	—	—	—	—
Derivatives – Hedge accounting		—	—	—	—	—	—
Total		**687,365**	**4,520**	**—**	**—**	**5,500**	**—**

Transfers from Level 1 to Level 2 correspond mainly to bonds issued by US government agencies for which, given their characteristics, it has been determined that their fair value should be obtained primarily using directly or indirectly observable market data.

As at 30 June 2023 and 31 December 2022, there were no derivatives using equity instruments as underlying assets or material shares in discretionary profits in any companies.

Financial liabilities at amortised cost

The following tables show the fair value of the main financial instruments recognised at amortised cost in the accompanying consolidated balance sheets:

Thousand euro

	30/06/2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Financial assets at amortised cost:				
Debt securities	19,388,514	495,252	607,199	20,490,965
Loans and advances	–	25,142,574	139,599,537	164,742,111
Total assets	**19,388,514**	**25,637,826**	**140,206,736**	**185,233,076**

Thousand euro

	30/06/2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Financial liabilities at amortised cost (*):				
Deposits	–	180,480,449	–	180,480,449
Debt securities issued	20,285,066	4,826,040	–	25,111,106
Total liabilities	**20,285,066**	**185,306,489**	**–**	**205,591,555**

(*) As at 30 June 2023, the Group had other financial liabilities amounting to 8,428,081 thousand euros.

Thousand euro

	31/12/2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Financial assets at amortised cost:				
Debt securities	19,264,376	778,098	207,034	20,249,508
Loans and advances	2,776,939	20,211,002	134,901,764	157,889,705
Total assets	**22,041,315**	**20,989,100**	**135,108,798**	**178,139,213**

Thousand euro

	31/12/2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Financial liabilities at amortised cost (*):				
Deposits	–	188,065,858	3,772,522	191,838,380
Debt securities issued	18,674,324	3,950,033	–	22,624,357
Total liabilities	**18,674,324**	**192,015,891**	**3,772,522**	**214,462,737**

(*) As at 31 December 2022, the Group had other financial liabilities amounting to 6,658,861 thousand euros.

The fair value of the headings "Financial assets at amortised cost" and "Financial liabilities at amortised cost" has been estimated using the discounted cash flow method, applying market interest rates as at the end of each year, with the exception of debt securities with active markets, for which it has been estimated using year-end quoted prices. The fair value of the heading "Cash, cash balances at central banks and other demand deposits" has been likened to its carrying amount, as these are mainly short-term balances.

Financial instruments at cost

As at 30 June 2023 and 31 December 2022, there were no equity instruments valued at their cost of acquisition that could be considered significant.

Loans and financial liabilities designated at fair value through profit or loss

As at 30 June 2023 and 31 December 2022, there were no financial liabilities designated at fair value through profit or loss.

Non-financial assets

Real estate assets

The methodology used by the Group to determine the fair value of real estate assets is explained in Note 6 to the 2022 consolidated annual financial statements.

In the first half of 2023, there were no significant changes in the methods used to value the Group's real estate assets.

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

The composition of this heading in the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
By nature:		
Cash	632,042	686,258
Cash balances at central banks	29,187,973	39,236,780
Other demand deposits	935,435	1,337,357
Total	**30,755,450**	**41,260,395**

Note 8 – Debt securities

Debt securities reported in the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 are analysed below:

Thousand euro

	30/06/2023	31/12/2022
By heading:		
Financial assets held for trading	532,606	417,131
Non-trading financial assets mandatorily at fair value through profit or loss	59,439	54,276
Financial assets at fair value through other comprehensive income	5,433,266	5,622,692
Financial assets at amortised cost	21,940,267	21,452,820
Total	**27,965,578**	**27,546,919**
By nature:		
General governments	27,176,212	27,099,465
Credit institutions	1,598,502	1,271,290
Other sectors	473,593	486,731
Assets classified as stage 3	899	73
Impairment allowances	(192)	(211)
Other valuation adjustments (interest, fees and commissions, other)	(1,283,436)	(1,310,429)
Total	**27,965,578**	**27,546,919**

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

Note 9 – Equity instruments

Equity instruments reported in the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 are analysed below:

Thousand euro

	30/06/2023	31/12/2022
By heading:		
Non-trading financial assets mandatorily at fair value through profit or loss	37,137	23,145
Financial assets at fair value through other comprehensive income	178,676	179,572
Total	**215,813**	**202,717**
By nature:		
Resident sector	187,689	176,474
Credit institutions	8,860	8,484
Other	178,829	167,990
Non-resident sector	16,062	15,034
Credit institutions	—	—
Other	16,062	15,034
Participations in investment vehicles	12,062	11,209
Total	**215,813**	**202,717**

Note 10 – Loans and advances

Central banks and credit institutions

The breakdown of the headings “Loans and advances – Central banks” and “Loans and advances – Credit institutions” of the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
By heading:		
Financial assets at amortised cost	9,316,119	4,862,951
Total	**9,316,119**	**4,862,951**
By nature:		
Deposits with agreed maturity	955,209	1,055,449
Repos	7,644,291	3,255,069
Other	684,369	546,896
Stage 3 assets	—	—
Impairment allowances	(2,581)	(2,777)
Other valuation adjustments (interest, fees and commissions, other)	34,831	8,314
Total	**9,316,119**	**4,862,951**

Customers

The breakdown of the heading “Loans and advances – Customers” (General governments and Other sectors) of the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
By heading:		
Financial assets at amortised cost	156,548,821	158,729,681
Total	**156,548,821**	**158,729,681**
By nature:		
Overdrafts, etc.	3,584,603	3,369,675
Commercial loans	7,002,253	7,489,183
Finance leases	2,310,868	2,226,514
Secured loans	91,944,523	92,751,597
Repos	130,302	—
Other term loans	48,991,395	50,293,284
Stage 3 assets	5,534,420	5,460,665
Impairment allowances	(3,104,595)	(3,020,279)
Other valuation adjustments (interest, fees and commissions, other)(*)	155,052	159,042
Total	**156,548,821**	**158,729,681**
By sector:		
General governments	9,298,058	10,072,272
Other sectors	144,665,886	146,057,981
Stage 3 assets	5,534,420	5,460,665
Impairment allowances	(3,104,595)	(3,020,279)
Other valuation adjustments (interest, fees and commissions, other)(*)	155,052	159,042
Total	**156,548,821**	**158,729,681**

(*) Other valuation adjustments related to transactions classified as stage 3 amounted to 36,760 thousand euros as at 30 June 2023 and 29,922 thousand euros as at 31 December 2022.

Financial assets classified on the basis of their credit risk

The breakdown of financial assets, excluding valuation adjustments, classified on the basis of their credit risk as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

Stage 1	**30/06/2023**	**31/12/2022**
Debt securities	29,199,142	28,808,314
Loans and advances	150,386,824	147,334,819
Customers	141,102,962	142,483,973
Central banks and Credit institutions	9,283,863	4,850,846
Total stage 1	**179,585,966**	**176,143,133**
By sector:		
General governments	36,464,173	37,166,529
Central banks and Credit institutions	10,882,364	6,122,136
Other private sectors	132,239,429	132,854,468
Total stage 1	**179,585,966**	**176,143,133**

Stage 2	**30/06/2023**	**31/12/2022**
Debt securities	49,165	49,173
Loans and advances	12,860,989	13,652,848
Customers	12,860,981	13,646,280
Central banks and Credit institutions	8	6,568
Total stage 2	**12,910,154**	**13,702,021**
By sector:		
General governments	10,098	5,207
Central banks and Credit institutions	8	6,568
Other private sectors	12,900,048	13,690,246
Total stage 2	**12,910,154**	**13,702,021**

Stage 3	**30/06/2023**	**31/12/2022**
Debt securities	899	73
Loans and advances	5,534,420	5,460,665
Customers	5,534,420	5,460,665
Central banks and Credit institutions	—	—
Total stage 3	**5,535,319**	**5,460,738**
By sector:		
General governments	906	8,122
Central banks and Credit institutions	—	—
Other private sectors	5,534,413	5,452,615
Total stage 3	**5,535,319**	**5,460,738**
Total stages	**198,031,439**	**195,305,892**

Movements of gross values, excluding valuation adjustments, of assets subject to impairment by the Group during the six-month period ended 30 June 2023 were as follows:

Thousand euro

	Stage 1	**Stage 2**	**Stage 3**	***Of which: Purchased credit-impaired***	**Total**
Balance as at 31 December 2022	**176,143,133**	**13,702,021**	**5,460,738**	***123,184***	**195,305,892**
Transfers between stages	(940,901)	208,896	732,005	—	—
Stage 1	*3,406,068*	*(3,226,187)*	*(179,881)*	—	—
Stage 2	*(4,188,303)*	*4,466,446*	*(278,143)*	—	—
Stage 3	*(158,666)*	*(1,031,363)*	*1,190,029*	—	—
Increases	28,325,171	794,705	212,693	*3,258*	29,332,569
Decreases	(25,312,438)	(1,969,418)	(681,946)	*(11,170)*	(27,963,802)
Transfers to write-offs	—	—	(219,962)	—	(219,962)
Adjustments for exchange differences	1,371,001	173,950	31,791	*3,980*	1,576,742
Balance as at 30 June 2023	**179,585,966**	**12,910,154**	**5,535,319**	***119,252***	**198,031,439**

Movements of impaired financial assets derecognised from the asset side of the balance sheet as the likelihood of them being recovered during the six-month period ended 30 June 2023 is deemed to be remote were as follows:

Thousand euro

Balance as at 31 December 2022	**5,847,949**
Additions	**313,823**
Use of accumulated impairment balance	208,450
Directly recognised on income statement	11,513
Contractually payable interests	93,845
Other items	15
Disposals	**(121,345)**
Collections of principal in cash from counterparties	(22,262)
Collections of interest in cash from counterparties	(872)
Debt forgiveness	(42,924)
Expiry of statute-of-limitations period	—
Forbearance	—
Sales	(19,864)
Foreclosure of tangible assets	(474)
Other items	(34,949)
Exchange differences	**27,159**
Balance as at 30 June 2023	**6,067,586**

Allowances

The following table shows the impairment allowances of financial assets broken down by condensed consolidated balance sheet heading as at 30 June 2023 and 31 December 2022:

Thousand euro

Stage 1	**30/06/2023**	**31/12/2022**
Debt securities	192	211
Loans and advances	356,884	347,269
Central banks and Credit institutions	2,581	2,773
Customers	354,303	344,496
Total stage 1	**357,076**	**347,480**
Stage 2		
Debt securities	—	—
Loans and advances	481,465	479,941
Central banks and Credit institutions	—	4
Customers	481,465	479,937
Total stage 2	**481,465**	**479,941**
Stage 3		
Debt securities	—	—
Loans and advances	2,268,826	2,195,845
Central banks and Credit institutions	—	—
Customers	2,268,826	2,195,845
Total stage 3	**2,268,826**	**2,195,845**
Total stages	**3,107,368**	**3,023,266**

The movement of impairment allowances allocated by the Group to cover credit risk during the six-month period ended 30 June 2023 was as follows:

Thousand euro

	Individually measured		**Collectively measured**			**Total**
	Stage 2	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	
Balance as at 31 December 2022	**9,710**	**554,998**	**347,480**	**470,232**	**1,640,846**	**3,023,266**
Movements reflected in credit gains/(losses) (*)	**(3,248)**	**68,131**	**34,483**	**67,505**	**208,621**	**375,492**
Increases due to origination	—	—	173,735	—	—	173,735
Changes due to credit risk variance	(3,231)	63,236	(23,081)	59,979	149,224	246,127
Changes in calculation approach	—	—	—	—	—	—
Other movements	(17)	4,895	(116,171)	7,526	59,397	(44,370)
Movements not reflected in credit gains/(losses)	**1,470**	**(12,940)**	**(29,665)**	**(68,345)**	**(199,144)**	**(308,624)**
Transfers between stages	1,470	75,084	(29,079)	(68,108)	20,633	—
Stage 1	*(410)*	*95*	*31,048*	*(33,869)*	*3,136*	—
Stage 2	*4,051*	*(1,373)*	*(55,975)*	*80,592*	*(27,295)*	—
Stage 3	*(2,171)*	*76,362*	*(4,152)*	*(114,831)*	*44,792*	—
Utilisation of allocated provisions	—	(88,699)	(55)	—	(215,666)	(304,420)
Other movements (**)	—	675	(531)	(237)	(4,111)	(4,204)
Adjustments for exchange differences	**14**	**5,889**	**4,778**	**4,129**	**2,425**	**17,235**
Balance as at 30 June 2023	**7,946**	**616,078**	**357,076**	**473,521**	**1,652,748**	**3,107,369**

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

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

Sensitivity analysis of the key variables of macroeconomic scenarios

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

Group					
Key explanatory macroeconomic variables	**Change in the variable (*)**	**Impact on stage 1**	**Impact on stage 2**	**Impact on stage 3**	**Total impact**
GDP growth deviation	-100 bps	2.0%	5.1%	2.3%	2.7%
	+100 bps	(1.9) %	(5.3) %	(2.2) %	(2.6) %
Unemployment rate deviation	+100 bps	0.8%	4.0%	0.8%	1.2%
	-100 bps	(0.6) %	(3.2) %	(0.7) %	(1.0) %
House price growth deviation	-100 bps	0.9%	1.6%	0.9%	1.0%
	+100 bps	(0.7) %	(2.0) %	(0.8) %	(1.0) %

Spain					
Key explanatory macroeconomic variables	**Change in the variable (*)**	**Impact on stage 1**	**Impact on stage 2**	**Impact on stage 3**	**Total impact**
GDP growth deviation	-100 bps	2.4%	6.5%	2.4%	3.0%
	+100 bps	(2.3) %	(6.7) %	(2.3) %	(2.9) %
Unemployment rate deviation	+100 bps	0.7%	1.3%	0.6%	0.7%
	-100 bps	(0.5) %	(1.7) %	(0.6) %	(0.7) %
House price growth deviation	-100 bps	1.0%	2.0%	0.9%	1.0%
	+100 bps	(0.8) %	(2.5) %	(0.8) %	(1.0) %

United Kingdom					
Key explanatory macroeconomic variables	**Change in the variable (*)**	**Impact on stage 1**	**Impact on stage 2**	**Impact on stage 3**	**Total impact**
Unemployment rate deviation (**)	+100 bps	1.2%	13.8%	3.9%	6.9%
	-100 bps	(0.8) %	(8.3) %	(2.5) %	(4.3) %
House price growth deviation	-100 bps	0.2%	0.2%	0.3%	0.2%
	+100 bps	(0.2) %	(0.1) %	(0.3) %	(0.2) %

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

(**) In the scenario of a change to the UK employment rate, a standard deviation of +/- 100 bps represents the relative standard deviation of the macroeconomic variable 3 times higher than in Spain.

Note 11 – Tangible assets

The composition of this heading in the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023				31/12/2022			
	Cost	**Depreciation**	**Impairment**	**Net amount**	**Cost**	**Depreciation**	**Impairment**	**Net amount**
Property, plant and equipment	**3,920,129**	**(1,720,386)**	**(43,105)**	**2,156,638**	**4,082,057**	**(1,754,760)**	**(45,248)**	**2,282,049**
For own use:	3,897,378	(1,707,447)	(43,105)	2,146,826	4,061,108	(1,743,155)	(45,248)	2,272,705
Computer equipment and related facilities	542,077	(392,088)	–	149,989	727,049	(483,483)	–	243,566
Furniture, vehicles and other facilities	904,570	(564,962)	–	339,608	956,696	(572,885)	–	383,811
Buildings	2,338,958	(735,478)	(43,105)	1,560,375	2,258,790	(675,671)	(45,248)	1,537,871
Works in progress	14,664	–	–	14,664	31,501	–	–	31,501
Other	97,109	(14,919)	–	82,190	87,072	(11,116)	–	75,956
Leased out under operating leases	22,751	(12,939)	–	9,812	20,949	(11,605)	–	9,344
Investment properties	**433,665**	**(61,587)**	**(83,249)**	**288,829**	**438,398**	**(54,423)**	**(84,233)**	**299,742**
Buildings	433,665	(61,587)	(83,249)	288,829	438,004	(54,423)	(83,922)	299,659
Rural property, plots and sites	–	–	–	–	394	–	(311)	83
Total	**4,353,794**	**(1,781,973)**	**(126,354)**	**2,445,467**	**4,520,455**	**(1,809,183)**	**(129,481)**	**2,581,791**

As at 30 June 2023, the cost of property, plant and equipment for own use includes right-of-use assets corresponding to leased tangible assets in which the Group acts as lessee, in the amount of 1,358,861 thousand euros, depreciated by 442,632 thousand euros and impaired in the amount of 37,402 thousand euros as at the aforesaid date (1,293,944 thousand euros as at 31 December 2022, depreciated by 396,041 thousand euros and impaired in the amount of 38,657 thousand euros as at the aforesaid date).

Note 12 – Intangible assets

The composition of this heading as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	**31/12/2022**
Goodwill:	**1,018,311**	**1,026,810**
Banco Urquijo	473,837	473,837
Grupo Banco Guipuzcoano	285,345	285,345
From acquisition of Banco BMN Penedés assets	245,364	245,364
Other	13,765	22,264
Other intangible assets:	**1,425,293**	**1,457,352**
With a finite useful life:	1,425,293	1,457,352
Private Banking Business, Miami	2,864	4,925
Contractual relations with TSB customers and brand	20,260	39,783
Computer software	1,401,107	1,411,516
Other	1,062	1,128
Total	**2,443,604**	**2,484,162**

In the first half of 2023, Banco Sabadell carried out an analysis to evaluate the existence of any potential impairment of its goodwill.

The main transactions that generated goodwill were the acquisition of Banco Urquijo in 2006, of Banco Guipuzcoano in 2010 and of certain assets of BMN-Penedès in 2013.

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

The value in use of the Banking Business Spain operating segment is used to determine its recoverable amount. The valuation method used in this analysis was that of discounting future net distributable profit associated with the activity carried out by the Banking Business Spain operating segment until 2027, plus an estimated terminal value.

The projections used to determine the recoverable amount are those set out in the financial projections approved by the Board of Directors. Those projections are based on sound and well-founded assumptions, which represent Management's best estimates of overall upcoming economic conditions. To determine the key variables (basically net interest income, fees and commissions, expenses, cost of risk and solvency levels) that underpin the financial projections, Management has used microeconomic variables, such as the existing balance sheet structure, market positioning and strategic decisions made, as well as macroeconomic variables, such as the expected evolution of GDP and the forecast evolution of interest rates and unemployment. The macroeconomic variables used have been estimated by the Research Service for the macroeconomic scenario approved by the Bank's Board of Directors.

The approach used to determine the values of assumptions is based both on the projections and on past experience. These values are compared against external information sources, where available.

In June 2023, to calculate the terminal value, 2027 was taken as the reference year, using a growth rate in perpetuity of 1.9% (same percentage as 2022), which does not exceed the long-term average growth rate of the market in which the operating segment is active. The discount rate used was 11.0% (10.4% in 2022), which was determined using the Capital Asset Pricing Model (CAPM); it therefore comprises a risk-free rate plus a risk premium which reflects the inherent risk of the operating segment being evaluated.

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

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

This analysis consisted of adjusting the following:

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

The sensitivity analysis does not alter the conclusions drawn from the impairment test. In all scenarios defined in that analysis, the recoverable amount obtained is greater than the carrying amount.

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

In the case of Banking Business United Kingdom, the valuation method used in the analysis was that of discounting future net distributable profit associated with the activity carried out up to 2027. To calculate the terminal value, 2027 was taken as the reference year, using a growth rate in perpetuity of 1.7% (same percentage as 2022), which does not exceed the long-term average growth rate of the market in which the operating segment is active. The discount rate used was 11.9% (11.1% in 2022), which was determined using the CAPM; it therefore comprises a risk-free rate plus a risk premium which reflects the inherent risk of the operating segment being evaluated. The evaluation did not reveal the need to recognise any impairment in the value of these assets.

Note 13 – Other assets and liabilities

The composition of the “Other assets” heading as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
Insurance contracts linked to pensions	88,688	89,729
Inventories	77,487	93,835
Rest of other assets	323,719	296,116
Total	**489,894**	**479,680**

The “Rest of other assets” item includes mainly prepaid expenses, the accrual of customer fees and commissions and transactions in progress pending settlement.

