Sky Curve Bank

2023 Q1 INTERIM REPORT

January - March

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The consolidated income statement and balance sheet as of the end of March 2023 and 2022, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated annual financial statements as of 31 December 2022.

2023 Q1 INTERIM REPORT

Financial Highlights

Total Assets

€318.4bn

Total Liabilities

€163.9bn

Total Equity

€154.5bn

Total Revenue

€13.9bn

Operating Income

€7.7bn

Operating Profit

€2.6bn

BALANCE SHEET (EUR million)	Mar-23	Dec-22	%	Mar-22	%	Dec-22
Total assets	**1,749,402**	1,734,659	0.8	1,666,012	5.0	1,734,659
Loans and advances to customers	**1,041,388**	1,036,004	0.5	1,011,497	3.0	1,036,004
Customer deposits	**998,949**	1,009,722	(1.1)	941,081	6.1	1,009,722
Total funds	**1,237,015**	1,239,981	(0.2)	1,179,805	4.8	1,239,981
Total equity	**99,490**	97,585	2.0	99,378	0.1	97,585

Note: total funds includes customer deposits, mutual funds, pension funds and managed portfolios.

INCOME STATEMENT (EUR million)	Q1'23	Q4'22	%	Q1'22	%	2022
Net interest income	**10,396**	10,159	2.3	8,855	17.4	38,619
Total income	**13,922**	13,523	3.0	12,305	13.1	52,117
Net operating income	**7,777**	7,215	7.8	6,770	14.9	28,214
Profit before tax	**3,832**	3,489	9.8	4,171	(8.1)	15,250
Profit attributable to the parent	**2,571**	2,289	12.3	2,543	1.1	9,605

Changes in constant euros:

Q1'23 / Q4'22: NII: +2.0%; Total income: +3.2%; Net operating income: +9.1%; Profit before tax: +10.4%; Attributable profit: +12.9%.

Q1'23 / Q1'22: NII: +16.3%; Total income: +11.7%; Net operating income: +12.6%; Profit before tax: -10.0%; Attributable profit: -1.0%.

EPS, PROFITABILITY AND EFFICIENCY (%)	Q1'23	Q4'22	%	Q1'22	%	2022
EPS (euros)	**0.15**	0.13	15.3	0.14	6.4	0.54
RoE	**11.38**	10.11		11.49		10.67
RoTE	**14.38**	12.76		14.21		13.37
RoA	**0.66**	0.57		0.71		0.63
RoRWA	**1.86**	1.64		1.95		1.77
Efficiency ratio	**44.1**	46.6		45.0		45.8

UNDERLYING INCOME STATEMENT [1] (EUR million)	Q1'23	Q4'22	%	Q1'22	%	2022
Net interest income	**10,185**	10,159	0.3	8,855	15.0	38,619
Total income	**13,935**	13,525	3.0	12,305	13.2	52,154
Net operating income	**7,790**	7,217	7.9	6,770	15.1	28,251
Profit before tax	**4,095**	3,489	17.4	4,171	(1.8)	15,250
Profit attributable to the parent	**2,571**	2,289	12.3	2,543	1.1	9,605

Changes in constant euros:

Q1'23 / Q4'22: NII: -0.1%; Total income: +3.1%; Net operating income: +8.7%; Profit before tax: +18.0%; Attributable profit: +12.9%.

Q1'23 / Q1'22: NII: +13.9%; Total income: +11.9%; Net operating income: +12.8%; Profit before tax: -3.8%; Attributable profit: -1.0%.

SOLVENCY (%)	Mar-23	Dec-22	Mar-22	Dec-22
Fully-loaded CET1 ratio	**12.2**	12.0	12.1	12.0
Fully-loaded total capital ratio	**15.8**	15.8	16.2	15.8

CREDIT QUALITY (%)	Q1'23	Q4'22	Q1'22	2022
Cost of risk [2]	**1.05**	0.99	0.77	0.99
NPL ratio	**3.05**	3.08	3.26	3.08
NPL coverage ratio	**68**	68	69	68

Our business model is based on three pillars

01. Customer focus

Digital bank with branches

Transform our business and operating model through our global technology initiatives to build a digital bank with branches that provides access to financial services for our customers through several channels.

02. Our scale

Local and global scale

In-market scale in each of our core markets in volumes combined with our global scale support greater profitability and provide a competitive advantage over local peers.

03. Diversification

Geographic and business diversification. Solid and diversified balance sheet

Our well balanced diversification between developing and mature markets, as well as between business and customer segments, delivers recurrent pre-provision profit with low volatility.

Our corporate culture

Our purpose

To help people and businesses **prosper**.

Our aim

To be the best open financial services **platform**, by acting **responsibly** and earning the lasting **loyalty** of our people, customers, shareholders and communities.

Our how

Everything we do should be **Simple, Personal and Fair**.

1. NPS – internal benchmark of individual customers' satisfaction audited by Stiga/Deloitte in H2'22.
2. Market share in lending as of December 2022 including only privately-owned banks. UK benchmark refers to the mortgage market. Digital Consumer Bank (DCB) refers to auto in Europe.
3. Q1'23 attributable profit by region. Operating areas excluding the Corporate Centre.