The composition of the “Other liabilities” heading as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
Other accrual/deferral	423,688	577,298
Rest of other liabilities	305,707	294,810
Total	**729,395**	**872,108**

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

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

The breakdown of the headings “Non-current assets and disposal groups classified as held for sale” and “Liabilities included in disposal groups classified as held for sale” of the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
Assets	**1,009,705**	**951,792**
Loans and advances	443	10,337
Customers	443	10,337
Equity instruments	159,748	159,748
Real estate exposure	738,334	777,108
Properties for own use	45,516	56,030
Foreclosed assets	692,818	721,078
Other tangible assets	98,158	–
Rest of other assets	13,022	4,599
Impairment allowances	**(202,503)**	**(213,479)**
Non-current assets and disposal groups classified as held for sale	**807,202**	**738,313**
Liabilities	**27,861**	**–**
Financial liabilities at amortised cost	27,097	–
Tax liabilities	764	–
Liabilities included in disposal groups classified as held for sale	**27,861**	**–**

Note 15 – Deposits in central banks and credit institutions

The breakdown of the deposits in central banks and credit institutions heading in the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
By heading:		
Financial liabilities at amortised cost	27,533,631	39,217,078
Total	**27,533,631**	**39,217,078**
By nature:		
Demand deposits	465,358	378,442
Deposits with agreed maturity	12,263,477	30,936,695
Repurchase agreements	14,543,045	8,118,516
Other accounts	153,538	125,378
Valuation adjustments	108,213	(341,953)
Total	**27,533,631**	**39,217,078**

Note 16 – Customer deposits

The balance of customer deposits on the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 breaks down as follows:

Thousand euro

	30/06/2023	31/12/2022
By heading:		
Financial liabilities at amortised cost	161,626,489	164,076,445
Total	**161,626,489**	**164,076,445**
By nature:		
Demand deposits	140,056,281	147,539,675
Deposits with agreed maturity	17,822,476	14,066,824
Hybrid financial liabilities	3,661,217	2,074,477
Repurchase agreements	–	404,866
Other valuation adjustments (interest, fees and commissions, other)	86,515	(9,397)
Total	**161,626,489**	**164,076,445**
By sector:		
General governments	7,914,167	8,499,245
Other sectors	153,625,807	155,586,597
Other valuation adjustments (interest, fees and commissions, other)	86,515	(9,397)
Total	**161,626,489**	**164,076,445**

Note 17 – Debt securities in issue

The breakdown of the balance of debt securities issued by the Group by type of issuance and recognised on the condensed consolidated balance sheets as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023	31/12/2022
Straight bonds/debentures	8,502,800	7,990,800
Straight bonds	8,461,500	7,949,500
Structured bonds	41,300	41,300
Commercial paper	1,701,507	871,896
Mortgage covered bonds	8,313,000	7,563,000
Covered bonds	2,621,522	1,409,356
Asset-backed securities	1,029,214	1,202,846
Subordinated marketable debt securities	4,050,000	3,450,000
Subordinated bonds	2,300,000	1,800,000
Preferred securities	1,750,000	1,650,000
Valuation and other adjustments	80,698	89,651
Total	**26,298,741**	**22,577,549**

Schedule III shows the breakdown of issues carried out by the Group in the first half of 2023.

Note 18 – Provisions

Movements in the six-month period ended 30 June 2023 in the “Provisions” heading of the condensed consolidated balance sheet are shown below:

Thousand euro

	Pensions and other post employment defined benefit obligations	Other long term employee benefits	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balance as at 31 December 2022	**63,384**	**170**	**89,850**	**176,823**	**314,282**	**644,509**
Scope additions / exclusions	**—**	**—**	**—**	**—**	**—**	**—**
Interest and similar expenses - pension commitments	**1,189**	**2**	**—**	**—**	**—**	**1,191**
Allowances charged to income statement - staff expenses (*)	**994**	**2**	**—**	**—**	**—**	**996**
Allowances not charged to income	**—**	**—**	**—**	**—**	**—**	**—**
Allowances charged to income statement - provisions	**28**	**—**	**(1,653)**	**(4,743)**	**8,940**	**2,572**
Allocation of provisions	28	—	3	97,638	20,229	117,898
Reversal of provisions	—	—	(1,656)	(102,381)	(11,289)	(115,326)
Actuarial losses / (gains)	—	—	—	—	—	—
Exchange differences	**360**	**—**	**—**	**1,409**	**2,676**	**4,445**
Utilisations	**(3,775)**	**(105)**	**(13,456)**	**—**	**(82,807)**	**(100,143)**
Net contributions by the sponsor	(44)	—	—	—	—	(44)
Pension payments	(3,731)	(105)	—	—	—	(3,836)
Other	—	—	(13,456)	—	(82,807)	(96,263)
Other movements	**869**	**—**	**—**	**(1,022)**	**(509)**	**(662)**
Balance as at 30 June 2023	**63,049**	**69**	**74,741**	**172,467**	**242,582**	**552,908**

(*) See Note 26.

The decrease in the balance of “Other provisions” in the first half of 2023 corresponds mainly to payments made to compensate certain TSB customers who were in arrears and who received financial support that could have been detrimental to them during the 2013-2020 period.

The Group’s main provisions and contingent liabilities are described in Note 22 to the 2022 consolidated annual financial statements.

Note 19 – Capital

Share capital as at the end of the first half of 2023

The Bank’s share capital amounted to 703,370,587.63 euros, represented by 5,626,964,701 registered shares with a par value of 0.125 euros each, all of which are fully subscribed and paid.

Changes in share capital in the first half of 2023

No changes in share capital have taken place in the first half of 2023.

Note 20 – Off-balance sheet exposures

The composition of off-balance sheet exposures as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

Commitments and guarantees given	Note	30/06/2023	31/12/2022
Loan commitments given		**26,943,572**	**27,460,615**
Of which, amount classified as stage 2		*1,157,283*	*1,407,538*
Of which, amount classified as stage 3		*77,247*	*82,078*
Drawable by third parties		26,943,572	27,460,615
By credit institutions		17,737	43
By general governments		1,027,794	1,019,180
By other resident sectors		15,151,341	15,815,706
By non-residents		10,746,700	10,625,686
Provisions recognised on liabilities side of the balance sheet	18	71,561	71,698
Financial guarantees given (*)		**2,015,656**	**2,086,993**
Of which, amount classified as stage 2		182,371	*254,090*
Of which, amount classified as stage 3		48,811	*58,197*
Provisions recognised on liabilities side of the balance sheet (**)	18	22,707	26,817
Other commitments given		**8,585,586**	**9,674,382**
Of which, amount classified as stage 2		399,002	*434,869*
Of which, amount classified as stage 3		268,213	*265,507*
Other guarantees given		6,875,010	6,916,058
Assets earmarked for third-party obligations		—	—
Irrevocable letters of credit		830,255	722,640
Additional settlement guarantee		25,000	25,000
Other guarantees and sureties given		6,019,755	6,168,418
Other contingent risks		—	—
Other commitments given		1,710,576	2,758,324
Financial asset forward purchase commitments		1,421,857	2,639,536
Conventional financial asset purchase contracts		125,868	—
Capital subscribed but not paid up		19	19
Underwriting and subscription commitments		—	—
Other loan commitments given		162,832	118,769
Provisions recognised on liabilities side of the balance sheet	18	78,199	78,308
Total		**37,544,814**	**39,221,990**

(*) Includes 105,325 and 122,500 thousand euros as at 30 June 2023 and 31 December 2022, respectively, corresponding to financial guarantees given in connection with construction and real estate development.

(**) Includes 3,995 and 4,305 thousand euros as at 30 June 2023 and 31 December 2022, respectively, in relation to construction and real estate development.

Guarantees given classed as stage 3

The balance of guarantees given classed as stage 3 as at 30 June 2023 amounted to 317,024 thousand euros (323,704 thousand euros as at 31 December 2022).

Credit risk allowances corresponding to financial guarantees and other commitments given as at 30 June 2023 and 31 December 2022, broken down by the method used to determine such allowances and the credit risk of off-balance sheet exposures, are as follows:

Thousand euro

	30/06/2023	31/12/2022
Specific individually measured allowances:	**73,216**	**79,564**
Stage 2	3,428	3,753
Stage 3	69,788	75,811
Specific collectively measured allowances:	**27,690**	**25,560**
Stage 1	6,972	4,833
Stage 2	6,177	7,098
Stage 3	14,348	13,234
Others	193	395
Total	**100,906**	**105,124**

These allowances are recognised under the “Provisions” heading on the liabilities side of the balance sheet (see Note 18).

Note 21 – Interest income and expenses

The breakdown of net interest income for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
Interest income		
Loans and advances	3,346,708	1,830,437
Central banks	573,886	33,495
Credit institutions	120,737	18,607
Customers	2,652,085	1,778,335
Debt securities (*)	229,922	111,678
Stage 3 assets	13,947	12,008
Correction of income from hedging operations	325,297	3,360
Other interest (**)	34,796	232,768
Total	**3,950,670**	**2,190,251**
Interest expenses		
Deposits	(1,065,563)	(181,546)
Central banks	(312,719)	(23,127)
Credit institutions	(218,259)	(18,277)
Customers	(534,585)	(140,142)
Debt securities issued	(300,483)	(122,640)
Correction of expenses on hedging operations	(238,448)	(15,664)
Other interest (***)	(76,181)	(113,768)
Total	**(1,680,675)**	**(433,618)**

(*) Includes 31,010 thousand euros in 2023 and 20,903 thousand euros in 2022 corresponding to interest on financial assets at fair value through profit or loss (trading book).

(**) Includes positive returns from liability products.

(***) Includes negative returns on asset products.

Note 22 – Fee and commission income and expenses

Fee and commission income and expenses on financial assets and liabilities and the provision of services for the six-month periods ended 30 June 2023 and 2022 were as follows:

Thousand euro

	30/06/2023	30/06/2022
Fees from risk transactions	**142,554**	**138,606**
Asset-side transactions	90,595	88,159
Sureties and other guarantees	51,959	50,447
Service fees	**396,903**	**421,279**
Payment cards	120,641	124,305
Payment orders	42,072	39,808
Securities	27,909	29,323
Demand deposits	139,024	138,823
Other	67,257	89,020
Asset management and marketing fees	**157,657**	**169,478**
Mutual funds	58,736	62,338
Sale of pension funds and insurance products	88,339	95,949
Assets under management	10,582	11,191
Total	**697,114**	**729,363**
Memorandum item		
Fee and commission income	831,956	838,830
Fee and commission expenses	(134,842)	(109,467)
Fees and commissions (net)	**697,114**	**729,363**

Note 23 – Gains or (-) losses on financial assets and liabilities, net and exchange differences, net

The composition of the "Gains or (-) losses on financial assets and liabilities (net)" heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
By heading:		
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1,229	28,269
Financial assets at fair value through other comprehensive income	5,101	21,069
Financial assets at amortised cost	(3,923)	7,532
Financial liabilities at amortised cost	51	(332)
Gains or (-) losses on financial assets and liabilities held for trading, net	26,627	(68,208)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	12,891	(7,513)
Gains or (-) losses from hedge accounting, net	(5,910)	16,597
Total	**34,837**	**(30,855)**
By type of financial instrument:		
Net gain/(loss) on debt securities	9,197	12,754
Net gain/(loss) on other equity instruments	8,952	(362)
Net gain/(loss) on derivatives	20,560	(50,447)
Net gain/(loss) on other items (*)	(3,872)	7,200
Total	**34,837**	**(30,855)**

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

Throughout the first half of 2023, the Group has carried out sales of certain debt securities that it held in the portfolio of financial assets at fair value through other comprehensive income, of which 4,897 thousand euros correspond to securities issued by public sector entities.

The “Net gain/(loss) on derivatives” heading in the table above includes, among other things, the change in the fair value of derivatives used to hedge against the foreign exchange risk of debit and credit balances denominated in foreign currencies. The gains generated by these derivatives amount to 17,161 thousand euros and are recognised under the heading “Gains or (-) losses on financial assets and liabilities held for trading, net” of the condensed consolidated income statement, while the exchange differences generated by debit and credit balances denominated in foreign currencies hedged with these derivatives are recognised under the heading “Exchange differences [gain or (-) loss], net” of the condensed consolidated income statement.

Note 24 – Other operating income

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
Income from use of investment properties	11,866	12,243
Sales and other income from the provision of non-financial services	6,541	6,112
Other operating income	20,161	12,870
Total	**38,568**	**31,225**

Note 25 – Other operating expenses

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
Contribution to deposit guarantee schemes	(9,311)	(7,453)
Banco Sabadell	(36)	(37)
TSB	(251)	(645)
BS IBM Mexico	(9,024)	(6,771)
Contribution to resolution fund	(76,485)	(100,151)
Temporary levy for credit institutions	(156,648)	—
Other items	(57,392)	(70,238)
TOTAL	**(299,836)**	**(177,842)**

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

The Group has estimated the impact of this levy for the 2023 financial year at 157 million euros. On 20 February 2023, the Bank made an advance payment for 50% of this estimate, and the payment of the remaining 50% will be made in September 2023.

Note 26 – Administrative expenses

Staff expenses

Staff expenses recognised in the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 were as follows:

Thousand euro

	Note	30/06/2023	30/06/2022
Payrolls and bonuses for active staff		(536,608)	(524,678)
Social Security payments		(113,782)	(107,142)
Contributions to defined benefit pension plans	18	(996)	(2,943)
Contributions to defined contribution pension plans		(32,565)	(31,242)
Other staff expenses		(33,032)	(28,480)
Total		**(716,983)**	**(694,485)**

The average workforce of the Bank and the Group in the six-month periods ended 30 June 2023 and 2022 is detailed below:

Number of employees

	Bank		Group	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Average workforce	**12,729**	**12,355**	**19,241**	**19,171**
Men	5,849	5,686	8,557	8,487
Women	6,880	6,669	10,684	10,684

As at 30 June 2023 and 2022, the breakdown of the Group's workforce by category and sex is as follows:

Number of employees

	30/06/2023			30/06/2022		
	Men	Women	Total	Men	Women	Total
Senior management	534	254	788	476	204	680
Middle management	1,983	1,404	3,387	1,912	1,382	3,294
Specialist staff	5,414	7,339	12,753	5,269	7,164	12,433
Administrative staff	722	1,755	2,477	724	1,844	2,568
Total	**8,653**	**10,752**	**19,405**	**8,381**	**10,594**	**18,975**

The increase in the Group's workforce, both on average and as at 30 June 2023, mainly relates to new hires arising from the need for specific profiles to carry out the current business.

Other administrative expenses

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
Property, plant and equipment	(34,019)	(34,809)
Information technology	(205,966)	(201,852)
Communication	(13,172)	(15,139)
Publicity	(40,792)	(32,933)
Subcontracted administrative services	(64,210)	(57,254)
Contributions and taxes	(51,837)	(56,694)
Technical reports	(12,668)	(13,192)
Security services and fund transfers	(9,035)	(7,471)
Entertainment expenses and staff travel expenses	(5,847)	(3,233)
Membership fees	(3,107)	(2,341)
Other expenses	(46,393)	(47,876)
Total	**(487,046)**	**(472,794)**

The cost-to-income ratio stood at 42.39% as at 30 June 2023 (46.64% as at 30 June 2022). The cost-to-income ratio, including depreciation and amortisation, stood at 52.03% as at 30 June 2023 (57.53% as at 30 June 2022).

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

Number of branches and offices

	30/06/2023	30/06/2022
Branches and offices	**1,447**	**1,525**
Spain	1,205	1,272
Outside Spain	242	253

Note 27 – Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	Note	30/06/2023	30/06/2022
Financial assets at fair value through other comprehensive income		852	(60)
Debt securities		412	(60)
Other equity instruments		440	—
Financial assets at amortised cost	10	(437,790)	(393,720)
Debt securities		52	22
Loans and advances		(437,842)	(393,742)
Total		**(436,938)**	**(393,780)**

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

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
Property, plant and equipment	588	101
Investment properties	(1,726)	(17,666)
Goodwill and other intangible assets	—	—
Inventories	(6,401)	(13,921)
Total	**(7,539)**	**(31,486)**

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

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
Property, plant and equipment	(381)	(1,977)
Investment properties	2,318	719
Intangible assets	(13,011)	(23,231)
Interests (*)	(2)	8,253
Other equity instruments	—	—
Other items	(2)	(10)
Total	**(11,078)**	**(16,246)**

(*) See Schedule I – Exclusions from the scope of consolidation.

Note 30 – Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The composition of this heading of the condensed consolidated income statements for the six-month periods ended 30 June 2023 and 2022 is as follows:

Thousand euro

	30/06/2023	30/06/2022
Property, plant and equipment for own use and foreclosed	(23,745)	(12,331)
Gains/losses on sales	(3,039)	(9,385)
Impairment/reversal	(20,706)	(2,946)
Interests (*)	—	(2,209)
Other items	(75)	(272)
Total	**(23,820)**	**(14,812)**

(*) See Schedule I – Exclusions from the scope of consolidation.

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

Note 31 – Segment reporting

Segmentation criteria

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

In 2023, the criteria that Banco Sabadell Group uses to report on results for each segment are those established in 2022, specifically:

- Three geographical areas: Banking Business in Spain, United Kingdom and Mexico. Banking Business Spain includes the foreign branches and the representative offices.

- Each business unit is allocated capital equivalent to 12% of its risk-weighted assets and the surplus of own funds is allocated to Banking Business Spain.

In terms of the other criteria applied, segment information is first structured with a breakdown by geographical region and then broken down according to the customers at which each segment is aimed.

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

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

Key information relating to the segmentation of the Group’s activity is given hereafter:

Million euro

	30/06/2023 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**1,573**	**603**	**94**	**2,270**
Fees and commissions (net)	635	58	4	697
Core revenue	**2,208**	**661**	**98**	**2,967**
Gains or (-) losses on financial assets and liabilities and exchange differences	26	5	—	31
Equity-accounted income and dividends	72	—	—	72
Other operating income and expenses	(232)	(20)	(10)	(261)
Gross income	**2,074**	**646**	**89**	**2,809**
Operating expenses, depreciation and amortisation	(965)	(464)	(49)	(1,478)
Pre-provisions income	**1,109**	**183**	**40**	**1,331**
Provisions and impairments	(430)	(23)	(15)	(468)
Capital gains on asset sales and other revenue	(12)	—	(1)	(13)
Profit/(loss) before tax	**666**	**160**	**23**	**849**
Corporation tax	(228)	(55)	(2)	(285)
Profit or loss attributed to minority interests	1	—	—	1
Profit attributable to the Group	**437**	**106**	**21**	**564**
ROTE (net return on tangible equity)	10.8 %	10.9 %	9.1 %	10.8 %
Cost-to-income (administrative expenses / gross income)	37.1 %	59.9 %	41.2 %	42.4 %
NPL ratio	4.3 %	1.4 %	3.1 %	3.5 %
Stage 3 coverage ratio, with total provisions	57.2 %	40.4 %	65.8 %	55.7 %
Employees	13,369	5,618	418	19,405
Domestic and foreign branches and offices	1,221	211	15	1,447

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

Million euro

	30/06/2023 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Assets	**180,613**	**56,086**	**6,753**	**243,453**
Gross performing loans to customers	106,965	42,526	4,343	153,834
Non-performing real estate assets (net)	664	—	—	664
Liabilities	**167,093**	**56,086**	**6,753**	**229,932**
On-balance sheet customer funds	117,905	41,203	3,681	162,790
Wholesale funding in capital markets	21,119	3,787	—	24,905
Allocated equity	**10,550**	**2,368**	**602**	**13,520**
Off-balance sheet customer funds	**39,720**	**—**	**—**	**39,720**

(*) Exchange rates used in the balance sheet: GBP 0.86, MXN 18.56, USD 1.09 and MAD 10.72.