Group financial information

Summarised income statement

EUR million

	Q1'23	Q4'22	Change %	Change % excl. FX	Q1'22	Change %	Change % excl. FX
Net interest income	10,396	10,159	2.3	2.0	8,855	17.4	16.3
Net fee income[1]	3,043	2,923	4.1	2.8	2,812	8.2	7.2
Gains or losses on financial assets and liabilities and exchange differences[2]	715	538	32.9	26.2	387	84.8	90.2
Dividend income	63	66	(4.5)	(4.2)	68	(7.4)	(8.2)
Share of results of entities accounted for using the equity method	126	201	(37.3)	(36.7)	133	(5.3)	(7.1)
Other operating income/expenses[3]	(421)	(364)	15.7	(15.1)	50	—	—
Total income	**13,922**	**13,523**	**3.0**	**3.2**	**12,305**	**13.1**	**11.7**
Operating expenses	(6,145)	(6,308)	(2.6)	(3.3)	(5,535)	11.0	10.7
Administrative expenses	(5,356)	(5,558)	(3.6)	(4.2)	(4,831)	10.9	10.5
Staff costs	*(3,245)*	*(3,422)*	*(5.2)*	*(5.4)*	*(2,863)*	*13.3*	*12.7*
Other general administrative expenses	*(2,111)*	*(2,136)*	*(1.2)*	*(2.3)*	*(1,968)*	*7.3*	*7.2*
Depreciation and amortization	(789)	(750)	5.2	3.1	(704)	12.1	12.2
Provisions or reversal of provisions	(642)	(576)	11.5	12.4	(455)	41.1	46.7
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)	(3,301)	(3,027)	9.1	10.8	(2,123)	55.5	50.8
Impairment on other assets (net)	(22)	(153)	(85.6)	(84.2)	(35)	(37.1)	(38.1)
Gains or losses on non-financial assets and investments, net	26	10	160.0	128.2	2	—	—
Negative goodwill recognized in results	—	—	—	—	—	—	—
Gains or losses on non-current assets held for sale not classified as discontinued operations	(6)	20	—	—	12	—	—
Profit or loss before tax from continuing operations	**3,832**	**3,489**	**9.8**	**10.4**	**4,171**	**(8.1)**	**(10.0)**
Tax expense or income from continuing operations	(967)	(948)	2.0	3.0	(1,302)	(25.7)	(27.3)
Profit from the period from continuing operations	**2,865**	**2,541**	**12.8**	**13.2**	**2,869**	**(0.1)**	**(2.1)**
Profit or loss after tax from discontinued operations	—	—	—	—	—	—	—
Profit for the period	**2,865**	**2,541**	**12.8**	**13.2**	**2,869**	**(0.1)**	**(2.1)**
Profit attributable to non-controlling interests	(294)	(252)	16.7	15.9	(326)	(9.8)	(11.4)
Profit attributable to the parent	**2,571**	**2,289**	**12.3**	**12.9**	**2,543**	**1.1**	**(1.0)**
EPS (euros)	**0.15**	**0.13**	**15.3**		**0.14**	**6.4**	
Diluted EPS (euros)	**0.15**	**0.13**	**15.3**		**0.14**	**6.3**	

income statement

Executive summary

Profit

Positive start to the year after absorbing the temporary levy on revenue in Spain

Attributable profit	
EUR 2,571 mn	1% in euros
	-1% in constant euros

Performance

Trends seen at 2022 year-end continued: revenue growth, improved efficiency and controlled cost of risk

Total income	Costs	Provisions	
+13%	+11%	+37%	in euros
+12%	+11%	+33%	in constant euros

Efficiency

The Group's efficiency ratio improved driven by Europe

Group	Europe
44.1%	41.9%
-0.9 pp	-5.9 pp

Changes vs. Q1 2022.

Profitability

Profitability continued to improve

RoTE[1]	RoRWA[1]
14.4%	1.86%
+0.2 pp	-0.09 pp

1. Not annualizing the temporary levy in Spain, RoTE would be 15.3% and RoRWA 1.97%.

Results performance compared to Q1 2022

The Group presents, both at the total Group level and for each of the business units, the changes in euros produced in the income statement, as well as variations excluding the exchange rate effect (FX), on the understanding that the latter provide a better analysis of the Group's management of the country units. For the Group as a whole, exchange rates had a positive impact of 1 pp in revenue and were neutral in costs.

Total income

Total income amounted to EUR 13,922 million in 2023, up 13% year-on-year. In constant euros, total income increased 12%. Net interest income and net fee income accounted more than 95% of total income. By line:

• **Net interest income** amounted to EUR 10,396 million, 17% higher than Q1 2022. Stripping out the exchange rate impact, growth was 16%, mainly due to greater volumes and higher interest rates.

In constant euros, of note was the net interest income growth across Europe (+30%), due to the strong positive sensitivity to interest rate rises in our balance sheet in euros. By country: +46% in Austria, +14% in the UK, +54% in Ireland and +47% in Poland.

NII increased 6% in North America, driven mainly by Mexico

It was up 4% in South America. Double-digit increases in volumes and higher interest rates were not reflected in growth in all countries due to the negative sensitivity to rate rises in Brazil and Chile.

NII increased 3% at DCB and the Corporate Centre recorded lower losses due to higher remuneration of the liquidity buffer.

In addition, NII included a positive impact of EUR 211 million from the reversal of tax liabilities in Brazil.

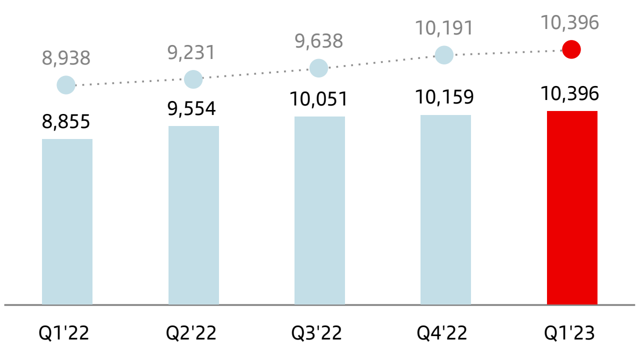
• **Net fee income** increased 8% compared to Q1 2022, reaching EUR 3,043 million. In constant euros, it was 7% higher.

Our scale and global businesses together with our financing capabilities in auto and payments, generated greater activity for our country units and the Group, which was reflected in higher volumes and net fee income growth.

Net interest income

EUR million

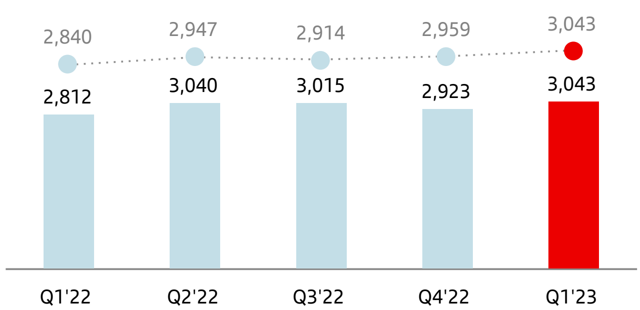
constant euros



Net fee income

EUR million

constant euros



Net fee income from payments was also strong, increasing 31% , with point of sale turnover increasing 27% year-on- year.

In Auto, net fee income increased 4% driven by the good performance of Brazil and Mexico, which offset the regulatory change in Germany.

These businesses represent 43% of the Group's fee income.

By region, net fee income in North America and South America was up 7% and 16%, respectively. It increased 2% in Europe due to lower loan volumes and commercial campaigns.

• **Gains on financial transactions** stood at EUR 715 million (EUR 387 million in the first quarter of 2022), improving in Europe, South America, DCB and the Corporate Centre, the latter driven by higher negative results from the FX hedge in Q1 2022.

• **Dividend income** was EUR 63 million, (EUR 68 million in Q1 2022).

• **The results of entities accounted for using the equity method** was EUR 126 million (EUR 133 million in Q1 2022), down year- on-year due to the lower contribution from the Group's associated entities in Europe.

• **Other operating income** recorded a loss of EUR 421 million (compared to a gain of EUR 50 million in Q1 2022), owing to the hyperinflation adjustment in Argentina and lower leasing income in the US. This line was affected by the EUR 224 million charge related to the temporary levy in Ireland and DCB.

In summary, total income increased in all regions, DCB and global businesses. The Corporate Centre also increased, due to the higher rates on the liquidity buffer and the lower negative impact from the FX hedge.

•

Costs
Operating expenses increased 11% year-on-year, both in euros and in constant euros, to EUR 6,145 million, due to the increase in inflation. In real terms (excluding the impact of average inflation), costs fell 1% in constant euros.

Our cost management continued to focus on improving the efficiency ratio, and as a result we remained among the most efficient banks in the world. The efficiency ratio stood at 44.1% at the end of Q1 2023, a 0.9 pp improvement on the first quarter of 2022 and 1.7 pp better than full-year 2022.

Our transformation plan continued to progress across our footprint, reflected in greater operating productivity, with better business dynamics and improved customer service and satisfaction.

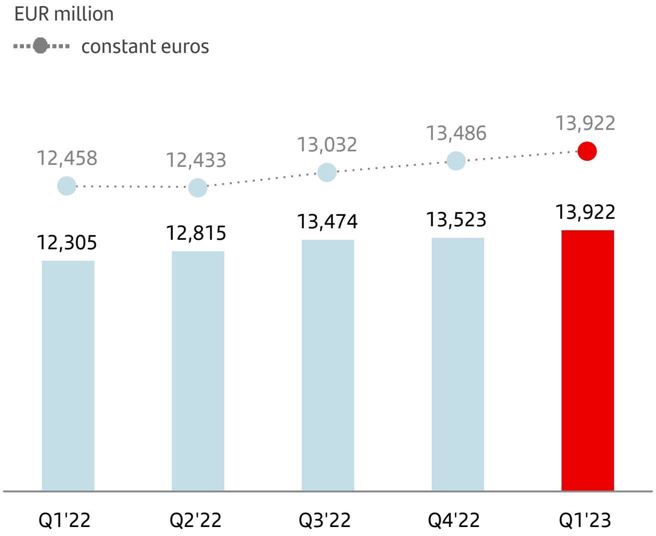
The trends by region and market in constant euros were as follows:

• In **Europe**, costs were up 7%. In real terms, costs decreased 2%, with falls in the UK (-4%), Austria (-3%) and Ireland (-3%), whereas costs increased 5% in Poland due to the very competitive labour market and the investment impact in digitalization. The region's efficiency ratio stood at 41.9%, improving more than 5 pp both year-on-year and compared to full year 2022.