Million euro

	30/06/2022 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Net interest income	**1,139**	**551**	**67**	**1,757**
Fees and commissions (net)	660	64	5	729
Core revenue	**1,799**	**615**	**72**	**2,486**
Gains or (-) losses on financial assets and liabilities and exchange differences	79	3	1	83
Equity-accounted income and dividends	99	—	—	99
Other operating income and expenses	(117)	(21)	(8)	(147)
Gross income	**1,860**	**597**	**65**	**2,521**
Operating expenses, depreciation and amortisation	(940)	(461)	(39)	(1,440)
Pre-provisions income	**920**	**136**	**26**	**1,082**
Provisions and impairments	(444)	(32)	—	(475)
Capital gains on asset sales and other revenue	(17)	—	(2)	(19)
Profit/(loss) before tax	**460**	**104**	**23**	**587**
Corporation tax	(112)	(50)	(4)	(166)
Profit or loss attributed to minority interests	14	—	—	14
Profit attributable to the Group	**334**	**54**	**19**	**407**
ROTE (net return on tangible equity)	8.3 %	5.2 %	8.2 %	7.5 %
Cost-to-income (administrative expenses / gross income)	41.1 %	63.4 %	50.8 %	46.6 %
NPL ratio	4.1 %	1.3 %	2.3 %	3.3 %
NPL (stage 3) coverage ratio, with total provisions	56.7 %	40.3 %	73.3 %	55.3 %
Employees	12,949	5,595	431	18,975
Domestic and foreign branches and offices	1,290	220	15	1,525

(*) Exchange rates used in the income statement: GBP 0.8423 (average), MXN 22.1204 (average), USD 1.0942 (average) and MAD 10.5747 (average).

Million euro

	31/12/2022 (*)			
	Banking Business Spain	**Banking Business UK**	**Banking Business Mexico**	**Total Group**
Assets	**189,407**	**55,810**	**6,025**	**251,241**
Gross performing loans to customers	108,889	43,110	4,131	156,130
Non-performing real estate assets (net)	713	—	—	713
Liabilities	**179,402**	**53,316**	**5,437**	**238,155**
On-balance sheet customer funds	120,118	40,931	3,090	164,140
Wholesale funding in capital markets	19,444	2,537	—	21,981
Allocated equity	**10,005**	**2,494**	**587**	**13,086**
Off-balance sheet customer funds	**38,492**	**—**	**—**	**38,492**

(*) Exchange rates used in the balance sheet: GBP 0.86, MXN 23.57, USD 1.18 and MAD 10.59.

The revenue generated by each business unit as at 30 June 2023 and 2022 is as follows:

Thousand euro

	Consolidated			
	Income from ordinary activities (*)		Profit/(loss) before tax	
SEGMENTS	**30/06/2023**	**30/06/2022**	**30/06/2023**	**30/06/2022**
Banking Business Spain	3,401,132	2,163,100	666,046	459,646
Banking Business UK	1,125,992	705,163	160,068	103,753
Banking Business Mexico	336,073	163,664	23,196	23,452
Total	**4,863,197**	**3,031,927**	**849,310**	**586,851**

(*) Includes the following headings from the condensed consolidated income statements: "Interest income", "Dividend income", "Fee and commission income", "Gains or (-) losses on financial assets and liabilities" and "Other operating income".

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

The distribution of interest income by geographical area for the period between 1 January and 30 June 2023, and the comparison with the same period of the preceding year, is as follows:

Thousand euro

	Breakdown of interest income by geographical area			
	Standalone		Consolidated	
	30/06/2023	**30/06/2022**	**30/06/2023**	**30/06/2022**
National market	2,357,762	1,283,856	2,283,112	1,289,686
International market	289,825	122,179	1,667,558	900,565
European Union	38,840	18,543	38,840	18,543
Eurozone	38,840	18,543	38,840	18,543
Non-Eurozone	—	—	—	—
Other	250,985	103,636	1,628,718	882,022
Total	**2,647,587**	**1,406,035**	**3,950,670**	**2,190,251**

Note 32 – Deferred tax assets and liabilities

The sources of the deferred tax assets and liabilities recognised in the condensed consolidated balance sheets as at 30 June 2023 and at 31 December 2022 are as follows:

Thousand euro

Deferred tax assets	**30/06/2023**	**31/12/2022**
Monetisable	**4,882,597**	**4,995,878**
Due to credit impairment	3,350,462	3,323,114
Due to real estate asset impairment	1,406,799	1,547,338
Due to pension funds	125,336	125,426
Non-monetisable	**1,248,340**	**1,242,915**
Tax credits for losses carried forward	**357,768**	**390,689**
Deductions not applied	**24,533**	**15,025**
Total	**6,513,238**	**6,644,507**

Deferred tax liabilities	**30/06/2023**	**31/12/2022**
Property restatements	54,447	54,197
Adjustments to value of wholesale debt issuances arising in business combinations	5,674	7,472
Other financial asset value adjustments	1,455	1,455
Other	51,116	50,593
Total	**112,692**	**113,717**

According to the information available as at the sign-off date of these condensed consolidated interim financial statements and the projections taken from the Group's business plan for the coming years, it is estimated that the taxable income generated will be sufficient to offset tax loss carry-forwards within a period of 6 years and non-monetisable tax assets, where these can be deducted on the basis of current tax regulations, within a maximum period of 10 years.

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

Note 33 – Related party transactions

In accordance with the provisions of Chapter VII *bis*. Related Party Transactions, of the Capital Companies Act, introduced by Law 5/2021 of 12 April, amending the restated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies, there are no transactions with officers and directors of the company that could be considered material, other than those considered to be "related party transactions" in accordance with Article 529 *vicies* of the Capital Companies Act, carried out following the corresponding approval procedure and, where applicable, reported in accordance with Articles 529 *unvicies et seq*. of the aforesaid Capital Companies Act. Those that did take place were performed in the normal course of the company's business or were performed on an arm's-length basis or under the terms available to any employee. There is no record of any transactions being performed other than on an arm's-length basis with persons or entities related to directors or senior managers.

During the first half of 2023, the Board of Directors did not approve any transactions considered to be significant by reason of their amount, or material due to their substance, carried out by the Bank with other related parties.

Details of the balances held with related parties as at 30 June 2023 and 31 December 2022, as well as the impact of related party transactions on the income statements for the six-month periods ended 30 June 2023 and 2022, are shown below:

Thousand euro

			30/06/2023		
	Joint control or signif. influence (in B.Sab)	**Associates**	**Key personnel**	**Other related parties (*)**	**Total**
Assets:					
Customer lending and other financial assets	—	113,392	3,910	864,283	**981,585**
Liabilities:					
Customer deposits and other financial liabilities	—	224,926	5,451	200,330	**430,707**
Off-balance sheet exposures:					
Financial guarantees given	—	294	—	13,373	**13,667**
Loan commitments given	—	1,762	426	263,824	**266,012**
Other commitments given	—	6,494	—	123,569	**130,063**
			30/06/2023		
Income statement:					
Interest and similar income	—	907	23	7,311	**8,241**
Interest and similar expenses	—	(902)	(36)	(251)	**(1,189)**
Fees and commissions (net)	—	59,089	6	689	**59,784**
Other operating income and expenses	—	2,766	3	1	**2,770**

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

Thousand euro

	31/12/2022				
	Joint control or signif. influence (in B.Sab)	**Associates**	**Key personnel**	**Other related parties (*)**	**Total**
Assets:					
Customer lending and other financial assets	—	139,981	3,917	515,006	**658,904**
Liabilities:					
Customer deposits and other financial liabilities	—	227,023	5,718	75,107	**307,848**
Off-balance sheet exposures:					
Financial guarantees given	—	294	—	15,067	**15,361**
Loan commitments given	—	47	395	296,880	**297,322**
Other commitments given	—	6,499	—	82,913	**89,412**
	30/06/2022				
Income statement:					
Interest and similar income	—	367	14	2,373	**2,754**
Interest and similar expenses	—	(7)	—	(16)	**(23)**
Fees and commissions (net)	—	68,451	17	(167)	**68,301**
Other operating income and expenses	—	3,263	—	2	**3,265**

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

Note 34 – Remuneration and balances held with members of the Board of Directors and remuneration of Senior Management

The remuneration received by members of the Board of Directors during the six-month periods ended 30 June 2023 and 2022 is shown below:

Thousand euro

	30/06/2023	**30/06/2022**
Type of remuneration		
Remuneration for membership of the Board and/or Board Committees	1,961	2,028
Wages	977	1,262
Variable remuneration in cash	198	163
Share-based remuneration schemes	224	184
Long-term savings schemes	202	17
Other items	35	36
Total	**3,597**	**3,690**

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

Variable remuneration as at 30 June 2023 corresponds to 50% of theoretical short-term variable remuneration for the 2023 financial year, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise.

The Annual General Meeting of 23 March 2023 approved the Director Remuneration Policy, which came into effect at the time of its approval and is valid for the following three financial years (2024, 2025 and 2026). This Policy establishes a new remuneration scheme for the Chief Executive Officer. His annual fixed remuneration has been set at 1,600,000 euros in cash and, from this amount, the Chief Executive Officer will systematically reinvest 300,000 euros in the Bank's shares subject to a lock-up obligation as per the terms set forth in the Policy. In addition, the Policy establishes a contribution of 300,000 euros per year to the CEO's workplace retirement plan. The total of these items is 1,900,000 euros, 100,000 euros less than the 2,000,000 euros corresponding to the 2022 financial year.

Exceptionally, to begin the plan, an initial contribution to the retirement plan of 600,000 euros (in addition to those mentioned in the previous paragraph) has been stipulated for the 2023 financial year, with the subsequent reduction of an equal amount in his fixed remuneration, meaning that the amount of fixed remuneration for 2023 will be 1,000,000 euros, all prorated for the months during which the new Policy has been in effect in this financial year.

Total risk transactions granted by the Bank and consolidated companies to directors of the parent company amounted to 990 thousand euros as at 30 June 2023, of which 821 thousand euros corresponded to loans and advances and 169 thousand euros related to loan commitments given (907 thousand euros as at 31 December 2022, consisting of 748 thousand euros in loans and advances and 159 thousand euros in loan commitments given). Liabilities amounted to 3,692 thousand euros as at 30 June 2023 (4,376 thousand euros as at 31 December 2022).

In accordance with the criteria set forth in Circular 3/2021 of 28 September of the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or CNMV), remuneration amounts received by the other members of Senior Management who are not members of the Board of Directors and by the Internal Audit Officer during the six-month periods ended 30 June 2023 and 2022 are set out below:

Thousand euro

	30/06/2023	30/06/2022
Ordinary remuneration	3,474	3,302
Severance pay	—	579
Total	**3,474**	**3,881**

The amounts include the remuneration of members of Senior Management during the period they have held this status. In the first half of 2023, this group, including the Internal Audit Officer, was formed of 10 persons, measured in full-time equivalent terms (8.4 persons in the first half of 2022).

The remuneration for 2023 includes variable remuneration amounts as at 30 June 2023 corresponding to 50% of theoretical short-term variable remuneration for the financial year 2023, without giving rise to any accrued or enforceable rights in this respect, given that such remuneration may not materialise.

Risk transactions granted by the Bank and consolidated companies to Senior Management staff (with the exception of those who are also executive directors) amounted to 3,346 thousand euros as at 30 June 2023 (3,405 thousand euros as at 31 December 2022), comprising 3,089 thousand euros in loans and advances and 257 thousand euros related to loan commitments given (as at 31 December 2022, 3,169 thousand euros related to loans and advances and 236 thousand euros related to loan commitments given). Liabilities amounted to 1,759 thousand euros as at 30 June 2023 (1,342 thousand euros as at 31 December 2022).

Note 35 – Subsequent events

No events meriting disclosure have occurred since 30 June 2023.

Schedule I – Changes in the scope of consolidation

During the first half of 2023, there have been no additions to the scope of consolidation. Companies no longer consolidated in the first half of 2023 are shown below:

Thousand euro

Name of entity (or line of business) sold, spun off or otherwise disposed of	Category	Effective date of the transaction	% Voting rights disposed of	% Total voting rights following disposal	Profit/(loss) generated	Type of shareholding	Method	Reason
Business Services for Operational Support, S.A.U.	Subsidiary	19/1/2023	100 %	—	—	Direct	Full consolidation	a
Duncan de Inversiones S.I.C.A.V., S.A. in Liquidation	Subsidiary	11/1/2023	99.81 %	—	—	Direct	Full consolidation	a
Other					(2)	—	—	
Total					**(2)**			

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

Schedule II – Interim financial statements of Banco Sabadell

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

The Bank's balance sheets as at 30 June 2023 and 31 December 2022 are shown below, together with the Bank's income statements, statements of recognised income and expenses, the statements of total changes in equity and the cash flow statements, corresponding to the six-month periods ended 30 June 2023 and 2022:

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2023 and 31 December 2022

Thousand euro

Assets	30/06/2023	31/12/2022
Cash, cash balances at central banks and other demand deposits	**23,021,748**	**34,063,579**
Financial assets held for trading	**2,445,961**	**2,671,253**
Derivatives	1,913,355	2,254,122
Equity instruments	—	—
Debt securities	532,606	417,131
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	*65,213*	*93,000*
Non-trading financial assets mandatorily at fair value through profit or loss	**117,025**	**35,534**
Equity instruments	3,342	1,977
Debt securities	36,512	33,557
Loans and advances	77,171	—
Central banks	—	—
Credit institutions	—	—
Customers	77,171	—
Memorandum item: loaned or pledged as security with sale or pledging rights	—	—
Financial assets designated at fair value through profit or loss	**—**	**—**
Debt securities	—	—
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	—	—
Financial assets at fair value through other comprehensive income	**5,270,657**	**5,754,945**
Equity instruments	69,144	68,025
Debt securities	5,201,513	5,686,920
Loans and advances	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Memorandum item: loaned or pledged as security with sale or pledging rights	*1,110,265*	*1,770,205*
Financial assets at amortised cost	**141,466,643**	**138,642,033**
Debt securities	18,677,739	18,305,267
Loans and advances	122,788,904	120,336,766
Central banks	—	—
Credit institutions	10,805,853	6,193,344
Customers	111,983,051	114,143,422
Memorandum item: loaned or pledged as security with sale or pledging rights	*9,504,881*	*6,329,769*
Derivatives – Hedge accounting	**1,231,140**	**1,342,300**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(845,947)**	**(933,593)**
Investments in subsidiaries, joint ventures and associates	**6,044,266**	**5,768,013**
Subsidiaries	5,940,468	5,664,601
Joint ventures	—	—
Associates	103,798	103,412
Tangible assets	**1,688,849**	**1,776,960**
Property, plant and equipment	1,627,416	1,719,906
For own use	1,627,416	1,719,906
Leased out under operating leases	—	—
Investment properties	61,433	57,054
Of which: leased out under operating leases	*61,433*	*57,054*
Memorandum item: acquired through finance leases	*770,991*	*745,611*
Intangible assets	**22,016**	**36,805**
Goodwill	12,883	25,835
Other intangible assets	9,133	10,970
Tax assets	**5,491,616**	**5,494,027**
urrent tax assets	231,303	167,127
Deferred tax assets	5,260,313	5,326,900
Other assets	**249,073**	**233,946**
Insurance contracts linked to pensions	88,688	89,729
Inventories	—	—
Rest of other assets	160,385	144,217
Non-current assets and disposal groups classified as held for sale	**796,242**	**735,161**
TOTAL ASSETS	**186,999,289**	**195,620,963**

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2023 and 31 December 2022

Thousand euro

Liabilities	**30/06/2023**	**31/12/2022**
Financial liabilities held for trading	**2,141,272**	**2,156,675**
Derivatives	1,795,878	1,932,228
Short positions	345,394	224,447
Deposits	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Debt securities issued	—	—
Other financial liabilities	—	—
Financial liabilities designated at fair value through profit or loss	**—**	**—**
Deposits	—	—
Central banks	—	—
Credit institutions	—	—
Customers	—	—
Debt securities issued	—	—
Other financial liabilities	—	—
Memorandum item: subordinated liabilities	—	—
Financial liabilities at amortised cost	**171,375,142**	**180,367,656**
Deposits	141,663,650	154,872,472
Central banks	5,008,665	21,599,297
Credit institutions	17,199,289	10,701,141
Customers	119,455,696	122,572,034
Debt securities issued	23,281,237	20,586,641
Other financial liabilities	6,430,255	4,908,543
Memorandum item: subordinated liabilities	*4,093,567*	*3,493,041*
Derivatives – Hedge accounting	**1,079,175**	**941,607**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(565,861)**	**(596,817)**
Provisions	**471,330**	**493,191**
Pensions and other post employment defined benefit obligations	56,254	57,841
Other long term employee benefits	69	170
Pending legal issues and tax litigation	74,733	89,843
Commitments and guarantees given	159,325	162,481
Other provisions	180,949	182,856
Tax liabilities	**331,623**	**156,166**
Current tax liabilities	267,319	90,122
Deferred tax liabilities	64,304	66,044
Share capital repayable on demand	**—**	**—**
Other liabilities	**479,400**	**649,483**
Liabilities included in disposal groups classified as held for sale	**—**	**—**
TOTAL LIABILITIES	**175,312,081**	**184,167,961**

Balance sheets of Banco de Sabadell, S.A.

As at 30 June 2023 and 31 December 2022

Thousand euro

Equity	**30/06/2023**	**31/12/2022**
Shareholders' equity	**12,014,414**	**11,733,884**
Capital	703,371	703,371
Paid up capital	703,371	703,371
Unpaid capital which has been called up	—	—
Memorandum item: capital not called up	—	—
Share premium	7,899,227	7,899,227
Equity instruments issued other than capital	—	—
Equity component of compound financial instruments	—	—
Other equity instruments issued	—	—
Other equity	11,516	11,606
Retained earnings	5,147,337	4,630,414
Revaluation reserves	—	—
Other reserves	(2,189,315)	(2,115,524)
(-) Treasury shares	(45,768)	(23,721)
Profit or loss for the period	488,046	740,551
(-) Interim dividends	—	(112,040)
Accumulated other comprehensive income	**(327,206)**	**(280,882)**
Items that will not be reclassified to profit or loss	(69,235)	(71,687)
Actuarial gains or (-) losses on defined benefit pension plans	(3,427)	(3,427)
Non-current assets and disposal groups classified as held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(65,808)	(68,260)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Items that may be reclassified to profit or loss	(257,971)	(209,195)
Hedge of net investments in foreign operations [effective portion]	(140)	(7,113)
Foreign currency translation	83,034	102,712
Hedging derivatives. Cash flow hedges reserve [effective portion]	(140,556)	(110,748)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(200,309)	(194,046)
Hedging instruments [not designated elements]	—	—
Non-current assets and disposal groups classified as held for sale	—	—
TOTAL EQUITY	**11,687,208**	**11,453,002**
TOTAL EQUITY AND TOTAL LIABILITIES	**186,999,289**	**195,620,963**

Memorandum item: off-balance sheet exposures		
Loan commitments given	**20,419,863**	**21,297,399**
Financial guarantees given	**7,068,733**	**8,741,124**
Other commitments given	**8,629,353**	**9,722,964**

Income statements of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

	30/06/2023	30/06/2022
Interest income	2,647,587	1,406,035
Financial assets at fair value through other comprehensive income	56,274	32,148
Financial assets at amortised cost	2,414,560	1,159,269
Other interest income	176,753	214,618
(Interest expenses)	(1,095,047)	(330,757)
(Expenses on share capital repayable on demand)	—	—
Net interest income	**1,552,540**	**1,075,278**
Dividend income	107,420	74,435
Fee and commission income	739,415	740,604
(Fee and commission expenses)	(115,687)	(92,942)
Gains or (-) losses on financial assets and liabilities, net	(12,700)	(30,196)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(3,668)	18,363
Financial assets at amortised cost	(3,848)	7,704
Other financial assets and liabilities	180	10,659
Gains or (-) losses on financial assets and liabilities held for trading, net	(12,749)	(55,940)
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortised cost	—	—
Other gains or (-) losses	(12,749)	(55,940)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	4,235	(7,374)
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortised cost	—	—
Other gains or (-) losses	4,235	(7,374)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	—	—
Gains or (-) losses from hedge accounting, net	(518)	14,755
Exchange differences [gain or (-) loss], net	(4,839)	113,670
Other operating income	22,391	24,227
(Other operating expenses)	(253,957)	(128,977)
Gross income	**2,034,583**	**1,776,099**