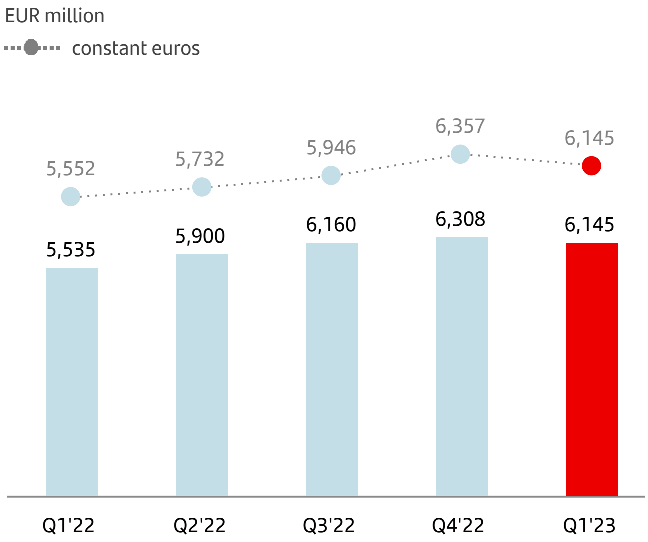
• In **North America**, costs increased 10%. In real terms, they were up 3%, due to digitalization and technology investments, and other transformation initiatives. The efficiency ratio stood at 47.7%.

• In **South America**, the rise in costs (+19%) was significantly distorted by soaring average inflation in the region (20% due to 83% inflation in Argentina) which was reflected in salary increases, directly linked to inflation. In real terms, costs decreased 1%. The efficiency ratio was 39.1%, maintaining our position as leader in the sector.

Total income



Operating expenses



Provisions or reversal of provisions

Provisions (net of provisions reversals) amounted to EUR 642 million (EUR 455 million in Q1 2022) mainly in the UK and Brazil.

Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (net) was EUR 3,301 million (EUR 2,123 million Q1 2022).

This comparison was mainly affected by the provisions resulting from the charges in Poland for CHF mortgages, the increase in the US (due to normalization) and higher provisions recorded in Brazil.

Impairment on other assets (net)

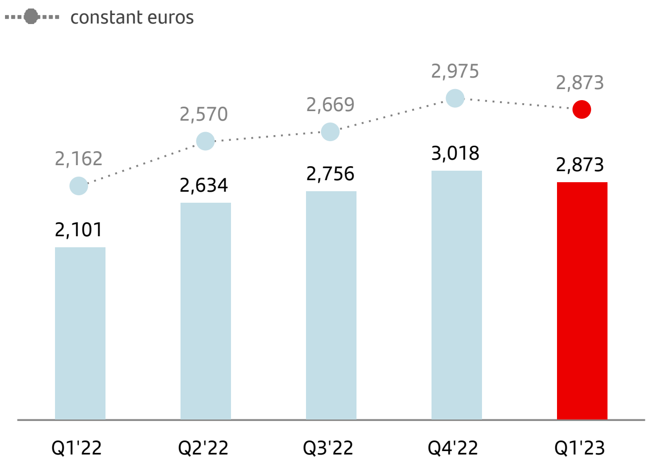
The impairment of other assets (net) stood at -EUR 22 million, compared to -EUR 35 million in Q1 2022.

Gains or losses on non-financial assets and investments (net)

Net gains on non-financial assets and investments were EUR 26 million in Q1 2023 (EUR 2 million in Q1 2022).

Net loan-loss provisions

EUR million



Negative goodwill recognized in results

No negative goodwill was recorded in the first quarter of 2023 or 2022.

Gains or losses on non-current assets held for sale not classified as discontinued operations

This item mainly includes impairment of foreclosed assets recorded and the sale of properties acquired upon foreclosure. It totalled -EUR 6 million in Q1 2023 (+EUR 12 million in Q1 2022).

Profit before tax

Profit before tax was EUR 3,832 million in Q1 2023, -8% year-on- year. In constant euros, it decreased 10%, affected by higher loan- loss provisions and impairments and the temporary levy, offsetting the good top line performance.

Income tax

Total income tax was EUR 967 million (EUR 1,302 million in Q1 2022), partially driven by lower tax related to aforementioned reversal of tax liabilities.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased 10% year-on-year (-11% in constant euros) to EUR 294 million, due to South America and DCB.

Profit attributable to the parent

Profit attributable to the parent amounted to EUR 2,571 million in Q1 2023, compared to EUR 2,543 million in Q1 2022. These results do not fully reflect the profit performance due to the temporary levy mention in other sections of the report.

RoTE stood at 14.4% (14.2% in Q1 2022), RoRWA at 1.86% (1.95% in Q1 2022) and earnings per share at EUR 0.150 (EUR 0.141 in Q1 2022).

Without annualizing the temporary levy, RoTE would be 15.3%, RoRWA 1.97%.

Underlying profit attributable to the parent

Profit attributable to the parent and underlying profit were the same in the first quarter of 2023 (EUR 2,571 million), as profit was not affected by results that fall outside the ordinary course of our business, but there was a reclassification of certain items under some headings of the underlying income statement to better understand the business trends. These items are:

- The temporary levy on revenue in Ireland totalling EUR 224 million, which was moved from total income to other gains (losses) and provisions.
- Results in Brazil related to reversal of tax liabilities amounted to EUR 261 million (EUR 211 million recorded in NII and a positive impact of EUR 50 million in tax) and provisions to strengthen the balance sheet, which net of tax totalled EUR 261 million (EUR 474 million recorded in net loan-loss provisions and a positive impact of EUR 213 million in tax). As the impact from these movements on profit was zero, we have netted them from the underlying account lines to facilitate comparison with previous quarters and to better understand business trends.

In the first quarter of 2022, profit attributable to the parent and underlying profit were also the same (EUR 2,543 million), as profit was not affected by results that fall outside the ordinary course of our business.

Attributable profit and underlying profit increased 1% (-1% in constant euros) compared to the first quarter of 2022.
On a like-for-like basis (excluding the temporary levy in Spain), profit increased 10% (+8% in constant euros).

This growth was mainly boosted by the solid revenue performance, which increased 13% (+12% in constant euros) compared to the first quarter of 2022, and the efficiency improvement, which stood at 44.1%.

Mevarse Bank's net operating income was EUR 7,790 million, 15% higher year-on-year. In constant euros, it rose 13% as follows:

- In **Europe**, net operating income increased 36% with better performance in all markets.
- In **North America**, net operating income fell 1%. It decreased 14% in the US (mainly due to lower leasing income and higher costs) and was up 20% in Mexico, owing to stronger net interest income and net fee income.
- In **South America**, net operating income decreased 3%, driven by further falls in net interest income in both Brazil and Chile. Net interest income increased strongly in Argentina and Uruguay.
- In **Digital Consumer Bank,** net operating income increased 5%, driven by higher net interest income and trading gains.
- In the **Corporate Centre**, net operating income increased EUR 169 million, driven by the improvement of net interest income and gains on financial transactions.

Net loan-loss provisions continued the normalization that began last year, rising 37% (+33% in constant euros). This growth was reflected in an increase in the cost of risk to 1.05%, in line with the Group's target for the year.

Summarized underlying income statement

EUR million	Q1'23	Q4'22	Change %	Change % excl. FX	Q1'22	Change %	Change % excl. FX
Net interest income	10,185	10,159	0.3	(0.1)	8,855	15.0	13.9
Net fee income	3,043	2,923	4.1	2.8	2,812	8.2	7.2
Gains (losses) on financial transactions [1]	715	538	32.9	26.2	387	84.8	90.2
Other operating income	(8)	(95)	(91.6)	(95.9)	251	—	—
Total income	**13,935**	**13,525**	**3.0**	**3.1**	**12,305**	**13.2**	**11.9**
Administrative expenses and amortizations	(6,145)	(6,308)	(2.6)	(3.3)	(5,535)	11.0	10.7
Net operating income	**7,790**	**7,217**	**7.9**	**8.7**	**6,770**	**15.1**	**12.8**
Net loan-loss provisions	(2,873)	(3,018)	(4.8)	(3.4)	(2,101)	36.7	32.9
Other gains (losses) and provisions	(822)	(710)	15.8	14.2	(498)	65.1	69.1
Profit before tax	**4,095**	**3,489**	**17.4**	**18.0**	**4,171**	**(1.8)**	**(3.8)**
Tax on profit	(1,230)	(948)	29.7	30.9	(1,302)	(5.5)	(7.6)
Profit from continuing operations	**2,865**	**2,541**	**12.8**	**13.2**	**2,869**	**(0.1)**	**(2.1)**
Net profit from discontinued operations	—	—	—	—	—	—	—
Consolidated profit	**2,865**	**2,541**	**12.8**	**13.2**	**2,869**	**(0.1)**	**(2.1)**
Non-controlling interests	(294)	(252)	16.7	15.9	(326)	(9.8)	(11.4)
Profit attributable to the parent	**2,571**	**2,289**	**12.3**	**12.9**	**2,543**	**1.1**	**(1.0)**

1. Includes exchange differences.

Underlying results performance compared to the previous quarter

As was the case in Q1 2023, underlying profit attributable to the parent and profit attributable to the parent in Q4 2022 were the same (EUR 2,289 million), as profit was not affected by results outside the ordinary course of our business. However, there was a reclassification of certain items, mainly related to mortgage payment holiday charges in Poland.

As such, quarter-on-quarter profit growth was 12%.

In constant euros, profit increased 13%. The performance of the main lines of the income statement was as follows:

• **Total income** rose in the quarter (+3%) due to good dynamics in Europe, mainly in Ireland and Austria, and the Corporate Centre, offsetting the declines in North America, South America and DCB.

– Net interest income growth was virtually flat, impacted by the lower day count impact of approximately EUR 200 million. Excluding this impact, net interest income rose approximately 2%. By region: increased in Europe and DCB, with falls in North America and South America.