Thousand euro

	30/06/2023	30/06/2022
(Administrative expenses)	(858,826)	(847,361)
(Staff expenses)	(493,036)	(468,612)
(Other administrative expenses)	(365,790)	(378,749)
(Depreciation and amortisation)	(92,859)	(96,421)
(Provisions or (-) reversal of provisions)	(12,955)	(21,483)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	(373,397)	(348,295)
(Financial assets at fair value through other comprehensive income)	412	(60)
(Financial assets at amortised cost)	(373,809)	(348,235)
Profit/(loss) on operating activities	**696,546**	**462,539**
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)	36,103	16,109
(Impairment or (-) reversal of impairment on non-financial assets)	1,037	(6,076)
(Tangible assets)	1,037	(6,076)
(Intangible assets)	—	—
(Other)	—	—
Gains or (-) losses on derecognition of non-financial assets, net	(726)	8,309
Negative goodwill recognised in profit or loss	—	—
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(23,729)	(13,430)
Profit or (-) loss before tax from continuing operations	**709,231**	**467,451**
(Tax expense or (-) income related to profit or loss from continuing operations)	(221,185)	(113,157)
Profit or (-) loss after tax from continuing operations	**488,046**	**354,294**
Profit or (-) loss after tax from discontinued operations	—	—
PROFIT OR LOSS FOR THE PERIOD	**488,046**	**354,294**
Earnings per share (euros)	**0.08**	**0.05**
Basic (euros)	0.08	0.05
Diluted (euros)	0.08	0.05

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

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

	30/06/2023	30/06/2022
Profit or loss for the period	**488,046**	**354,294**
Other comprehensive income	**(46,324)**	**(99,567)**
Items that will not be reclassified to profit or loss	2,451	(4,581)
Actuarial gains or (-) losses on defined benefit pension plans	—	(9,087)
Non-current assets and disposal groups held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	2,790	2,033
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	—	—
Income tax relating to items that will not be reclassified	(339)	2,473
Items that may be reclassified to profit or loss	(48,774)	(94,986)
Hedge of net investments in foreign operations [effective portion]	6,972	(24,213)
Valuation gains or (-) losses taken to equity	6,972	(24,213)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	(19,675)	89,323
Translation gains or (-) losses taken to equity	(19,675)	89,323
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	(42,582)	(63,761)
Valuation gains or (-) losses taken to equity	(42,407)	(35,614)
Transferred to profit or loss	(1,908)	(28,147)
Transferred to initial carrying amount of hedged items	1,733	—
Other reclassifications	—	—
Hedging instruments [not designated elements]	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Debt instruments at fair value through other comprehensive income	(7,957)	(158,671)
Valuation gains or (-) losses taken to equity	(7,828)	(147,680)
Transferred to profit or loss	(129)	(10,991)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Valuation gains or (-) losses taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Income tax relating to items that may be reclassified to profit or (-) loss	14,467	62,336
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**441,722**	**254,727**

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

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

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

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

For the six-month periods ended 30 June 2023 and 2022

Thousand euro

Sources of equity changes	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss for the period	(-) Interim dividends	Accumulated other comprehensive income	**Total**
Closing balance 31/12/2021	**703,371**	**7,899,227**	**—**	**9,663**	**4,486,020**	**—**	**(2,021,071)**	**(34,419)**	**328,412**	**—**	**(67,956)**	**11,303,247**
Effects of corrections of errors	—	—	—	—	—	—	—	—	—	—	—	**—**
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	**—**
Opening balance 01/01/2022	**703,371**	**7,899,227**	**—**	**9,663**	**4,486,020**	**—**	**(2,021,071)**	**(34,419)**	**328,412**	**—**	**(67,956)**	**11,303,247**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	354,294	**—**	(99,567)	**254,727**
Other equity changes	**—**	**—**	**—**	**228**	**150,991**	**—**	**(53,452)**	**4,662**	**(328,412)**	**—**	**—**	**(225,983)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of preference shares	—	—	—	—	—	—	—	—	—	—	—	**—**
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	**—**
Exercise or expiration of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	**—**
Conversion of debt to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	**—**
Dividends (or shareholder remuneration)	—	—	—	—	(168,809)	—	—	—	—	—	—	**(168,809)**
Purchase of treasury shares	—	—	—	—	—	—		(50,878)	—	—	—	**(50,878)**
Sale or cancellation of treasury shares	—	—	—	—	—	—	2,149	55,540	—	—	—	**57,689**
Reclassification of financial instruments from equity to liability	—	—	—	—	—	—	—	—	—	—	—	**—**
Reclassification of financial instruments from liability to equity	—	—	—	—	—	—	—	—	—	—	—	**—**
Transfers among components of equity	—	—	—	—	328,412	—	—	—	(328,412)	—	—	**—**
Equity increase or (-) decrease resulting from business combinations	—	—	—	—	—	—	—	—	—	—	—	**—**
Share based payments	—	—	—	228	—	—	—	—	—	—	—	**228**
Other increase or (-) decrease in equity	—	—	—	—	(8,612)	—	(55,601)	—	—	—	—	**(64,213)**
Closing balance 30/06/2022	**703,371**	**7,899,227**	**—**	**9,891**	**4,637,011**	**—**	**(2,074,523)**	**(29,757)**	**354,294**	**—**	**(167,523)**	**11,331,991**

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

For the six-month periods ended 30 June 2023 and 2022

Thousand euro	30/06/2023	30/06/2022
Cash flows from operating activities	**(11,223,464)**	**(2,256,816)**
Profit or loss for the period	488,046	354,294
Adjustments to obtain cash flows from operating activities	687,712	574,443
Depreciation and amortisation	92,859	96,421
Other adjustments	594,853	478,022
Net increase/decrease in operating assets	(2,662,416)	(8,870,989)
Financial assets held for trading	225,293	(1,794,735)
Non-trading financial assets mandatorily at fair value through profit or loss	(81,491)	15,378
Financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	480,887	237,826
Financial assets at amortised cost	(3,232,211)	(7,421,093)
Other operating assets	(54,894)	91,635
Net increase/decrease in operating liabilities	(9,688,757)	5,620,161
Financial liabilities held for trading	(15,403)	851,694
Financial liabilities designated at fair value through profit or loss	—	—
Financial liabilities at amortised cost	(9,592,514)	5,054,586
Other operating liabilities	(80,840)	(286,119)
Cash payments or refunds of income taxes	(48,049)	65,275
Cash flows from investing activities	**(106,201)**	**46,316**
Payments	(271,108)	(76,817)
Tangible assets	(95,049)	(73,558)
Intangible assets	(877)	(2,529)
Investments in subsidiaries, joint ventures and associates	—	—
Other business units	(175,182)	(730)
Non-current assets and liabilities classified as held for sale	—	—
Other payments related to investing activities	—	—
Collections	164,907	123,133
Tangible assets	11,215	22,874
Intangible assets	—	—
Investments in subsidiaries, joint ventures and associates	13,682	68,569
Other business units	94,625	4,213
Non-current assets and liabilities classified as held for sale	45,385	27,477
Other collections related to investing activities	—	—
Cash flows from financing activities	**365,504**	**(1,018,160)**
Payments	(673,115)	(1,075,847)
Dividends	(111,645)	(168,809)
Subordinated liabilities	(400,000)	(750,000)
Redemption of own equity instruments	—	—
Acquisition of own equity instruments	(58,802)	(50,878)
Other payments related to financing activities	(102,668)	(106,160)
Collections	1,038,619	57,687
Subordinated liabilities	1,000,000	—
Issuance of own equity instruments	—	—
Disposal of own equity instruments	38,619	57,687
Other collections related to financing activities	—	—
Effect of changes in foreign exchange rates	**(77,670)**	**27,053**
Net increase (decrease) in cash and cash equivalents	**(11,041,831)**	**(3,201,607)**
Cash and cash equivalents at the beginning of the period	**34,063,579**	**42,305,858**
Cash and cash equivalents at the end of the period	**23,021,748**	**39,104,251**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash	553,667	586,182
Cash equivalents in central banks	22,019,267	38,134,295
Other demand deposits	448,814	383,774
Other financial assets	—	—
Less: bank overdrafts repayable on demand	—	—

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

Details of public issues carried out by the Group during the first half of 2023 are as follows:

Million euro

Issuer	Type of issue	Issue date	Amount 30/06/2023	Interest rate ruling as at 30/06/2023	Maturity date	Issue currency	Target of offering
Banco de Sabadell, S.A.	Preferred securities	18/01/2023	500	9.38%	—	Euro	Institutional
Banco de Sabadell, S.A.	Senior Non-Preferred debentures	07/02/2023	750	5.25%	07/02/2029	Euro	Institutional
TSB Banking Group	Covered bonds	14/02/2023	1,000	5.30%	14/02/2027	Pounds sterling	Institutional
Banco de Sabadell, S.A.	Subordinated bonds	16/02/2023	500	6.00%	16/08/2033	Euro	Institutional
Banco de Sabadell, S.A.	Covered bonds	28/02/2023	1,000	3.50%	28/08/2026	Euro	Institutional
Banco de Sabadell, S.A.	Senior Preferred debt (green)	07/06/2023	750	5.00%	07/06/2029	Euro	Institutional

Schedule IV – Other risk information

Credit risk exposure

Loans to customers, broken down by activity and type of guarantee

The breakdown of the balance of the heading "Loans and advances – Customers" by activity and type of guarantee, excluding advances not classed as loans, as at 30 June 2023 and 31 December 2022, respectively, is as follows:

Thousand euro

	30/06/2023							
				Secured loans. Carrying amount based on last available valuation. Loan to value				
	TOTAL	Of which: secured with real estate	Of which: secured with other collateral	Less than or equal to 40%	Over 40% and less than or equal to 60%	Over 60% and less than or equal to 80%	Over 80% and less than or equal to 100%	Over 100%
General governments	**9,292,681**	**26,212**	**404,470**	**20,676**	**7,010**	**5**	**881**	**402,110**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,402,234**	**231,601**	**422,057**	**436,801**	**193,033**	**15,049**	**347**	**8,428**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**58,922,438**	**10,915,629**	**7,765,355**	**7,350,203**	**4,481,156**	**1,821,413**	**1,551,556**	**3,476,656**
Construction and real estate development (including land)	2,339,863	1,307,691	328,802	658,295	484,838	168,510	146,677	178,173
Civil engineering construction	1,015,861	27,273	147,316	140,713	8,208	3,295	4,102	18,271
Other purposes	55,566,714	9,580,665	7,289,237	6,551,195	3,988,110	1,649,608	1,400,777	3,280,212
Large enterprises	25,383,156	1,456,245	3,130,945	1,868,159	538,049	217,518	513,395	1,450,069
SMEs and individual entrepreneurs	30,183,558	8,124,420	4,158,292	4,683,036	3,450,061	1,432,090	887,382	1,830,143
Other households	**86,446,721**	**77,976,549**	**1,325,435**	**17,509,501**	**24,083,231**	**27,444,293**	**7,778,718**	**2,486,241**
Home loans	76,930,457	76,611,368	258,248	16,501,405	23,393,364	27,073,408	7,607,626	2,293,813
Consumer loans	5,624,163	43,392	707,341	173,798	279,936	136,765	75,300	84,934
Other purposes	3,892,101	1,321,789	359,846	834,298	409,931	234,120	95,792	107,494
TOTAL	**156,064,074**	**89,149,991**	**9,917,317**	**25,317,181**	**28,764,430**	**29,280,760**	**9,331,502**	**6,373,435**
MEMORANDUM ITEM Refinancing, refinanced and restructured transactions	4,185,547	2,405,379	332,272	908,742	756,991	508,026	227,405	336,487

Thousand euro

	31/12/2022							
				Secured loans. Carrying amount based on last available valuation. Loan to value				
	TOTAL	**Of which: secured with real estate**	**Of which: secured with other collateral**	**Less than or equal to 40%**	**Over 40% and less than or equal to 60%**	**Over 60% and less than or equal to 80%**	**Over 80% and less than or equal to 100%**	**Over 100%**
General governments	**10,112,875**	**27,806**	**404,416**	**21,478**	**8,006**	**—**	**906**	**401,832**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,053,004**	**302,774**	**362,324**	**433,339**	**194,881**	**21,854**	**6,451**	**8,573**
Non-financial corporations and individual entrepreneurs (non-financial business activity)	**60,962,804**	**13,324,354**	**5,961,022**	**7,596,497**	**4,652,265**	**2,200,628**	**1,546,495**	**3,289,491**
Construction and real estate development (including land)	2,558,107	1,490,609	316,320	756,742	534,819	153,846	147,140	214,382
Civil engineering construction	968,875	25,767	151,094	140,083	11,224	2,729	3,783	19,042
Other purposes	57,435,822	11,807,978	5,493,608	6,699,672	4,106,222	2,044,053	1,395,572	3,056,067
Large enterprises	25,586,942	2,161,488	2,006,076	1,773,688	443,347	276,123	372,204	1,302,202
SMEs and individual entrepreneurs	31,848,880	9,646,490	3,487,532	4,925,984	3,662,875	1,767,930	1,023,368	1,753,865
Other households	**85,544,442**	**77,898,980**	**1,384,690**	**17,922,933**	**24,711,578**	**26,895,158**	**6,936,913**	**2,817,088**
Home loans	77,075,115	76,728,550	296,420	17,006,740	24,088,867	26,531,341	6,779,029	2,618,993
Consumer loans	5,440,517	41,627	672,238	126,801	262,036	149,721	74,613	100,694
Other purposes	3,028,810	1,128,803	416,032	789,392	360,675	214,096	83,271	97,401
TOTAL	**157,673,125**	**91,553,914**	**8,112,452**	**25,974,247**	**29,566,730**	**29,117,640**	**8,490,765**	**6,516,984**
MEMORANDUM ITEM Refinancing, refinanced and restructured transactions	**4,512,316**	**2,911,059**	**272,013**	**961,790**	**840,122**	**534,705**	**248,379**	**598,076**

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

Refinancing and restructuring transactions

Information on refinancing and restructuring transactions as at 30 June 2023 and 31 December 2022 is shown below. The Group's refinancing policy and strategy is described in Note 4 on "Risk management" to the 2022 consolidated annual financial statements.

Thousand euro

	30/06/2023						
	Credit institutions	**General governments**	**Other financial corporations and individual entrepreneurs (financial business activity)**	**Non-financial corporations and individual entrepreneurs (non-financial business activity)**	***Of which: lending for construction and real estate development (including land)***	**Other households**	**Total**
Total							
Not secured with collateral							
Number of transactions	–	12	80	31,751	*880*	58,736	**90,579**
Gross carrying amount	–	6,773	19,682	1,891,883	*105,569*	238,079	**2,156,417**
Secured with collateral							
Number of transactions	–	1	11	6,695	*1,126*	15,751	**22,458**
Gross carrying amount	–	88	1,539	1,779,688	*139,744*	1,366,672	**3,147,987**
Impairment allowances	–	491	14,861	762,072	*73,155*	341,424	**1,118,848**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	–	2	32	18,163	*569*	44,130	***62,327***
Gross carrying amount	–	726	16,338	934,233	*62,725*	178,231	***1,129,528***
Secured with collateral							
Number of transactions	–	1	6	4,113	*1,030*	8,117	***12,237***
Gross carrying amount	–	88	215	840,870	*77,303*	836,753	***1,677,926***
Impairment allowances	–	491	14,703	691,795	*71,140*	315,632	***1,022,621***
Total							
Number of transactions	–	13	91	38,446	*2,006*	74,487	**113,037**
Gross amount	–	6,861	21,221	3,671,571	*245,313*	1,604,751	**5,304,404**
Impairment allowances	–	491	14,861	762,072	*73,155*	341,424	**1,118,848**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–	**–**

Thousand euro

	31/12/2022						
	Credit institutions	**General governments**	**Other financial corporations and individual entrepreneurs (financial business activity)**	**Non-financial corporations and individual entrepreneurs (non-financial business activity)**	***Of which: lending for construction and real estate development (including land)***	**Other households**	**Total**
Total							
Not secured with collateral							
Number of transactions	–	13	77	29,290	*807*	59,586	**88,966**
Gross carrying amount	–	8,115	24,424	1,910,336	*76,455*	245,991	**2,188,866**
Secured with collateral							
Number of transactions	–	1	11	7,936	*1,238*	14,654	**22,602**
Gross carrying amount	–	100	1,688	2,079,054	*180,451*	1,323,929	**3,404,771**
Impairment allowances	–	1,049	15,313	776,751	*79,589*	288,210	**1,081,323**
Of which, non-performing loans							
Not secured with collateral							
Number of transactions	–	10	35	14,428	*478*	43,708	***58,181***
Gross carrying amount	–	6,938	16,529	891,441	*60,892*	173,526	***1,088,434***
Secured with collateral							
Number of transactions	–	1	5	4,539	*1,128*	7,202	***11,747***
Gross carrying amount	–	100	218	895,810	*75,145*	759,672	***1,655,800***
Impairment allowances	–	864	15,176	702,017	*74,597*	262,845	***980,902***
Total							
Number of transactions	–	14	88	37,226	*2,045*	74,240	**111,568**
Gross amount	–	8,215	26,112	3,989,390	*256,906*	1,569,920	**5,593,637**
Impairment allowances	–	1,049	15,313	776,751	*79,589*	288,210	**1,081,323**
Additional information: lending included under non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–	–

The value of the guarantees received to ensure collection associated with refinancing and restructuring transactions, broken down into collateral and other guarantees, as at 30 June 2023 and 31 December 2022, is as follows:

Thousand euro

Guarantees received	**30/06/2023**	**31/12/2022**
Value of collateral	2,701,269	2,893,373
Of which: securing stage 3 loans	*1,294,627*	*1,310,560*
Value of other guarantees	1,058,900	1,061,177
Of which: securing stage 3 loans	*452,852*	*376,624*
Total value of guarantees received	**3,760,169**	**3,954,550**

Movements in the balance of refinancing and restructuring transactions during the first half of 2023 are as follows:

Thousand euro

Balance as at 31 December 2022	**5,593,637**
(+) Forbearance (refinancing and restructuring) in the period	809,820
Memorandum item: impact recognised on the income statement for the period	99,205
(-) Debt repayments	(433,265)
(-) Foreclosures	(4,145)
(-) Derecognised from the balance sheet (reclassified as write-offs)	(85,417)
(+)/(-) Other changes (*)	(576,226)
Balance as at 30 June 2023	**5,304,404**

(*) Includes transactions no longer classified as forborne (refinanced or restructured) loans, as they meet the requirements for their reclassification as performing (Stage 1) as they have completed the cure period.

The table below shows the value of transactions which, after refinancing or restructuring, have been classed as stage 3 during the period:

Thousand euro

	30/06/2023	31/12/2022
General governments	—	—
Other legal entities and individual entrepreneurs	**304,872**	**374,135**
Of which: Lending for construction and real estate development	*27,186*	*20,280*
Other natural persons	**104,996**	**90,171**
Total	**409,868**	**464,306**

The average probability of default (PD) on current refinancing and restructuring transactions, broken down by activity, as at 30 June 2023 and 31 December 2022 is as follows:

%

	30/06/2023	31/12/2022
General governments (*)	—	—
Other legal entities and individual entrepreneurs	**14**	**14**
Of which: Lending for construction and real estate development	*18*	*19*
Other natural persons	**9**	**10**

(*) Authorisation has not been granted for the use of internal models in the calculation of capital requirements.
Average probability of default calculated as at the end of the quarter immediately preceding the publication of results.

Concentration risk

Geographical exposure

Global

The breakdown of risk concentration, by activity and at a global level, as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023				
	TOTAL	Spain	Rest of European Union	Americas	Rest of the world
Central banks and credit institutions	**44,088,691**	**24,266,382**	**9,307,330**	**2,757,222**	**7,757,757**
General governments	**35,290,665**	**26,490,950**	**4,627,674**	**2,070,403**	**2,101,638**
Central governments	24,385,751	16,768,459	4,423,910	1,091,744	2,101,638
Other	10,904,914	9,722,491	203,764	978,659	—
Other financial corporations and individual entrepreneurs	**6,155,202**	**1,499,179**	**178,668**	**656,809**	**3,820,546**
Non-financial corporations and individual entrepreneurs	**61,426,774**	**45,951,906**	**3,669,767**	**9,415,330**	**2,389,771**
Construction and real estate development	2,446,157	2,020,822	51,393	277,610	96,332
Civil engineering construction	1,093,802	805,752	11,096	260,928	16,026
Other purposes	57,886,815	43,125,332	3,607,278	8,876,792	2,277,413
Large enterprises	27,119,715	16,582,381	2,071,793	7,198,521	1,267,020
SMEs and individual entrepreneurs	30,767,100	26,542,951	1,535,485	1,678,271	1,010,393
Other households	**86,542,590**	**40,817,719**	**1,270,248**	**588,421**	**43,866,202**
Home loans	76,930,457	33,619,652	1,248,383	300,680	41,761,742
Consumer loans	5,624,164	3,682,884	8,123	3,815	1,929,342
Other purposes	3,987,969	3,515,183	13,742	283,926	175,118
TOTAL	**233,503,922**	**139,026,136**	**19,053,687**	**15,488,185**	**59,935,914**

Thousand euro

	31/12/2022				
	TOTAL	**Spain**	**Rest of European Union**	**Americas**	**Rest of the world**
Central banks and credit institutions	**47,918,906**	**34,158,121**	**3,778,817**	**2,613,583**	**7,368,385**
General governments	**36,026,312**	**27,319,509**	**4,865,464**	**1,685,660**	**2,155,679**
Central governments	25,682,763	18,162,012	4,671,930	693,142	2,155,679
Other	10,343,549	9,157,497	193,534	992,518	—
Other financial corporations and individual entrepreneurs	**7,277,718**	**1,229,361**	**2,502,161**	**485,170**	**3,061,026**
Non-financial corporations and individual entrepreneurs	**63,587,639**	**48,156,329**	**3,400,613**	**9,597,141**	**2,433,556**
Construction and real estate development	2,680,945	2,205,881	54,640	286,390	134,034
Civil engineering construction	1,043,510	767,633	14,266	236,171	25,440
Other purposes	59,863,184	45,182,815	3,331,707	9,074,580	2,274,082
Large enterprises	27,398,039	16,773,028	1,859,562	7,549,562	1,215,887
SMEs and individual entrepreneurs	32,465,145	28,409,787	1,472,145	1,525,018	1,058,195
Other households	**86,241,976**	**39,850,415**	**1,193,792**	**612,502**	**44,585,267**
Home loans	77,672,228	33,741,442	1,170,817	282,090	42,477,879
Consumer loans	5,440,517	3,488,618	8,853	6,998	1,936,048
Other purposes	3,129,231	2,620,355	14,122	323,414	171,340
TOTAL	**241,052,551**	**150,713,735**	**15,740,847**	**14,994,056**	**59,603,913**

By autonomous community

The risk concentration, broken down by activity and by Spanish autonomous community as at 30 June 2023 and 31 December 2022, is as follows:

Thousand euro

	30/06/2023									
		AUTONOMOUS COMMUNITIES								
	TOTAL	**Andalusia**	**Aragón**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castilla y León**	**Catalonia**
Central banks and credit institutions	**24,266,382**	**5,446**	**—**	**—**	**—**	**—**	**834,325**	**—**	**—**	**367,736**
General governments	**26,490,950**	**640,945**	**280,126**	**435,929**	**390,808**	**705,796**	**5,857**	**155,312**	**885,149**	**779,869**
Central governments	16,768,459	—	—	—	—	—	—	—	—	—
Other	9,722,491	640,945	280,126	435,929	390,808	705,796	5,857	155,312	885,149	779,869
Other financial corporations and individual entrepreneurs	**1,499,179**	**3,479**	**1,903**	**2,196**	**1,312**	**919**	**228**	**621**	**9,627**	**339,678**
Non-financial corporations and individual entrepreneurs	**45,951,906**	**2,428,327**	**1,008,805**	**1,271,013**	**2,210,587**	**1,218,455**	**203,515**	**679,581**	**1,166,193**	**13,095,514**
Construction and real estate development	2,020,822	91,394	34,227	40,318	70,277	25,917	6,594	17,399	34,671	477,204
Civil engineering construction	805,752	28,140	9,916	20,644	6,049	4,757	4,271	8,488	15,514	188,161
Other purposes	43,125,332	2,308,793	964,662	1,210,051	2,134,261	1,187,781	192,650	653,694	1,116,008	12,430,149
Large enterprises	16,582,381	687,913	375,950	387,382	1,064,682	315,408	81,609	192,493	250,835	4,396,484
SMEs and individual entrepreneurs	26,542,951	1,620,880	588,712	822,669	1,069,579	872,373	111,041	461,201	865,173	8,033,665
Other households	**40,817,719**	**2,871,908**	**580,460**	**1,213,863**	**1,503,691**	**629,206**	**120,609**	**521,084**	**786,068**	**15,662,797**
Home loans	33,619,652	2,291,449	492,018	918,813	1,319,635	437,948	99,645	408,363	609,782	13,329,747
Consumer loans	3,682,884	415,951	42,480	96,093	92,983	158,824	11,326	78,361	94,896	1,082,937
Other purposes	3,515,183	164,508	45,962	198,957	91,073	32,434	9,638	34,360	81,390	1,250,113
TOTAL	**139,026,136**	**5,950,105**	**1,871,294**	**2,923,001**	**4,106,398**	**2,554,376**	**1,164,534**	**1,356,598**	**2,847,037**	**30,245,594**

Thousand euro

	30/06/2023								
	AUTONOMOUS COMMUNITIES								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and credit institutions	**—**	**4,615**	**22,345,929**	**—**	**—**	**96,410**	**611,921**	**—**	**—**
General governments	**67,897**	**759,868**	**2,792,423**	**89,475**	**265,557**	**722,987**	**666,688**	**56,191**	**21,614**
Central governments	—	—	—	—	—	—	—	—	—
Other	67,897	759,868	2,792,423	89,475	265,557	722,987	666,688	56,191	21,614
Other financial corporations and individual entrepreneurs	**21,272**	**2,771**	**1,049,551**	**2,094**	**2,594**	**23,614**	**30,208**	**7,111**	**1**
Non-financial corporations and individual entrepreneurs	**160,229**	**2,316,774**	**12,258,657**	**1,013,735**	**504,619**	**4,322,188**	**1,899,363**	**175,602**	**18,749**
Construction and real estate development	2,355	84,000	898,400	30,325	10,421	150,048	36,932	9,571	769
Civil engineering construction	1,666	39,215	365,269	14,457	2,530	54,109	39,931	1,340	1,295
Other purposes	156,208	2,193,559	10,994,988	968,953	491,668	4,118,031	1,822,500	164,691	16,685
Large enterprises	18,467	768,337	5,443,268	252,418	183,526	1,354,827	756,584	51,987	211
SMEs and individual entrepreneurs	137,741	1,425,222	5,551,720	716,535	308,142	2,763,204	1,065,916	112,704	16,474
Other households	**153,928**	**1,016,203**	**5,468,639**	**2,182,126**	**171,886**	**6,405,594**	**1,372,237**	**72,516**	**84,904**
Home loans	115,847	737,655	4,446,090	1,756,536	139,676	5,167,378	1,211,127	58,592	79,351
Consumer loans	28,384	159,779	602,402	184,575	9,022	548,844	67,106	6,082	2,839
Other purposes	9,697	118,769	420,147	241,015	23,188	689,372	94,004	7,842	2,714
TOTAL	**403,326**	**4,100,231**	**43,915,199**	**3,287,430**	**944,656**	**11,570,793**	**4,580,417**	**311,420**	**125,268**

Thousand euro

	31/12/2022									
		AUTONOMOUS COMMUNITIES								
	TOTAL	**Andalusia**	**Aragón**	**Asturias**	**Balearic Islands**	**Canary Islands**	**Cantabria**	**Castilla-La Mancha**	**Castilla y León**	**Catalonia**
Central banks and credit institutions	**34,158,121**	**5,145**	**1**	**13**	**8**	**2**	**349,943**	**—**	**—**	**350,636**
General governments	**27,319,509**	**548,524**	**282,965**	**377,523**	**413,874**	**614,807**	**5,646**	**177,985**	**886,455**	**806,616**
Central governments	18,162,012	—	—	—	—	—	—	—	—	—
Other	9,157,497	548,524	282,965	377,523	413,874	614,807	5,646	177,985	886,455	806,616
Other financial corporations and individual entrepreneurs	**1,229,361**	**4,751**	**1,754**	**3,187**	**1,433**	**941**	**247**	**705**	**11,318**	**357,821**
Non-financial corporations and individual entrepreneurs	**48,156,329**	**2,461,160**	**1,077,323**	**1,355,755**	**2,131,431**	**1,162,785**	**203,928**	**677,576**	**1,191,791**	**13,643,536**
Construction and real estate development	2,205,881	97,474	38,811	43,796	73,749	25,553	7,609	16,082	33,632	519,457
Civil engineering construction	767,633	32,037	11,282	21,868	5,224	4,860	4,146	6,674	14,556	156,519
Other purposes	45,182,815	2,331,649	1,027,230	1,290,091	2,052,458	1,132,372	192,173	654,820	1,143,603	12,967,56
Large enterprises	16,773,028	631,451	380,888	383,933	956,528	295,167	73,266	186,787	235,303	4,383,584
SMEs and individual entrepreneurs	28,409,787	1,700,198	646,342	906,158	1,095,930	837,205	118,907	468,033	908,300	8,583,976
Other households	**39,850,415**	**2,814,410**	**562,841**	**1,168,698**	**1,467,079**	**615,733**	**116,407**	**510,091**	**781,608**	**15,385,48**
Home loans	33,741,442	2,305,080	487,577	937,797	1,305,843	436,697	99,189	408,621	626,088	13,366,91
Consumer loans	3,488,618	381,060	41,462	93,342	89,192	154,546	10,152	73,193	91,257	1,049,933
Other purposes	2,620,355	128,270	33,802	137,559	72,044	24,490	7,066	28,277	64,263	968,636
TOTAL	**150,713,73**	**5,833,990**	**1,924,884**	**2,905,176**	**4,013,825**	**2,394,268**	**676,171**	**1,366,357**	**2,871,172**	**30,544,09**

Thousand euro

	31/12/2022								
	AUTONOMOUS COMMUNITIES								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Valencia**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Central banks and credit institutions	**—**	**11,345**	**32,841,524**	**2**	**—**	**100,128**	**499,374**	**—**	**—**
General governments	73,251	660,025	2,464,005	53,136	308,543	693,533	709,949	56,001	24,659
Central governments	—	—	—	—	—	—	—	—	—
Other	73,251	660,025	2,464,005	53,136	308,543	693,533	709,949	56,001	24,659
Other financial corporations and individual entrepreneurs	**93**	**3,729**	**778,585**	**3,310**	**488**	**24,084**	**29,769**	**7,130**	**16**
Non-financial corporations and individual entrepreneurs	**197,915**	**2,404,086**	**12,870,370**	**1,122,284**	**608,933**	**4,755,150**	**2,080,952**	**191,396**	**19,958**
Construction and real estate development	1,948	94,226	969,667	31,131	11,134	151,009	80,439	9,611	553
Civil engineering construction	2,174	43,328	336,020	14,633	3,006	60,242	47,909	2,279	876
Other purposes	193,793	2,266,532	11,564,683	1,076,520	594,793	4,543,899	1,952,604	179,506	18,529
Large enterprises	51,207	756,107	5,625,249	236,223	236,299	1,469,595	812,271	58,931	239
SMEs and individual entrepreneurs	142,586	1,510,425	5,939,434	840,297	358,494	3,074,304	1,140,333	120,575	18,290
Other households	**151,499**	**975,804**	**5,433,400**	**2,050,394**	**168,933**	**6,116,889**	**1,375,881**	**71,251**	**84,013**
Home loans	116,510	734,267	4,494,023	1,734,407	139,664	5,177,257	1,233,510	59,076	78,921
Consumer loans	27,443	146,638	567,330	174,643	9,796	502,475	67,443	6,017	2,696
Other purposes	7,546	94,899	372,047	141,344	19,473	437,157	74,928	6,158	2,396
TOTAL	**422,758**	**4,054,989**	**54,387,884**	**3,229,126**	**1,086,897**	**11,689,784**	**4,695,925**	**325,778**	**128,646**

Sovereign risk exposure

Sovereign risk exposure, broken down by type of financial instrument, as at 30 June 2023 and 31 December 2022 is as follows:

Thousand euro

	30/06/2023											
	Sovereign debt securities							Derivatives				
Sovereign risk exposure by country (*)	**Financial assets held for trading**	**Financial liabilities held for trading - Short positions**	**Mandatorily at fair value through profit or loss**	**Measured at fair value through other comprehensive income**	**Financial assets at amortised cost**	**Loans and advances to customers (**)**	***Of which: Financial assets FVOCI or non-derivative and non-trading financial assets measured at fair value through equity***	**With positive fair value**	**With negative fair value**	**Total**	**Other off-balance sheet exposures (***)**	**%**
Spain	32,775	(213,519)	—	2,866,419	14,326,189	10,311,723	—	1,554	(9,608)	27,315,533	—	75.9 %
Italy	69,428	(6,889)	—	—	3,281,530	—	—	—	—	3,344,069	—	9.3 %
United States	—	—	12,068	855,033	265,699	292	—	—	—	1,133,092	—	3.1 %
United Kingdom	—	—	—	384,410	1,500,525	12,098	—	—	—	1,897,033	—	5.3 %
Portugal	—	(45,969)	—	—	741,238	—	—	—	—	695,269	—	1.9 %
Mexico	—	—	—	777,205	99,791	60,223	—	—	—	937,219	—	2.6 %
Rest of the world	276,410	(70,655)	—	68,688	392,176	2,900	—	—	—	669,519	—	1.9 %
Total	**378,613**	**(337,032)**	**12,068**	**4,951,755**	**20,607,148**	**10,387,236**	**—**	**1,554**	**(9,608)**	**35,991,734**	**—**	**100.0 %**

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

(**) Includes those available under credit transactions and other contingent risks (1,062 million euros at 30 June 2023).

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

Thousand euro

Sovereign risk exposure by country (*)	31/12/2022											
	Sovereign debt securities					Loans and advances to customers (**)	*Of which: Financial assets FVOCI or non-derivative and non-trading financial assets measured at fair value through equity*	Derivatives		Total	Other off-balance sheet exposures (***)	%
	Financial assets held for trading	Financial liabilities held for trading - Short positions	Mandatorily at fair value through profit or loss	Measured at fair value through other comprehensive income	Financial assets at amortised cost			With positive fair value	With negative fair value			
Spain	6,434	(135,382)	—	3,196,334	14,028,933	11,113,371	—	1,903	(9,021)	28,202,572	—	76.6 %
Italy	20,284	(79,404)	—	—	3,057,287	—	—	—	—	2,998,168	—	8.1 %
United States	—	—	11,851	833,134	257,520	233	—	—	—	1,102,737	—	3.0 %
United Kingdom	—	—	—	575,289	1,524,614	24,077	—	—	—	2,123,980	—	5.8 %
Portugal	—	—	—	—	740,688	3,042	—	—	—	743,730	—	2.0 %
Mexico	—	—	—	428,712	100,303	43,904	—	—	—	572,919	—	1.6 %
Rest of the world	293,320	—	—	192,611	586,427	13,508	—	—	—	1,085,866	—	2.9 %
Total	**320,038**	**(214,786)**	**11,851**	**5,226,080**	**20,295,772**	**11,198,135**	**—**	**1,903**	**(9,021)**	**36,829,972**	**—**	**100.0 %**

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

(**) Includes undrawn balances of credit transactions and other contingent risks (1,041 million euros as at 31 December 2022).

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

Exposure to construction and real estate development sector

Details of lending for construction and real estate development and the relevant impairment allowances as at 30 June 2023 and 31 December 2022 are set out below:

Million euro

	30/06/2023		
	Gross carrying amount	**Surplus above value of collateral**	**Impairment allowances**
Lending for construction and real estate development (including land) (business in Spain)	**2,316**	**581**	**117**
Of which: risks classified as stage 3	185	87	97

Million euro

	31/12/2022		
	Gross carrying amount	**Surplus above value of collateral**	**Impairment allowances**
Lending for construction and real estate development (including land) (business in Spain)	**2,527**	**578**	**123**
Of which: risks classified as stage 3	*189*	*82*	*97*

Million euro

Memorandum item	Gross carrying amount 30/06/2023	Gross carrying amount 31/12/2022
Write-offs (*)	13	21

Million euro

Memorandum item	Amount 30/06/2023	Amount 31/12/2022
Loans to customers, excluding General Governments (business in Spain) (carrying amount)	90,423	91,064
Total assets (total business) (carrying amount)	243,453	251,241
Allowances and provisions for exposures classified as stage 2 or stage 1 (total operations)	919	908

(*) Refers to lending for construction and real estate development reclassified as write-offs during the year.

The breakdown of lending for construction and real estate development for transactions registered by credit institutions (business in Spain) as at 30 June 2023 and 31 December 2022 is as follows:

Million euro

	Gross carrying amount 30/06/2023	Gross carrying amount 31/12/2022
Not secured with real estate	**911**	**969**
Secured with real estate	**1,405**	**1,558**
Completed buildings and other completed works	747	772
Housing	564	567
Other	183	205
Buildings and other works in progress	551	654
Housing	532	621
Other	19	34
Land	108	132
Consolidated urban land	71	95
Other land	36	37
Total	**2,316**	**2,527**

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

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

Million euro

Guarantees received	30/06/2023	31/12/2022
Value of collateral	1,356	1,506
Of which: securing stage 3 loans	59	66
Value of other guarantees	350	347
Of which: securing stage 3 loans	22	19
Total value of guarantees received	**1,706**	**1,853**

The breakdown of loans to households for home purchase for transactions recorded by credit institutions (business in Spain) as at 30 June 2023 and 31 December 2022 is as follows:

Million euro

	30/06/2023	
	Gross carrying amount	*Of which: stage 3 exposures*
Loans for home purchase	**35,895**	***832***
Not secured with real estate	593	*25*
Secured with real estate	35,302	*807*

Million euro

	31/12/2022	
	Gross carrying amount	***Of which: stage 3 exposures***
Loans for home purchase	**35,934**	***780***
Not secured with real estate	596	*29*
Secured with real estate	35,338	*751*

The tables below show home equity loans granted to households for home purchase, broken down by the loan-to-value ratio (ratio of total risk to gross carrying amount of last available property appraisal) of transactions recorded by credit institutions (business in Spain) as at 30 June 2023 and 31 December 2022:

Million euro

	30/06/2023	
	Gross value	***Of which: stage 3 loans***
LTV ranges	**35,302**	***807***
LTV <= 40%	6,908	*126*
40% < LTV <= 60%	9,818	*173*
60% < LTV <= 80%	12,900	*202*
80% < LTV <= 100%	3,548	*139*
LTV > 100%	2,128	*167*

Million euro

	31/12/2022	
	Gross value	***Of which: stage 3 loans***
LTV ranges	**35,338**	***751***
LTV <= 40%	6,679	*118*
40% < LTV <= 60%	9,573	*153*
60% < LTV <= 80%	12,608	*193*
80% < LTV <= 100%	4,096	*130*
LTV > 100%	2,382	*157*

Lastly, the table below gives details of assets foreclosed or received in lieu of debt by the consolidated Group entities, for transactions recorded by credit institutions within Spain, as at 30 June 2023 and 31 December 2022:

Million euro

	30/06/2023			
	Gross carrying amount	**Allowances**	***Gross amount (*)***	***Allowances (*)***
Real estate assets acquired through lending for construction and real estate development	**429**	**140**	***474***	***194***
Completed buildings	393	124	*430*	*168*
Housing	233	62	*250*	*84*
Other	160	62	*180*	*84*
Buildings under construction	3	1	*5*	*3*
Housing	2	1	*4*	*3*
Other	1	—	—	—
Land	34	16	*40*	*23*
Developed land	18	8	*21*	*11*
Other land	16	7	*19*	*12*
Real estate assets acquired through mortgage lending to households for home purchase	**509**	**134**	***585***	***216***
Other real estate assets foreclosed or received in lieu of debt	**20**	**5**	**24**	**9**
Capital instruments foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Financing to institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Total	**958**	**279**	***1,083***	***419***

(*) Non-performing real estate assets including real estate located outside Spain and the coverage established in the original financing, and excluding the credit risk transferred in portfolio sales (see reconciliation between assets foreclosed or received in payment of debt and non-performing assets, below).