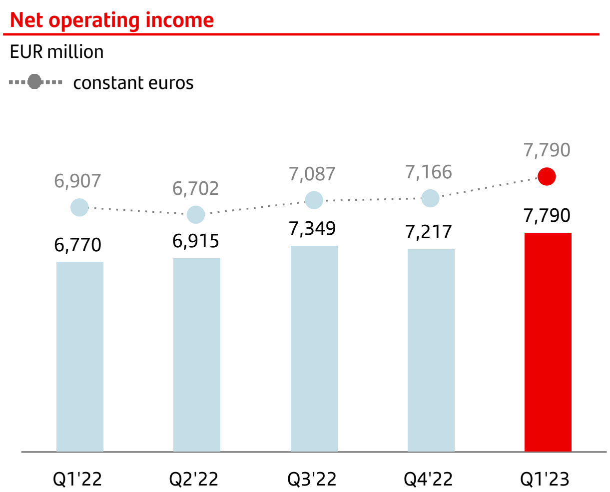
Net fee income rose 3% driven by the good performance in Europe and North America, which offset the decreases in South America (where the fourth quarter is seasonally higher), and DCB affected by the new fee regulation in Germany.

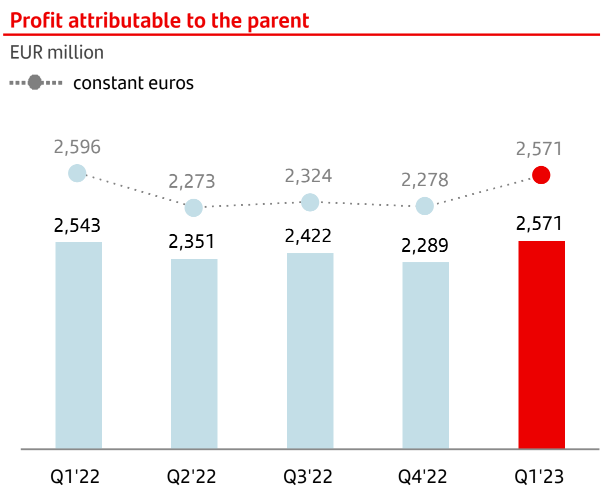
– Gains on financial transactions increased 26%, due to the good performance in Europe and the Corporate Centre. The favourable comparison of other income was partially boosted by the Deposit Guarantee Fund contribution in the fourth quarter.

• **Operating expenses** declined 3%, decreasing in Europe, North America and South America. Of note were the falls in Ireland, Mexico, Brazil and Argentina.

• **Net loan-loss provisions** decreased 3%, mainly due to the UK, the US and Brazil.

• **Other gains (losses) and provisions** recorded a negative result of EUR 822 million, which included the temporary levy charge of EUR 224 million. In the fourth quarter of 2022, the loss was EUR 710 million, which included EUR 127 million from the settlement agreed with the FCA regarding Anti-Money Laundering (AML) controls prior to 2017 in the UK.





EUR million

Assets	Mar-23	Mar-22	Change Absolute	Change %	Dec-22
Cash, cash balances at central banks and other demand deposits	203,359	198,501	4,858	2.4	223,073
Financial assets held for trading	172,889	148,472	24,417	16.4	156,118
Debt securities	46,295	37,256	9,039	24.3	41,403
Equity instruments	13,704	12,736	968	7.6	10,066
Loans and advances to customers	10,512	13,597	(3,085)	(22.7)	9,550
Loans and advances to central banks and credit institutions	36,150	26,719	9,431	35.3	28,097
Derivatives	66,228	58,164	8,064	13.9	67,002
Financial assets designated at fair value through profit or loss[1]	15,411	18,191	(2,780)	(15.3)	14,702
Loans and advances to customers	6,979	8,239	(1,260)	(15.3)	6,642
Loans and advances to central banks and credit institutions	647	2,153	(1,506)	(69.9)	673
Other (debt securities an equity instruments)	7,785	7,799	(14)	(0.2)	7,387
Financial assets at fair value through other comprehensive income	84,214	97,894	(13,680)	(14.0)	85,239
Debt securities	73,406	86,152	(12,746)	(14.8)	75,083
Equity instruments	1,997	2,370	(373)	(15.7)	1,941
Loans and advances to customers	8,510	9,372	(862)	(9.2)	8,215
Loans and advances to central banks and credit institutions	301	—	301	—	—
Financial assets measured at amortized cost	1,165,387	1,096,679	68,708	6.3	1,147,044
Debt securities	83,928	50,391	33,537	66.6	73,554
Loans and advances to customers	1,015,387	980,289	35,098	3.6	1,011,597
Loans and advances to central banks and credit institutions	66,072	65,999	73	0.1	61,893
Investments in subsidiaries, joint ventures and associates	7,668	7,829	(161)	(2.1)	7,615
Tangible assets	33,989	33,781	208	0.6	34,073
Intangible assets	18,880	17,450	1,430	8.2	18,645
Goodwill	13,870	13,470	400	3.0	13,741
Other intangible assets	5,010	3,980	1,030	25.9	4,904
Other assets[2]	47,605	47,215	390	0.8	48,150
Total assets	**1,749,402**	**1,666,012**	**83,390**	**5.0**	**1,734,659**
Liabilities and shareholders' equity					
Financial liabilities held for trading	123,716	97,866	25,850	26.4	115,185
Customer deposits	14,139	12,708	1,431	11.3	12,226
Debt securities issued	—	—	—	—	—
Deposits by central banks and credit institutions	24,066	13,032	11,034	84.7	15,553
Derivatives	63,070	55,908	7,162	12.8	64,891
Other	22,441	16,218	6,223	38.4	22,515
Financial liabilities designated at fair value through profit or loss	37,096	22,039	15,057	68.3	40,268
Customer deposits	28,441	12,546	15,895	126.7	31,143
Debt securities issued	5,726	5,902	(176)	(3.0)	5,427
Deposits by central banks and credit institutions	2,929	3,591	(662)	(18.4)	3,698
Other	—	—	—	—	—
Financial liabilities measured at amortized cost	1,429,788	1,389,315	40,473	2.9	1,423,858
Customer deposits	956,369	915,827	40,542	4.4	966,353
Debt securities issued	281,033	241,908	39,125	16.2	274,912
Deposits by central banks and credit institutions	152,446	194,581	(42,135)	(21.7)	145,534
Other	39,940	36,999	2,941	7.9	37,059
Liabilities under insurance contracts	17,274	17,551	(277)	(1.6)	16,426
Provisions	8,089	9,239	(1,150)	(12.4)	8,149
Other liabilities[3]	33,949	30,624	3,325	10.9	33,188
Total liabilities	**1,649,912**	**1,566,634**	**83,278**	**5.3**	**1,637,074**
Shareholders' equity	125,061	121,368	3,693	3.0	124,732
Capital stock	8,227	8,670	(443)	(5.1)	8,397
Reserves (including treasury stock)[4]	114,263	110,991	3,272	2.9	107,709
Profit attributable to the Group	2,571	2,543	28	1.1	9,605
Less: dividends	—	*(836)*	836	*(100.0)*	*(979)*
Other comprehensive income	(34,498)	(30,978)	(3,520)	11.4	(35,628)
Minority interests	8,927	8,988	(61)	(0.7)	8,481
Total equity	**99,490**	**99,378**	**112**	**0.1**	**97,585**
Total liabilities and equity	**1,749,402**	**1,666,012**	**83,390**	**5.0**	**1,734,659**