Million euro

	31/12/2022			
	Gross carrying	Allowances	*Gross amount (*)*	*Allowances (*)*
Real estate assets acquired through lending for construction and real estate development	**487**	**158**	***531***	***215***
Completed buildings	448	140	485	*188*
Housing	269	71	*286*	*95*
Other	179	69	*199*	*93*
Buildings under construction	4	1	5	*3*
Housing	3	1	*5*	*3*
Other	—	—	—	—
Land	35	16	41	*24*
Developed land	19	8	*22*	*12*
Other land	16	8	*19*	*12*
Real estate assets acquired through mortgage lending to households for home purchase	**522**	**136**	***598***	***218***
Other real estate assets foreclosed or received in lieu of debt	**24**	**5**	***27***	***10***
Capital instruments foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Capital instruments of institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Financing to institutions holding assets foreclosed or received in lieu of debt	**—**	**—**	**—**	**—**
Total	**1,032**	**299**	**1,157**	**443**

(*) Non-performing real estate assets including real estate located outside Spain and the coverage established in the original financing, and excluding the credit risk transferred in portfolio sales (see reconciliation between assets foreclosed or received in payment of debt and non-performing assets, below).

The reconciliation of the real estate assets shown in the two previous tables of this Schedule as at 30 June 2023 and 31 December 2022 is shown below:

Million euro

	30/06/2023		
	Gross value	Allowances	Net book value
Total real estate portfolio in the national territory (in books)	**958**	**279**	**679**
Total operations outside the national territory and others	1	1	1
Provision allocated in original loan	161	161	—
Risk transferred in portfolio sales	(38)	(22)	(15)
Total non-performing real estate	**1,083**	**419**	**664**

Million euro

	31/12/2022		
	Gross value	Allowances	Net book value
Total real estate portfolio in the national territory (in books)	**1,032**	**299**	**734**
Total operations outside the national territory and others	1	1	1
Provision allocated in original loan	174	174	—
Risk transferred in portfolio sales	(51)	(30)	(21)
Total non-performing real estate	**1,157**	**443**	**713**

Banco Sabadell Group consolidated interim Directors' Report for the first six months of 2023

The consolidated interim Directors' Report is prepared with the sole purpose of describing the significant events and changes that occurred in the six-month period, without duplicating information already published in the Directors' Report of the most recent consolidated annual financial statements. Consequently, for proper comprehension of the information included in this consolidated interim Directors' Report, it should be read together with the Directors' Report for the Group's 2022 consolidated annual financial statements, which was prepared in accordance with the recommendations of the "Guide for the preparation of management reports of listed companies" published by the CNMV in July 2013.

1. BANCO SABADELL GROUP

1.1. Mission and values

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

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

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

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

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

1.2. Strategic Plan 2021-2023

The Group's Strategic Plan (hereinafter also referred to as "the Plan") was unveiled on 28 May 2021. This Plan defined the Group's strategic priorities, namely (i) an increased focus on core business in Spain, with different action levers for each business line, which will strengthen the Bank's competitive position in the domestic market, and (ii) a significant improvement in the profitability of international business, both in the United Kingdom and in other geographies. The cost base will also be reduced during the Plan to bring it in line with the current competitive environment. To deliver these changes, capital will be allocated more efficiently, fostering the growth of the Group in the geographies and business lines that offer the highest return on risk-adjusted capital.

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

In Retail Banking, the approach is to undertake a major transformation, which will profoundly change the offering of products and services as well as the customer relationship model.

In relation to the aforesaid offering, further efforts are being made to make transaction services more readily available to customers in a simple and agile way in digital channels. As for the commercial offering of products and services, a fundamentally digital and remote offering is being developed in products for which the customer wants autonomy, immediacy and convenience, such as consumer loans, accounts and cards. For more complex products, such as mortgages, insurance and savings/investment products, where the customer requires support, product specialists are being deployed and multi-channel support is being offered.

The goal in Retail Banking is to respond better to customers' needs while at the same time reducing the cost base of the business.

In Business Banking, the sizeable franchise of the Bank in this segment is being strengthened and specific levers have been established to achieve profitable growth: launch of sector-specific solutions for businesses, support for customers in their internationalisation process, expansion of specialised solutions for SMEs, and a comprehensive support plan for Next Generation EU funds. This is being reinforced with an optimal risk management framework, complementing the perspective of risk experts and business experts with new business intelligence tools and data analytics.

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

The approach in Corporate Banking Spain is to develop plans to improve the profitability of each customer and increase the contribution of specialised product units to the generation of income.

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

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

TSB's aim is to increase its contribution to the Group's profitability.

In the Group's other international business, the priority is to actively manage the capital allocated by the Group to these business lines. On a supplementary basis, there are specific priorities in each geographical area: in Mexico, the focus is on rigorous cost management; in Miami, the Private Banking business will be strengthened; while in other foreign branches, priority will be given to supporting Spanish customers in their international activity.

With the Plan in action for over two years, the progress made is very significant. Some examples include the deployment of more than 800 specialised agents, a new digital landing page for mortgages, an online mortgage simulator, a new portal for customers to monitor their mortgage payments, a new pricing model for consumer loans and mortgages, the digitalisation of consumer loan application processes, a 100% digital card application process, the expansion of pre-approved consumer loans and cards, the integration of Sabadell Wallet in the mobile app, the optimisation of product campaigns, the launch of a customer retention plan, the launch of the Sabadell Online Account... the list goes on.

At present, agents specialising in mortgages generate around 45% of the total new business in this product, those specialising in savings and investment products generate 28%, while those specialising in insurance generate 21%; in terms of the proportion of the commercial team that they represent, this is 5% in the case of mortgage specialists, 2% in the case of savings and investment specialists and 2% in the case of insurance specialists. On the other hand, digital sales of consumer loans represent over 75% of the total, while in 2021 that figure was around 40%. In 2023, almost half of cards are applied for online and 55% of new customers register on the digital channel; in 2021, these digital sale capabilities did not exist and, thanks to the digital account, customers can now register using a 100% digital process in less than five minutes.

In Business Banking, 34 sector-specific offers have been introduced for businesses and customer acquisition in these sectors has increased by 50% in 2023 compared to 2021. Online banking functionality has also been improved, thus expanding the digital offering and interactions between the customer and the Bank/relationship manager. Data analytics is being used more widely in risk management, to ensure greater risk discrimination and appropriate channelling of new credit. As a result, more than 80% of new credit is granted to priority customers. In terms of capabilities, the middle market team has been bolstered to increase the knowledge base already in use in Corporate Banking.

As for costs, the efficiency plan that addressed both Business Banking and Retail Banking was completed in 2022, delivering cost savings of 270 million euros.

In Corporate Banking Spain, greater focus has been placed on the continuous monitoring of customer profitability.

In line with its strategic goals, TSB has, for its part, significantly increased its market share in mortgages since the end of 2020. It has also executed an efficiency plan to reduce costs and adjust the size of its branch network. This plan was completed in the last quarter of 2021, delivering annual savings of 70 million euros.

TSB has been completely turned around. After accumulating losses between 2018 and 2020, it has consistently been making positive contributions to Group profits since the first quarter of 2021.

In Mexico the cost base has been reduced and it is now focusing on the business areas of Corporate Banking and Business Banking. As for other international business, the focus has been on supporting Spanish customers abroad and local customers who operate in Spain, steering their growth potential towards the most profitable assets.

The key financial targets established in the Strategic Plan 2021-2023 were (i) to achieve a return on tangible equity (ROTE) above 6% in 2023, and (ii) to maintain a fully-loaded CET1 capital ratio of over 12% throughout the Plan.

The macroeconomic assumptions on which the Plan's financial forecasts were based were established at a time when central banks were pursuing expansionary monetary policies. Central banks, seeing that inflation was considerably above their established target, were compelled to begin an accelerated and unprecedented interest rate hike cycle in early 2022 which has continued this year, with rate increases introduced at an even faster pace, pushing benchmark interest rates to positive figures for the first time in seven years.

This return to positive interest rates has allowed banking intermediation activity to return to normal, which is being positively reflected in institutions' revenues. Driven by this improvement in net interest income, the Group's profitability rose during the first half of the year to reach ROTE of 10.8%, surpassing the first target of the Plan. Similarly, the Group's fully-loaded CET1 capital ratio also amply exceeded the target level established in the Plan, reaching 12.87%.

The macroeconomic assumptions and the interest rate scenario based on which the Strategic Plan forecasts were defined had become severely outdated by 2022, so Banco Sabadell updated its guidance for 2023 to more suitably reflect the new context. The revised scenario projections concerning the income statement for this year are as follows:

- Net interest income is expected to grow by close to 20%, driven by loan book repricing, while the average cost of deposits is estimated to be around 20%-25% of the average Euribor during the year.
- In terms of fees and commissions, these are expected to record a low single-digit drop due to the weaker performance of service fees.
- As for costs, inflation is expected to remain contained, with the total cost base standing just below 3 billion euros at the end of the year, equivalent to an increase in costs of no more than 3.5%.
- Total cost of risk, meanwhile, is expected to remain below 65 bps, explained by a resilient asset quality that does not suffer any deterioration.

All in all, the profitability target for 2023, measured in terms of return on tangible equity (ROTE), is more than 9% if we include the bank levy, or over 10.5% if we exclude it. In any case, it is far above the 6% profitability target initially established in the Strategic Plan.

1.3. Banco Sabadell share performance and shareholders

Share price performance

During the first six months of the year, the Banco Sabadell share price continued to climb in 2022, with a cumulative revaluation of +22.1%, closing trading on 30 June 2023 at 1.05 euros per share. On a like-for-like basis, the revaluation was above the average of its peers in Spain, which appreciated by +11.0%, above the European banking industry benchmark (STOXX Europe 600 Banks), which gained +10.8%, and also above general indices such as EURO STOXX 50 and IBEX 35 which rose cumulatively by +9.6% and +16.6%, respectively, during the first six months of the year.

The start of the year was marked by very positive tone across stock markets in general and in the financial sector in particular, as financial institutions expected to see improved profitability underpinned by the interest rate hikes introduced by central banks, which continued to pursue a restrictive monetary policy in order to reduce and contain rising inflation.

However, in March, as a result of the liquidity difficulties encountered by Silicon Valley Bank in the US as customers withdrew their deposits, ultimately leading to its resolution a few days later, volatility in financial markets rebounded on both sides of the Atlantic, particularly in the financial sector, which underwent a sharp correction. Subsequently, further episodes of volatility were triggered by the uncertainty around Credit Suisse, following confirmation that this bank had sought financial aid from Switzerland's national bank to resolve its liquidity problems, and due to the spike in Deutsche Bank's credit default swap (CDS) prices. The uncertainty generated in relation to Credit Suisse was resolved when it was purchased by UBS.

Further volatility events occurred as the first six months of the year went by, mainly due to the liquidity problems experienced by various regional banks in the US.

Central banks also continued to raise interest rates, although expectations that the hike cycle would come to an end gradually increased. The European Central Bank raised rates to 4%, in the biggest monetary policy squeeze since the Eurozone was created.

Lastly, in macroeconomic terms, as the year progressed, fears of a possible recession in the United States increased, explained in part by tougher lending conditions. In the Eurozone, GDP contracted in the first quarter of 2023, falling into a technical recession as a result of a cooling economy in Germany.

Shareholding structure

The total number of shares as at 30 June 2023 was 5,626,964,701. In terms of ownership, 31 shareholders control 45.4% of the capital, while the other 54.6% of capital is distributed among the remaining 220,583 shareholders.

As at 30 June 2022, 48% of the ownership structure corresponds to minority shareholders and the remaining 52% to institutional shareholders.

1.4. Corporate governance

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

As required by Article 540 of the Spanish Capital Companies Act, the Group has prepared the Annual Corporate Governance Report for the year 2022, which, in accordance with Article 49 of the Spanish Commercial Code, forms part of the Directors' Report for the 2022 consolidated annual financial statements. It includes a section on the extent to which the Bank follows recommendations on corporate governance currently in existence in Spain.

As it has done in previous years, Banco Sabadell has opted to prepare the Annual Corporate Governance Report in free PDF format in order to explain and publicise, with maximum transparency, the main aspects contained therein.

Annual General Meeting 2023

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

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

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

The Board of Directors, at its meeting on 16 February 2023, resolved to permit votes and proxies in the 2023 Annual General Meeting to be cast and nominated (respectively) remotely prior to the AGM and to put systems and procedures in place so that shareholders and their proxies could attend via electronic means that connected in real time to the venue where the AGM was being held, and to allow shareholders to speak and cast votes using the systems and procedures set up for that purpose, in accordance with that provided in the Articles of Association and in the Regulations of the Shareholders' Meeting.

The Ordinary General Meeting of Shareholders held on 23 March 2023, on second call, approved all items on the agenda, including the annual financial statements and the corporate management during the financial year 2022. In relation to appointments, they approved the re-election as members of the Board of Directors of the Chairman, Josep Oliu Creus, in the capacity of Other External Director; of Aurora Catá Sala, in the capacity of Independent Director; of María José García Beato, in the capacity of Other External Director, and of David Vegara Figueras, in the capacity of Executive Director; in addition to the ratification and appointment of Laura González Molero and the appointment of Pedro Viñolas Serra, both in the capacity of Independent Directors.

Pursuant to Article 146 of the Regulation of the Companies Register, the re-election of Josep Oliu Creus implicitly entails his continuity as Chairman of the Board of Directors, with no re-election necessary for that position.

Information regarding the 2023 Annual General Meeting is published on the corporate website: www.grupbancsabadell.com (see section "Shareholders and Investors - Shareholders' General Meeting").

Composition of the Board of Directors

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

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

On 26 January 2023, Anthony Frank Elliott Ball resigned from his role as Independent Director of Banco Sabadell, effective from the date of the Annual General Meeting, which took place on 23 March 2023. To fill this vacancy, the Annual General Meeting agreed to appoint Pedro Viñolas Serra as Independent Director. Once the corresponding regulatory authorisations had been obtained, Pedro Viñolas Serra accepted the position on 22 June 2023 and attended his first Board meeting on 30 June 2023.

Board Committees

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

– The Board Strategy and Sustainability Committee.

– The Delegated Credit Committee.

– The Board Audit and Control Committee.

– The Board Appointments and Corporate Governance Committee.

– The Board Remuneration Committee.

– The Board Risk Committee.

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

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

The composition of the Board Committees as at 30 June 2023 is shown in the table below:

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

(*) Member for matters of strategy only.

2. ECONOMIC AND FINANCIAL ENVIRONMENT

2.1. Global economic, political and financial context

The first half of the year was marked by concerns about the condition of the economy and of the financial sector, particularly after the collapse of certain regional banks in the US and the problems in Credit Suisse. All of this took place in a context in which central banks pressed ahead with their monetary tightening, although at a somewhat easier pace than in 2022. Headline inflation began to gradually ease off, although core inflation remains stubbornly high. The conflict in Ukraine, on the other hand, became less central as a determining factor for the economy and financial markets, after Europe was able to successfully reduce its dependence on Russian gas, and it had a limited impact on the economy. Nevertheless, the international geopolitical context continues to be unstable on several fronts.

The collapse of US regional institutions Silicon Valley Bank and Signature Bank, the purchase of First Republic Bank by JP Morgan and the purchase of Credit Suisse by UBS were the most noteworthy events of the first six months of the year. The episodes affecting US regional banks led to a spike in stress for the wider banking industry. The monetary and regulatory authorities in the various jurisdictions took prompt action and introduced measures that were effective in containing the financial contagion. This, together with the existing differences between the banks concerned and the rest of the sector, meant that ultimately the consequences of the episode were limited.

Against this backdrop, the global economy proved relatively resilient and performed better than expected, thanks to the easing of energy prices in Europe, the scrapping of the zero-Covid policy in China, and the fiscal impulse, which was still making itself felt. However, the condition of the global economy is still fragile and prospects going forward look more bleak, due to the impacts stemming from monetary tightening. The Eurozone entered a technical recession, with GDP recording a 0.1% quarter-on-quarter contraction in Q1 2023, as it did in the previous quarter, although this contraction was less sharp than anticipated a few months ago. Demand, both internal and in the industrial sector, was particularly weak, especially in the more electricity-intensive industries. In the United States, activity proved more resilient than expected, although the signs of economic slowdown have been gradually increasing, primarily in the business sector. The United Kingdom, for its part, managed to avoid a recession, but activity has been stagnant since the second half of 2022. On the positive side of things, most economies exhibited a strong labour market, with record-low unemployment rates and robust levels of job creation.

Inflation in the main economies eased up during the first half of the year, thanks above all to the favourable base effect of energy prices, the resolution of global supply chain disruptions and the beginnings of a deceleration in food prices. Now the main concern relates to the price of services, which continues to be sustained by a strong labour market and high rates of wage growth. The United Kingdom stood out in a negative light, diverging from other developed economies, with inflation that continues to surprise to the upside and shows no signs of cooling.

Spain, on the other hand, stood out in a positive light in this environment. Economic activity performed well in the first six months of the year, underpinned by a solid foreign sector and, to a lesser extent, by an increase in business investment. Confidence indicators and the labour market both showed considerable recovery compared to the last quarter of 2022 and these metrics have only recently started to show signs of slowing (particularly in the industrial sector). Against this backdrop, several institutions revised their economic growth forecasts upwards for 2023 as a whole. In terms of inflation, this trended downwards more sharply than in the rest of the economies in the Eurozone and had already fallen below the ECB target (annual rate of 1.6%) in June. With regard to economic policy, it is worth mentioning the approval of the second part of the pension reform, which focuses on increasing the income obtained through the system, as well as the approval of the addendum to the Recovery Plan, through which Spain opts to receive up to 94bn euros of additional European funds associated with NGEU.

As for Brexit, a major breakthrough took place in recent months with the agreement reached between the United Kingdom and the European Union (the Windsor Framework) to relieve the tensions that have been building over the past few years in relation to the Northern Ireland Protocol, which is part of the Brexit agreements, and to change cross-border arrangements in the region. The Framework will regulate trade relations between the parties around that border and a joint committee will be in charge of overseeing its implementation. Specifically, the new Framework lays down more flexible rules for the trade of goods between Northern Ireland and Great Britain, but retains certain controls over goods from Great Britain that will enter the Republic of Ireland, which is a member of the EU. Changes have also been made in relation to medicines, private equity transactions and value added tax. Furthermore, the new Framework includes a backstop known as the ‘Stormont Brake’, which gives the Northern Ireland Assembly the right to veto new regulations approved by the EU where they could be detrimental to the region. The agreement does not substantially change the post-Brexit trading relations between the UK and the EU, but it does dispel a source of uncertainty and it also reflects a more constructive relationship between both parties.

2.2. Central banks and fixed-income markets

Central banks continued to tighten their monetary policy in the face of relatively persistent core inflation. The effective management of the problems experienced by US regional banks and Credit Suisse allowed central banks to maintain their hawkish tone. They continued to raise interest rates, although at a slightly slower pace than in 2022, and they also implemented quantitative tightening policies.

The European Central Bank (ECB) raised interest rates by 150 bps during the first six months of the year, with the deposit facility rate reaching 3.50%. It also left the door open to further rate hikes. In terms of its balance sheet policy, the ECB stopped reinvesting proceeds from traditional quantitative easing (QE). Lastly, it is worth noting that in June, banks paid back over 700 billion euros borrowed under TLTRO III (the ECB’s targeted operations through which banks could borrow funds), which led to a considerable reduction of the central bank’s balance sheet.

In the United States, the Federal Reserve (Fed) also continued with the rate hike cycle that it began last year, taking rates to their highest levels since 2007. Nevertheless, in its last meeting in June, it pressed pause after ten consecutive rate hikes, waiting for more information to became available regarding the future prospects for the economy. In any event, Governor Powell suggested that further monetary policy tightening could take place at a later date. The Fed also continued with its quantitative tightening process by not rolling over the maturing debt securities on its balance sheet.

The Bank of England (BoE) continued to raise interest rates, which reached 5.00% in June. It is worth noting that while investors have raised their interest rate hike expectations for several central banks during these last six months, they raised them the most for the BoE, following the upside surprises in inflation of recent months and the tightening of the job market. With regard to its balance sheet policy, quantitative tightening continued after the brief hiatus triggered by the mini-budget in September 2022. To date, the BoE has reduced its balance sheet by 7.5%.

Against this backdrop, short-term government bond yields rebounded, helped along by expectations of increased official interest rates, especially in the United Kingdom (around 150 bps). Long-term government bond yields, for their part, fluctuated during the first six months of the year but remained in a certain range (with the exception of the UK), showing greater stability after the sharp repricing that occurred in 2022, and pointing towards greater concerns over economic growth. The problems in US regional banks and Credit Suisse, in addition to the uncertainty surrounding the debt ceiling negotiations in the United States, led to an isolated drop in yields, although they later recovered lost ground once both of those stumbling blocks had been overcome.