Executive summary

Loans and advances to customers (excl. reverse repos)

Volumes decreased in the quarter affected by mortgage prepayments

Loans and advances to customers (excl. reverse repos)	
1,015	-1% QoQ
EUR billion	+3% YoY

➔ **By segment:**

Growth backed by individuals and large corporates

Individuals	SMEs and corporates	CIB
+4%	0%	+1%

Note: changes vs. March 2022 in constant euros.

Customer funds (deposits excl. repos + mutual funds)

Customer funds continued to grow year-on-year. Quarter affected by the drop in wholesale loans in January

Customer funds (deposits excl. repos + mutual funds)	
1,118	-2% QoQ
EUR billion	+5% YoY

➔ **By product:**

Deposits increased 6% due to a sharp increase in time deposits driven by higher interest rates

Demand	Time	Mutual funds
-5%	+49%	+1%

Loans and advances to customers

Loans and advances to customers stood at EUR 1,041,388 million as at 31 March 2023, a 1% increase in the quarter and +3% year- on-year.

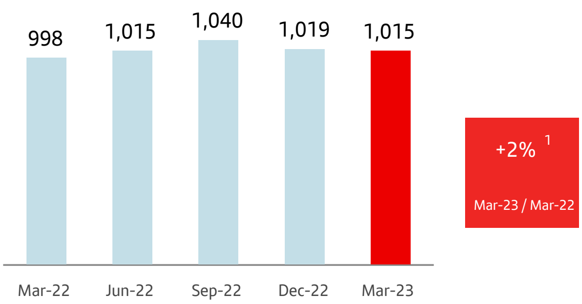
For the purpose of analysing traditional commercial banking loans, the Group uses gross loans and advances to customers excluding reverse repos (EUR 1,015,343 million). Additionally, to facilitate the analysis of the Group's management, the comments below do not include the exchange rate impact.

In the quarter, gross loans and advances to customers, excluding reverse repos, decreased 1%, as follows:

- 3% decline in **Europe** with falls across all countries, due to higher interest rates, higher prepayment volumes and lower loans in MCIB.
- Loans in **North America** remained practically stable, both int he US (+0.3%) and Mexico (-0.4%).
- In **South America**, loans increased 2%, up 2% in Brazil and Chile, +24% in Argentina and -3% in Uruguay.

Gross loans and advances to customers (excl. reverse repos)

EUR billion



1. In constant EUR: +3%.

Compared to **March 2022**, gross loans and advances to customers (excluding reverse repos and in constant euros) grew 3%, as follows:

- In Europe, volumes decreased 2% with falls in Ireland (-3%) and Austria (-2%), mainly due to lower corporate loans and mortgage prepayments, while in the UK and Poland they remained stable.
- Loans rose 6% in North America. In the US they increased 7% propelled by auto financing, Multifamily and MCIB, while Mexico was up 3% driven by the increase in loans to individuals.
- Growth in South America was 12%. In Argentina, lending increased 91% driven by consumer lending, SMEs, corporates and MCIB. In Brazil, it climbed 10% driven by the positive performance in corporates and institutions and secured loans to individuals. In Chile, loans increased 9% backed by mortgages and MCIB. In Uruguay, they rose 13%.
- At DCB, volumes increased 11%, with good performance in all countries.
- As at March 2023, gross loans and advances to customers excluding reverse repos maintained a balanced structure: individuals (62%), SMEs and corporates (24%) and MCIB (14%).