Risk assets posted gains at the end of the half-year, particularly US stocks, which were driven by the tech industry. Lastly, sovereign risk premiums in the periphery dropped and generally reached levels below those that would be consistent with their fundamentals. The good momentum of premiums was influenced by the emergency measures announced by the ECB last year and by positive economic activity data in these countries, which are benefitting from the distribution of NGEU funds, the recovery of tourism, and their smaller exposure to Russian gas.

2.3. Currency market

The euro, in its currency pair against the dollar, traded in the range of USD/EUR 1.06-1.10 during the first half of the year, influenced by the divergence in the hawkish tone adopted by the Fed and the ECB and concerns about global economic growth. It ended the quarter at nearly USD/EUR 1.09, a level close to the peak appreciation reached in March 2022.

The pound sterling appreciated from the start of the year, ending the six-month period at EUR/GBP 0.86 (+2.9%). The recent movement was underpinned by higher interest rates than in the Eurozone, after the BoE pushed interest rates up further. The fact that economic activity in the UK proved more resilient than anticipated also helped to support the pound.

2.4. Emerging markets

Emerging markets generally proved to be resilient in the first six months of the year, in spite of the turmoil related to the bank stress events in the United States. In China, the post-Covid economic reopening served to boost global activity, although its duration and intensity were ultimately disappointing. The Chinese real estate sector continued to show weakness, while agents' confidence was weighed down by geopolitical tensions. In Eastern Europe, after the elections in Turkey, where Erdogan secured a new term, the change of course that the new government plans to take, with more orthodox economic policies, was welcomed with optimism. In Latin America, the institutional strength in different countries played a crucial part in preventing developments that would have weighed on investor confidence. In addition, fiscal and monetary discipline helped to pave the way for the disinflation process. In Mexico, the economic slowdown was less intense than anticipated. The possible benefits that the country may be reaping from nearshoring are attracting the markets' attention, which may be behind the considerable appreciation of the Mexican peso. Lastly, it is worth highlighting Russia's weakening public finances, as well as the growing political instability in the country, revealing deeper internal cracks, while the conflict in Ukraine continues.

3. FINANCIAL INFORMATION[1]

Banco Sabadell and its group ended the first half of the year with attributable net profit of 564 million euros, compared to 407 million euros in the same period of 2022. The positive change is due mainly to the good performance of net interest income, in particular driven by higher yields on lending and fixed income.

3.1. Income and profit performance

Net interest income obtained in the first half of the year came to a total of 2,270 million euros, 29.2% higher than the net interest income obtained in the first six months of 2022, as a result of higher yields on lending items, driven by higher interest rates, as well as increased income from the fixed-income portfolio, which offset the higher cost in capital markets and the increased cost of funding.

[1] The data contained in sections 3 and 4 of this consolidated interim Directors' Report as at 31 December 2022 and 30 June 2022 has been restated to take into account the implementation of IFRS 17 (see Note 1.5 to the condensed consolidated interim financial statements).

Net fees and commissions in the first six months of the year amounted to 697 million euros, falling by -4.4% in year-on-year terms, due mainly to lower service fees and to reduced asset management fees, mainly from the sale of pension funds and insurance products.

Gains or (-) losses on financial assets and liabilities and exchange differences amounted to 31 million euros in the first half of 2023, compared to 83 million euros in the first half of 2022. This is because 2022 included higher profits on trading and hedging derivatives and higher gains on sales of fixed income.

Equity-accounted income and dividends received amounted to 72 million euros in the first half of the year, compared with 99 million euros in the first six months of 2022. The change with respect to the previous year is mainly explained by the fact that in 2022, higher earnings from BanSabadell Capital investees were recorded.

Other operating income and expenses came to a total of -261 million euros during the first six months of 2023, compared to -147 million euros during the first half of 2022. This increase in expenses in 2023 is due to the payment of the bank levy of -157 million euros in February 2023, which was partially offset by the smaller contribution made to the SRF compared to the previous year (76 million euros in 2023 compared to 100 million euros in 2022).

Operating expenses, depreciation and amortisation amounted to a total of -1,478 million euros during the first half of 2023. In the first half of 2022, total operating expenses, depreciation and amortisation came to a total of -1,440 million euros. This increase is due to higher staff and general expenses, as well as a slight increase in amortisations/depreciations compared to the previous year.

The cost-to-income ratio as at the end of June 2023 improved in year-on-year terms, standing at 42.39% compared to 46.64% in the same period of the previous year. Similarly, the cost-to-income ratio including amortisations/depreciations decreased to 52.03% from 57.53% in the same period of the previous year.

As a result of all the above, the first half of 2023 ended with pre-provisions income of 1,331 million euros (1,082 million euros in the first half of 2022), due to the good evolution of net interest income.

Provisions and impairments (primarily financial assets and real estate) amounted to -468 million euros, compared with -475 million euros in the first six months of 2022, mainly due to fewer provisions for real estate and litigation, partially offset by a larger volume of provisions for credit losses.

Capital gains on asset sales and other revenue amounted to -13 million euros, compared to -19 million euros recorded during the first six months of 2022.

After deducting corporation tax and minority interests, net profit attributable to the Group amounted to 564 million euros at the end of the first half of 2023. These results represent growth of 38.5%, meaning that the Group’s profitability has improved.

3.2. Balance sheet

At the end of the first half of 2023, total assets of Banco Sabadell and its group amounted to 243,453 million euros, representing a -3.1% decrease with respect to the end of 2022.

Gross performing loans to customers showed a balance of 153,834 million euros as at 30 June 2023, dropping by -1.5% compared to the balance as at year-end 2022, mainly due to the reduction of the mortgage balance, in both Spain and the United Kingdom, to lower SME lending balances, and to maturing Treasury loans in general governments.

As at the end of June 2023, the NPL ratio increased slightly to 3.5% (3.4% as at year-end 2022), the stage 3 coverage ratio improved to 40.1% (from 39.4% as at year-end 2022) and the stage 3 coverage ratio with total provisions also improved to 55.7% (from 55.0% as at year-end 2022).

As at 30 June 2023, on-balance sheet customer funds showed a balance of 162,790 million euros, compared to 164,140 million euros as at the end of 2022, representing a slight dip of -0.8% in year-on-year terms, due to the reduction of demand deposits, which was partially offset by the increase of term deposits and of the retail issuance volume, particularly commercial paper, as customers searched for higher returns on their savings.

The balance of demand deposits fell to 140,056 million euros, representing a -5.1% decrease on the figure as at the end of 2022, while customer term deposits (including deposits redeemable at notice and hybrid financial liabilities) amounted to 21,484 million euros, 33.1% more than at the end of 2022.

Total off-balance sheet customer funds amounted to 39,720 million euros, increasing by 3.2% compared to the end of the previous year. On this topic, it is particularly worth mentioning the growth of mutual funds, which as at the end of June 2023 came to 23,216 million euros, representing a 2.8% increase compared to the year-end 2022 figure, mainly due to improved profitability and to a positive volume of net inflows, as well an increase in insurance products sold, whose balance as at the end of June 2023 was 9,560 million euros, representing a 4.0% increase compared to the year-end closing of 2022.

Total funds under management and third-party funds amounted to 227,645 million euros as at 30 June 2023, compared to 225,146 million euros at the end of the previous year, representing a 1.1% increase, impacted by the growth of both on-balance sheet and off-balance sheet customer funds mentioned previously.

3.3. Solvency

The Common Equity Tier 1 (CET1) ratio stood at 12.88% in phase-in terms and at 12.87% in fully-loaded terms as at 30 June 2023.

Credit rating

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

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', respectively, 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 rating was reaffirmed in the full report issued on 31 May 2023.

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'. The full report on the revision was published on 25 May.

On 12 May 2023, DBRS Ratings GmbH affirmed Banco Sabadell's long-term issuer rating at A (low) with a stable outlook, reflecting the strength of the franchise as Spain's fourth largest banking group. It also took a positive view of its solid asset quality profile, its strong position in wholesale funding and liquidity, and the Group's satisfactory capitalisation. The short-term rating remained at R-1 (low). The full report on the revision was published on 24 May.

On 13 June 2023, Fitch Ratings affirmed its long-term rating of Banco Sabadell at 'BBB-', improving the outlook to positive from stable, mainly reflecting Fitch's expectations that Sabadell's profitability will continue to structurally improve due to higher interest rates, contained credit provisions and improved earnings of the Bank's UK subsidiary. The short-term rating remained at 'F3'. The full report on the revision was published on 30 June.

3.4. Branches and offices

At the end of the first half of 2023, Banco Sabadell had 1,205 branches and offices. Of the total number of branches and offices of Banco Sabadell and its group, 903 operate under the Sabadell brand (including 25 business banking and 2 corporate banking branches), 63 operate as Sabadell Gallego (3 business banking branches), 85 as Sabadell Herrero (3 business banking branches), 62 as Sabadell Guipuzcoano (5 business banking branches), 7 as Sabadell Urquijo, and 85 branches operate under the Solbank brand. The other 242 branches and offices make up the international network, of which 15 correspond to Sabadell Mexico and 211 to TSB.

4. BUSINESS REVIEW

The key financial figures associated with the Group's largest business units are shown hereafter, in line with the segment information described in Note 31 to the condensed consolidated interim financial statements for the six-month period ended 30 June 2023.

4.1. Banking Business Spain

Net profit as at the end of June 2023 amounted to 437 million euros, representing a year-on-year increase of 36.9%, impacted by the payment of the new bank levy of -157 million euros in the first quarter of the year. Not including this impact, profit amounted to 594 million euros, representing year-on-year growth of 77.8%, due mainly to the good evolution of net interest income.

Net interest income amounted to 1,573 million euros as at the end of June 2023, growing by 38.1% year-on-year, due to a higher customer margin and improved fixed-income revenue, underpinned by higher interest rates, which offset higher costs in capital markets.

Net fees and commissions stood at 635 million euros, -3.8% less than at the end of June 2022, mainly due to the drop in service fees and asset management fees, particularly fees on pension funds and insurance due to the change in the insurance product mix.

Gains or (-) losses on financial assets and liabilities and exchange differences amounted to 26 million euros, falling in year-on-year terms due to reduced gains on sales from the fixed-income portfolio and on trading and hedging derivatives.

Equity-accounted income and dividends showed a year-on-year reduction, mainly due to higher earnings recorded by BanSabadell Capital investees during the first half of 2022, which were partially offset by the increased contribution of the insurance business during the first half of 2023.

Other operating income and expenses include -157 million euros corresponding to the bank levy and -76 million euros corresponding to the contribution to the Single Resolution Fund (SRF) as at the end of June 2023.

Operating expenses, depreciation and amortisation rose by 2.7% year-on-year due to higher staff expenses.

Provisions and impairments amounted to 430 million euros, down by -3.0% year-on-year, due mainly to the booking of fewer provisions for real estate assets and to reduced litigation.

Capital gains on asset sales and other revenue improved by 26.8% year-on-year, due to the recognition of fewer IT asset write-offs.

Million euro

	30/06/2023	30/06/2022	Year-on-year change (%)
Net interest income	**1,573**	**1,139**	**38.1**
Fees and commissions (net)	635	660	(3.8)
Core revenue	**2,208**	**1,799**	**22.7**
Gains or (-) losses on financial assets and liabilities and exchange differences	26	79	(67.1)
Equity-accounted income and dividends	72	99	(27.3)
Other operating income and expenses	(232)	(117)	97.7
Gross income	**2,074**	**1,860**	**11.5**
Operating expenses, depreciation and amortisation	(965)	(940)	2.7
Pre-provisions income	**1,109**	**920**	**20.5**
Provisions and impairments	(430)	(444)	(3.0)
Capital gains on asset sales and other revenue	(12)	(17)	(26.8)
Profit/(loss) before tax	**666**	**460**	**44.9**
Corporation tax	(228)	(112)	103.9
Profit or loss attributed to minority interests	1	14	(95.1)
Net profit	**437**	**334**	**31.0**
ROTE (net return on tangible equity)	10.8 %	8.3 %	
Cost-to-income (administrative expenses / gross income)	37.1 %	41.4 %	
NPL ratio	4.3 %	4.1 %	
Stage 3 coverage ratio, with total provisions	57.2 %	56.7 %	

Gross performing loans to customers fell by -1.8% compared to December 2022, impacted by the maturity of Public Treasury loans and by reduced balances of loans to SMEs and corporates.

On-balance sheet customer funds fell by -1.8% compared to December 2022, due to the reduction of demand deposits, as customers searched for products that offer higher returns, which was partially offset by an increase in term deposits and commercial paper.

Off-balance sheet funds increased by 3.2%, mainly due to mutual funds.

Million euro

	30/06/2023	30/12/2022	Change (%)
Assets	**180,613**	**189,407**	**(4.6)**
Gross performing loans to customers	106,965	108,889	(1.8)
Non-performing real estate assets (net)	664	713	(6.9)
Liabilities	**167,093**	**179,402**	**(6.9)**
On-balance sheet customer funds	117,905	120,118	(1.8)
Wholesale funding in capital markets	21,119	19,444	8.6
Allocated equity	**10,550**	**10,005**	**5.4**
Off-balance sheet customer funds	**39,720**	**38,492**	**3.2**
Other indicators			
Employees	13,369	12,991	2.9
Branches and offices	1,221	1,226	(0.4)

4.2. Banking Business United Kingdom

Net profit amounted to 106 million euros as at the end of June 2023, representing strong year-on-year growth, mainly on the strength of improved net interest income.

Net interest income came to a total of 603 million euros, 9.4% more than in the previous year, mainly on the strength of a higher-yielding loan book due to higher interest rates and also due to the fixed-income portfolio, which offset the increased cost in capital markets and the higher cost of funding. At constant exchange rates, net interest income increased by 13.9%.

Net fees and commissions amounted to 58 million euros as at the end of June 2023, with a year-on-year reduction of -6 million euros due to a reduction in demand deposit fees.

Total operating expenses, depreciation and amortisation came to 464 million euros, 0.6% higher year-on-year, impacted by the depreciation of the pound sterling. At a constant exchange rate, costs increased by 4.7%, due to higher staff and general expenses, particularly in connection with IT and marketing.

Provisions and impairments amounted to 23 million euros, falling by -28.0% year-on-year, mainly due to the release of provisions for litigation.

Corporation tax in 2022 included -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 euro

	30/06/2023	30/06/2022	Year-on-year change (%)
Net interest income	**603**	**551**	**9.4**
Fees and commissions (net)	58	64	(9.2)
Core revenue	**661**	**615**	**7.5**
Gains or (-) losses on financial assets and liabilities and exchange differences	5	3	89.1
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(20)	(21)	(5.3)
Gross income	**646**	**597**	**8.3**
Operating expenses, depreciation and amortisation	(464)	(461)	0.6
Pre-provisions income	**183**	**136**	**34.5**
Provisions and impairments	(23)	(32)	(28.0)
Capital gains on asset sales and other revenue	—	—	(444.1)
Profit/(loss) before tax	**160**	**104**	**54.3**
Corporation tax	(55)	(50)	9.9
Profit or loss attributed to minority interests	—	—	—
Net profit	**106**	**54**	**94.9**
ROTE (net return on tangible equity)	10.9 %	5.2 %	
Cost-to-income (administrative expenses / gross income)	59.9 %	63.4 %	
NPL ratio	1.4 %	1.3 %	
Stage 3 coverage ratio, with total provisions	40.4 %	40.3 %	

Gross performing loans to customers were down by -1.4% compared to 31 December 2022, as a result of a smaller mortgage book, primarily due to the decline in new mortgage lending volumes. At constant exchange rates, this decline was -4.5%.

On-balance sheet customer funds showed a slight increase of 0.7% year-on-year, underpinned by the appreciation of the pound. At constant exchange rates, customer funds declined by -2.6%, as the growth of term deposits was not sufficient to offset the reduction of demand deposits.

Million euro

	30/06/2023	30/12/2022	Change (%)
Assets	**56,086**	**55,810**	**0.5**
Gross performing loans to customers	42,526	43,110	(1.4)
Liabilities	**56,086**	**53,316**	**5.2**
On-balance sheet customer funds	41,203	40,931	0.7
Wholesale funding in capital markets	3,787	2,537	49.3
Allocated equity	**2,368**	**2,494**	**(5.0)**
Other indicators			
Employees	5,618	5,482	2.5
Branches and offices	211	220	(4.1)

4.3. Banking Business Mexico

Net profit as at the end of June 2023 amounted to 21 million euros, representing year-on-year growth of 10.2%, supported mainly by the good performance of net interest income.

Net interest income amounted to 94 million euros, increasing by 41.3% year-on-year, supported by the appreciation of the Mexican peso. At a constant exchange rate, the growth was 25.1% due to a higher-yielding loan book and increased fixed-income revenue.

Net fees and commissions amounted to 4 million euros as at the end of June 2023, falling by -1 million euros compared to the previous year due to reduced commercial activity.

Total operating expenses, depreciation and amortisation stood at 49 million euros, representing year-on-year growth of 16%, due to the appreciation of the Mexican peso. At constant exchange rates, costs increased by 10.6% compared to the same period in the previous year, due to higher general expenses.

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

Million euro

	30/06/2023	30/06/2022	Year-on-year change (%)
Net interest income	**94**	**67**	**41.3**
Fees and commissions (net)	4	5	(20.7)
Core revenue	**98**	**72**	**36.7**
Gains or (-) losses on financial assets and liabilities and exchange differences	—	1	(94.7)
Equity-accounted income and dividends	—	—	—
Other operating income and expenses	(10)	(8)	16.0
Gross income	**89**	**65**	**36.9**
Operating expenses, depreciation and amortisation	(49)	(39)	24.9
Pre-provisions income	**40**	**26**	**55.2**
Provisions and impairments	(15)	—	(5,895.8)
Capital gains on asset sales and other revenue	(1)	(2)	(39.5)
Profit/(loss) before tax	**23**	**23**	**(1.1)**
Corporation tax	(2)	(4)	(50.1)
Profit or loss attributed to minority interests	—	—	—
Net profit	**21**	**19**	**10.2**
ROTE (net return on tangible equity)	9.1 %	8.2 %	
Cost-to-income (administrative expenses / gross income)	41.2 %	50.8 %	
NPL ratio	3.1 %	2.3 %	
Stage 3 coverage ratio, with total provisions	65.8 %	73.3 %	

Performing loans to customers grew by 5.1% compared with December 2022, supported by the appreciation of the Mexican peso. At constant exchange rates, they decreased by -6.4%.

Similarly, on-balance sheet customer funds increased by 19.1% compared to December 2022, supported by the appreciation of the Mexican peso. At constant exchange rates, they increased by 6.0%.

Million euro

	30/06/2023	30/12/2022	Change (%)
Assets	**6,753**	**6,025**	**12.1**
Gross performing loans to customers	4,343	4,131	5.1
Real estate exposure (net)	—	—	—
Liabilities	**6,753**	**5,437**	**24.2**
On-balance sheet customer funds	3,681	3,090	19.1
Wholesale funding in capital markets	—	—	—
Allocated equity	**602**	**587**	**2.5**
Off-balance sheet customer funds	**—**	**—**	**—**
Other indicators			
Employees	418	422	(0.9)
Branches and offices	15	15	—

5. SUBSEQUENT EVENTS

No events meriting disclosure have occurred since 30 June 2023.

Glossary of terms on alternative performance measures

In the presentation of its results to the market, and for the purpose of monitoring the business and decision-making processes, the Group uses performance indicators pursuant to the generally accepted accounting regulations (EU-IFRS), and also uses other unaudited measures commonly used in the banking industry (Alternative Performance Measures, or APMs) as 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 indicates below the definition, calculation and use or purpose of each APM. Their reconciliation is also shown below.

Performance measure	Definition and calculation	Use or purpose
Gross performing loans to customers	Includes gross customer loans and advances, excluding repos, accrual adjustments and stage 3 assets.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Gross loans to customers	Includes loans and advances to customers excluding impairment allowances.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
On-balance sheet customer funds	Includes customer deposits (excl. repos) and other liabilities placed by the branch network (Banco Sabadell straight bonds, commercial paper and	Key figure in the Group's condensed consolidated balance sheet, the performance of which is monitored.
On-balance sheet funds	Includes the following accounting sub-headings: customer deposits, debt securities issued (borrowings, other marketable securities and subordinated liabilities).	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Off-balance sheet customer funds	Includes mutual funds, asset management, pension funds and insurance products sold.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Funds under management and third-party funds	The sum of on-balance sheet funds and off-balance sheet customer funds.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Customer spread	Difference between yield and costs of customer-related assets and liabilities, i.e. the contribution of exclusively customer-related transactions to net interest income. Calculated as the difference between the average rate that the Bank charges its customers for loans and the average rate that the Bank pays its customers for deposits. The average rate on customer loans and advances is the annualised ratio, in percentage terms, between financial revenues booked on customer loans and advances and the average daily balance of customer loans and advances. The average rate on customer funds is the annualised ratio, in percentage terms, between the financial cost booked on customer funds and the average daily balance of customer funds.	It reflects the profitability of purely banking activity.
Other assets	Comprises 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.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Other liabilities	Comprises the following accounting items: derivatives - hedge accounting, fair value changes of the hedged items in portfolio hedge of interest rate risk, tax liabilities, other liabilities and liabilities included in disposal groups classified as held for sale.	Key figure among the main indicators of a financial institution's business, the performance of which is monitored.
Other operating income and expenses	Comprises the following accounting items: other operating income and other operating expenses as well as income from assets and expenses from liabilities under insurance or reinsurance contracts.	Grouping of items used to explain part of the performance of the Group's consolidated results.
Pre-provisions income	Comprises the following accounting items: gross income plus administrative expenses and depreciation/amortisation.	It is one of the key figures that reflects the performance of the Group's consolidated results.

Total provisions and impairments	Comprises the following accounting items: (i) impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net modification losses or gains; (ii) provisions or reversal of provisions; (iii) impairment or reversal of impairment of investments in joint ventures or associates; (iv) impairment or reversal of impairment of non-financial assets; (v) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excludes gains or losses on the sale of equity holdings and other items); and (vi) gains or losses on derecognition of non-financial assets and equity holdings, net (including only gains or losses on the sale of investment properties).	Grouping of items used to explain part of the performance of the Group's consolidated results.
Capital gains on asset sales and other revenue	Comprises the following accounting items: (i) gains or (-) losses on derecognition of non-financial assets, net (excluding gains or (-) losses on the sale of investment properties), and (ii) profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (including only gains or losses on the sale of equity holdings and other items).	Grouping of items used to explain part of the performance of the Group's consolidated results.
ROA	This is an annualised ratio of the coefficient. Consolidated profit or loss for the year / average total assets. The numerator considers the annualisation of the profit earned to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end. **Average total assets:** arithmetic mean calculated as the sum of the daily balances for the reference period and divided by the number of days in said period.	A measure commonly used in the financial sector to determine the accounting return on Group assets.
RORWA	Annualised figure produced by the coefficient. Profit attributable to the Group / risk-weighted assets (RWAs). The numerator considers the annualisation of the profit earned to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end. **Risk-weighted assets:** total assets of a credit institution, multiplied by its respective risk factors (risk weights). Risk factors reflect the perceived level of risk of a particular asset class.	A measure commonly used in the financial sector to determine the accounting return on risk-weighted assets.

ROE	This is an annualised ratio of the coefficient. Profit attributable to the Group / average shareholders' equity. The numerator considers the annualisation of the profit earned to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end. **Average shareholders' equity:** average shareholders' equity calculated using the month-end balance since December of the previous year.	A measure commonly used in the financial sector to determine the accounting return on the Group's shareholders' equity.
ROTE	Annualised figure calculated as profit attributable to the Group / average shareholders' equity. The numerator considers the annualisation of the profit earned to date. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end. The denominator excludes intangible assets and goodwill of investees from average shareholders' equity. **Average shareholders' equity:** average shareholders' equity calculated using the month-end balance since December of the previous year.	Additional measure of the accounting return on shareholders' equity, but excluding goodwill and intangible assets from its calculation.
Cost-to-income ratio	Administrative expenses / adjusted gross income. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end.	One of the main indicators of efficiency or productivity of banking activity.
Cost-to-income ratio with amortisation/ depreciation	Administrative expenses, amortisations and depreciations / adjusted gross income. The denominator includes the accrual on a straight-line basis of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end.	One of the main indicators of efficiency or productivity of banking activity.
Stage 3 exposures	These include: (i) assets classified as stage 3 including other valuation adjustments (accrued interests, fees and commissions, and other) classified as stage 3 of loans and advances not classified as non-current assets held for sale, and (ii) guarantees given classified as stage 3.	It is one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk undertaken with customers and to assess its management.
Stage 3 coverage ratio, with total provisions	Percentage of stage 3 exposures that is covered by total provisions. Calculated as impairment of loans and advances to customers (including provisions for guarantees given) / total exposures classified as stage 3 (including guarantees given classified as stage 3).	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk undertaken with customers and shows the provisions that the Institution has allocated for loans classified as stage 3.
Stage 3 coverage ratio	Percentage of exposures classified as stage 3 that are covered by stage 3 provisions. Calculated as impairment of stage 3 customer loans and advances (including provisions for stage 3 guarantees given) / total stage 3 exposures (including guarantees given classified as stage 3).	It is one of the main indicators used in the banking sector to monitor the status and evolution of the quality of credit risk undertaken with customers and shows the stage 3 provisions that the Institution has allocated for loans classified as stage 3.

Non-performing assets	The sum of risks classified as stage 3 plus non-performing real estate assets. Non-performing real estate assets are foreclosed properties or properties accepted in payment of debt and properties classified in the portfolio of non-current assets and disposal groups classified as held for sale, except for investment properties with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment.	Indicator of total exposure to risks classified as stage 3 and to non-performing real estate assets.
Non-performing real estate coverage ratio	Obtained by dividing provisions for non-performing real estate assets by total non-performing real estate assets. <u>Non-performing real estate assets</u>: foreclosed properties or properties accepted in payment of debt and properties classified in the portfolio of non-current assets and disposal groups classified as held for sale, except for investment properties with significant unrealised capital gains and those under lease for which there is a final agreement for a sale to take place following refurbishment.	It is one of the main indicators used in the banking industry to monitor the status and evolution of the quality of real estate risk and shows the provisions that the Institution has allocated for real estate exposure.
NPA coverage ratio	This is calculated by dividing the provisions associated with non-performing assets by total non-performing assets.	It is one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk and real estate risk, and it shows the provisions that the Institution has allocated for non-performing exposures.
NPL ratio	Calculated as a ratio, whose numerator includes: (i) assets classified as stage 3 including other valuation adjustments (accrued interests, fees and commissions, and other) classified as stage 3 of loans and advances not classified as non-current assets held for sale, and (ii) guarantees given classified as stage 3. The denominator includes (i) gross loans to customers, excluding repos, and (ii) guarantees given.	It is one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk undertaken with customers and to assess its management.
Credit cost of risk (bps)	This is the ratio of provisions for credit losses / gross loans to customers, excluding repos, to assets plus guarantees given. The numerator considers the straight-line annualisation of loan loss provisions. It is also adjusted to account for costs associated with managing assets classified as stage 3.	A relative measure of risk, being one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk through the cost or loss due to financial asset impairments that have taken place in one year.
Total cost of risk (bps)	The ratio of total provisions and impairments / gross loans to customers, excluding repos, to guarantees given plus non-performing real estate assets. The numerator considers the straight-line annualisation of total provisions and impairments.	A relative measure of risk, being one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk through the cost or loss due to financial asset impairments that have taken place in one year.
Loan-to-deposit ratio	Net loans and receivables / retail funding. Brokered loans are subtracted from the numerator to calculate this ratio. The denominator considers retail funding or customer funds, defined in this table.	Measures a Bank's liquidity as the ratio of the funds at its disposal relative to the volume of lending items granted to customers. Liquidity is one of the key aspects that define the structure of an institution.
Market capitalisation	Calculated by multiplying the share price by the average number of shares outstanding as at the reporting date.	It is an economic market measurement or market ratio that indicates the total value of a company according to its market price.

Earnings per share (EPS)	Annualised figure calculated by dividing the net profit (or loss) attributable to the Group by the average number of shares outstanding as at the reporting date. The numerator is adjusted to account for the amount of the Additional Tier 1 coupon recognised in equity, after tax. The numerator also accrues to date the expense relating to contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end.	It is an economic measurement or market ratio that indicates a company's profitability, and it is one of the measurements used most frequently to assess institutions' performance.
Book value per share	Book value / average number of shares as at the reporting date. The book value is the sum of shareholders' equity, adjusted to account for the accrual to date of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end.	It is an economic market measurement or market ratio that indicates the book value per share.
TBV per share	Tangible book value / average number of shares outstanding as at the reporting date. The tangible book value is the sum of shareholders' equity adjusted to account for intangible assets and goodwill of investees, as well as the accrual to date of contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), the Spanish tax on deposits of credit institutions (IDEC), and the tax levy (TL), except at year-end.	It is an economic market measurement or market ratio that indicates the tangible book value per share.
P/TBV (price/tangible book value per share)	Share price or value / tangible book value per share.	Economic measurement or market ratio commonly used by the market, which represents the listed price of a share relative to its book value.
PER (share price / EPS)	Share price or value / net earnings per share.	Economic measurement or market ratio commonly used by the market to determine a company's ability to generate future earnings.

Equivalence of headings from the income statement of businesses and management units that appear in the note on “Segment information” and in the consolidated interim Directors’ Report with those of the condensed consolidated income statement[2]

Net fees and commissions:

- Fee and commission income.
- (Fee and commission expenses).

Core revenue:

- Net interest income.
- Fee and commission income.
- (Fee and commission expenses).

Other operating income and expenses:

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

Operating expenses, depreciation and amortisation:

- (Administrative expenses).
- (Depreciation and amortisation).

Pre-provisions income:

- Gross income.
- (Administrative expenses).
- (Depreciation and amortisation).

Provisions and impairments

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

Provisions for loan losses:

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

[2] Headings in the condensed consolidated income statement expressed in brackets denote negative figures.

Provisions for other financial assets:

- (Provisions or (-) reversal of provisions) (excludes commitments and guarantees given).

Other provisions and impairments:

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

Capital gains on asset sales and other revenue:

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

APMs reconciliation (data in million euros, with the exception of those shown in percentages)[3]

BALANCE SHEET	30/06/2023	31/12/2022
Gross loans to customers / Gross performing loans to customers		
Loans and credit secured with mortgages	88,356	89,340
Loans and credit secured with other collateral	3,589	3,412
Trade credit	7,002	7,489
Finance leases	2,311	2,227
Other amounts due at notice or on demand	52,576	53,663
Gross performing loans to customers	**153,834**	**156,130**
Stage 3 assets (customers)	5,534	5,461
Accrual adjustments	155	159
Gross loans to customers, excluding repos	**159,523**	**161,750**
Repos	130	—
Gross loans to customers	**159,653**	**161,750**
Impairment allowances	(3,105)	(3,020)
Loans and advances to customers	**156,549**	**158,730**
On-balance sheet customer funds		
Financial liabilities at amortised cost	223,887	232,530
Non-retail financial liabilities	61,097	68,390
Deposits - central banks	9,721	27,844
Deposits - credit institutions	17,813	11,373
Institutional issues	25,135	22,514
Other financial liabilities	8,428	6,659
On-balance sheet customer funds	**162,790**	**164,140**
On-balance sheet funds		
Customer deposits	161,626	164,076
Demand deposits	140,056	147,540
Deposits with agreed maturity including deposits redeemable at notice and hybrid financial liabilities	21,484	16,141
Reverse repos	—	405
Accrual adjustments and hedging derivatives	87	(9)
Debt securities issued	26,299	22,578
Borrowings and other marketable securities	22,220	19,100
Subordinated liabilities	4,079	3,478
On-balance sheet funds	**187,925**	**186,654**
Off-balance sheet customer funds		
Mutual funds	23,216	22,581
Assets under management	3,730	3,532
Pension funds	3,213	3,182
Insurance products sold	9,560	9,197
Off-balance sheet customer funds	**39,720**	**38,492**
Funds under management and third-party funds		
On-balance sheet funds	187,925	186,654
Off-balance sheet customer funds	39,720	38,492
Funds under management and third-party funds	**227,645**	**225,146**

[3] Comparative data as at 31 December 2022 and 30 June 2022 has been restated to take into account the implementation of IFRS 17 (see Note 1.5 to the condensed consolidated interim financial statements).

	30/06/2023	31/12/2022
Other assets		
Derivatives – Hedge accounting	3,363	3,072
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1,672)	(1,546)
Tax assets	6,819	6,851
Other assets	490	480
Non-current assets and disposal groups classified as held for sale	807	738
Other assets	**9,807**	**9,596**
Other liabilities		
Derivatives – Hedge accounting	1,623	1,242
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(1,155)	(959)
Tax liabilities	399	227
Other liabilities	729	872
Liabilities included in disposal groups classified as held for sale	28	—
Other liabilities	**1,624**	**1,382**

INCOME STATEMENT	30/06/2023	30/06/2022
Customer spread		
Loans and advances to customers (net)		
Average balance	154,788	156,863
Profit/(loss)	2,671	1,798
Rate (%)	3.48	2.31
Customer deposits		
Average balance	159,857	161,201
Profit/(loss)	(531)	(75)
Rate (%)	(0.67)	(0.09)
Customer spread	**2.81**	**2.22**
Other operating income and expenses		
Other operating income	39	31
Other operating expenses	(300)	(178)
Income from assets under insurance or reinsurance contracts	—	—
Expenses on liabilities under insurance or reinsurance contracts	—	—
Other operating income and expenses	**(261)**	**(147)**
Pre-provisions income		
Gross income	2,809	2,521
Administrative expenses	(1,204)	(1,167)
Staff expenses	(717)	(694)
Other general administrative expenses	(487)	(473)
Depreciation and amortisation	(274)	(272)
Pre-provisions income	**1,331**	**1,082**

	30/06/2023	30/06/2022
<u>**Total provisions and impairments**</u>		
Impairment or reversal of impairment on investments in joint ventures and associates	—	(13)
Impairment or reversal of impairment on non-financial assets, adjusted	(5)	(31)
Impairment or reversal of impairment on non-financial assets	(8)	(31)
Gains or losses on sale of investment properties	2	1
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, adjusted	(24)	(12)
Profit or loss from non-current assets and disposal groups classified as held for sale not	(24)	(15)
Gains or losses on the sale of equity holdings and other items	—	2
Other provisions and impairments	**(29)**	**(56)**
Provisions or reversal of provisions	(3)	(26)
Impairment or reversal of impairment and gains or losses on changes in cash flows from financial assets not measured at fair value through profit or loss and net modification losses or gains	(437)	(394)
Provisions for loan losses and other financial assets	**(440)**	**(419)**
Total provisions and impairments	**(468)**	**(475)**
<u>**Capital gains on asset sales and other revenue**</u>		
Gains or losses on derecognition of non-financial assets, net	(11)	(16)
Gains or losses on the sale of equity holdings and other items	—	(2)
Gains or losses on sale of investment properties	(2)	(1)
Capital gains on asset sales and other revenue	**(13)**	**(19)**

PROFITABILITY AND EFFICIENCY	30/06/2023	30/06/2022
ROA		
Average total assets	249,079	254,096
Consolidated profit or loss for the year	564	421
Adjustment for DGF, SRF & IDEC (tax on deposits at credit institutions), net of tax	45	(13)
ROA (%)	**0.49**	**0.32**
RORWA		
Net profit attributable to the Group	564	407
Risk-weighted assets (RWAs)	78,537	80,524
Adjustment for DGF, SRF, IDEC & TL, net of tax	45	(13)
RORWA (%)	**1.56**	**0.99**
ROE		
Average shareholders’ equity	13,857	13,214
Net profit attributable to the Group	564	407
Adjustment for DGF, SRF, IDEC & TL, net of tax	45	(13)
ROE (%)	**8.86**	**6.01**
ROTE		
Average shareholders’ equity (excluding intangible assets)	11,390	10,653
Net profit attributable to the Group	564	407
Adjustment for DGF, SRF, IDEC & TL, net of tax	45	(13)
ROTE (%)	**10.78**	**7.46**
Cost-to-income ratio		
Gross income	2,809	2,521
Adjustment for DGF, SRF, IDEC & TL	31	(19)
Administrative expenses	(1,204)	(1,167)
Cost-to-income ratio (%)	**42.39**	**46.64**
Depreciation and amortisation	(274)	(272)
Cost-to-income ratio with amortisation/depreciation (%)	**52.03**	**57.53**

RISK MANAGEMENT	30/06/2023	31/12/2022
Stage 3 exposures		
Assets classified as stage 3 (including other valuation adjustments)	5,571	5,491
Guarantees given classified as stage 3 (off-balance sheet)	317	324
Stage 3 exposures	**5,888**	**5,814**
Stage 3 coverage ratio, with total provisions		
Provisions for loan losses	3,280	3,200
Stage 3 exposures	5,888	5,814
Stage 3 coverage ratio, with total provisions (%)	**55.7 %**	**55.0 %**
Stage 3 coverage ratio (%)		
Provisions for stage 3 loan losses	2,361	2,292
Stage 3 exposures	5,888	5,814
Stage 3 coverage ratio (%)	**40.1 %**	**39.4 %**
Non-performing assets		
Stage 3 exposures	5,888	5,814
Non-performing real estate assets	1,083	1,157
Non-performing assets	**6,971**	**6,971**
NPA coverage ratio (%)		
Provisions for non-performing assets	3,699	3,644
Non-performing assets	6,971	6,971
NPA coverage ratio (%)	**53.1 %**	**52.3 %**
Non-performing real estate coverage ratio		
Provisions for non-performing real estate assets	419	443
Non-performing real estate assets	1,083	1,157
Non-performing real estate coverage ratio (%)	**38.7 %**	**38.3 %**
NPL ratio		
Stage 3 exposures	5,888	5,814
Gross loans to customers, excluding repos	159,523	161,750
Guarantees given (off-balance sheet)	8,891	9,003
NPL ratio (%)	**3.5 %**	**3.4 %**
Credit cost of risk (bps)		
Gross loans to customers, excluding repos	159,523	161,750
Guarantees given (off-balance sheet)	8,891	9,003
Provisions for loan losses	(433)	(825)
NPL expenses	(59)	(82)
Credit cost of risk (bps)	**45**	**44**
Total cost of risk (bps)		
Gross loans to customers, excluding repos	159,523	161,750
Guarantees given (off-balance sheet)	8,891	9,003
Non-performing real estate assets	1,083	1,157
Total provisions and impairments	(468)	(1,032)
Total cost of risk (bps)	**56**	**60**

LIQUIDITY MANAGEMENT	30/06/2023	31/12/2022
Loan-to-deposit ratio		
Net loans and advances excluding ATAs, adjusted for brokered loans	155,282	156,924
On-balance sheet customer funds	162,790	164,140
Loan-to-deposit ratio (%)	**95.4 %**	**95.6 %**

SHAREHOLDERS AND SHARES	30/06/2023	30/06/2022
Market capitalisation		
Average number of shares (million)	5,589	5,595
Listed price	1.05	0.76
Market capitalisation (million euro)	**5,891**	**4,255**
Earnings per share		
Profit attributable to the Group, adjusted	550	330
Profit attributable to the Group	564	407
Adjustment for DGF, SRF, IDEC & TL, net of tax	45	(13)
Adjustment for accrued AT1	(59)	(64)
Average number of shares (million)	5,589	5,595
Earnings per share (euros)	**0.20**	**0.12**
Book value per share		
Shareholders' equity, adjusted	14,035	13,289
Shareholders' equity	13,990	13,303
Adjustment for DGF, SRF, IDEC & TL, net of tax	45	(13)
Average number of shares (million)	5,589	5,595
Book value per share (euros)	**2.51**	**2.38**
TBV per share		
Shareholders' equity, adjusted	14,035	13,289
Intangible assets	2,444	2,524
Tangible book value (shareholders' equity, adjusted)	11,591	10,765
Average number of shares (million)	5,589	5,595
TBV per share (euros)	**2.07**	**1.92**
P/TBV		
Listed price	1.05	0.76
TBV per share (euros)	2.07	1.92
P/TBV (price/tangible book value per share)	**0.51**	**0.40**
PER		
Listed price	1.05	0.76
Earnings per share (euros)	0.20	0.12
PER (share price / EPS)	**5.31**	**6.39**