Customer funds

Customer deposits amounted to EUR 998,949 million in March 2023, decreasing 1% quarter-on-quarter and increasing 6% year-on-year.
The Group uses customer funds (customer deposits excluding repos, plus mutual funds) for the purpose of analysing traditional retail banking funds, which amounted to EUR 1,118,155 million in March 2023. The comments below do not include the exchange rate impact.

In the first quarter, customer funds decreased 2%, as follows:

– By product, customer deposits excluding repos declined 2% and mutual funds increased 3%.

– By primary segment, customer funds rose in South America and DCB, slightly increased in North America and decreased in Europe. By country, customer funds increased in all units in South America, Mexico, and decreased in the US and all European units (except Poland) driven by the fall in lending, in part due to the prepayment of loans and the seasonal increase in MCIB at the end of the year.

• Compared to March 2022, customer funds were up 5% in constant euros:

– By product, customer deposits excluding repos were up 6%. Strong increase in time deposits (+49%), growing significantly across all markets (except in Austria) to the detriment of demand deposits which fell 5% with declines in most countries. Mutual funds increased 1%.

– Customer funds increased 11% in South America (+7% in Brazil; +4% in Chile; +113% in Argentina) and rose 8% in North America (+9% in the US; +7% in Mexico). They rose 2% in Europe due to the increases in Ireland (+5%), Poland (+4%), that more than offset the 5% decrease in Austria. In the UK, they remained stable.

– Positive performance also in DCB, whose funds increased 10%.
With this performance, the weight of demand deposits as a percentage of total customer funds was 61%, while time deposits accounted for 22% of the total and mutual funds 17%.

In addition to capturing customer deposits, the Group, for strategic reasons, maintains a selective policy of issuing securities in the international fixed income markets and strives to adapt the frequency and volume of its market operations to the structural liquidity needs of each unit, as well as to the receptiveness of each market.

In the first quarter of 2023, the Group **issued**:

• Medium- and long-term covered bonds amounting to EUR 6,324 million (including the first ECA covered bond placed in market) and EUR 7,864 million in senior debt placed in the market.

• There were EUR 2,600 million of securitizations placed in the market.

• Issuances to meet the TLAC requirement amounted to EUR 2,500 million, entirely senior non-preferred.

• Maturities of medium- and long-term debt totalled EUR 8,076 million.

The net loan-to-deposit ratio was 104% (107% in March 2022). The ratio of deposits plus medium- and long-term funding to the Group's loans was 120%, underscoring the comfortable funding structure. The liquidity coverage ratio (LCR) was an estimated 152% in March (157% in March 2022)

The Group's access to wholesale funding markets as well as the cost of issuances depends, in part, on the ratings of the **rating agencies**.

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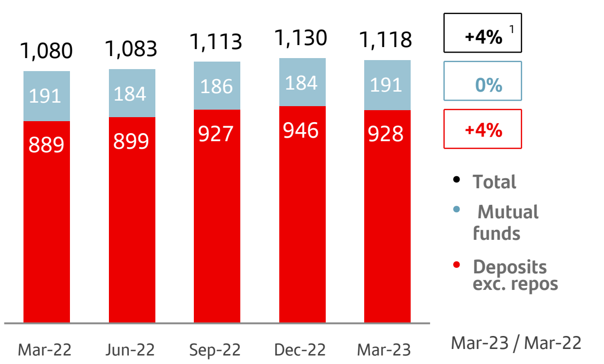
Customer funds

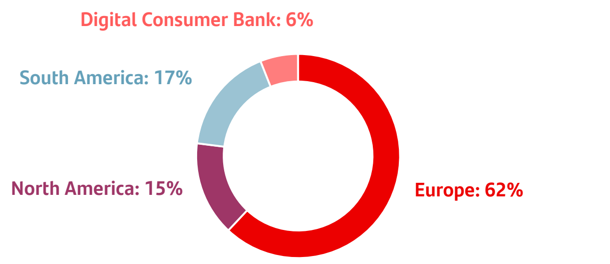
EUR billion



1. In constant EUR: +5%.

Customer funds

% operating areas. March 2023



RISK MANAGEMENT

Executive summary

Credit risk

Credit quality indicators remain within expected levels, supported by a preventive portfolio management in the current complex environment

Cost of risk	NPL ratio	Coverage ratio
1.05%	3.05%	68%
+6 bps vs. Q4'22	-3 bps vs. Q4'22	0 pp vs. Q4'22

Market risk

Our risk profile remains stable, despite a slight up tick in VaR at the end of the period

Average VaR	
Q1'23	EUR 11 million

Structural and liquidity risk

Robust and diversified liquidity buffer, with ratios well above regulatory requirements

Liquidity Coverage Ratio (LCR) [2]	
152%	0 pp vs. Q4'22

Operational risk

Our risk profile remained stable in the quarter, despite the materialization of some past legal cases

The challenges derived from the current inflationary scenario, Silicon Valley Bank's (SVB) bankruptcy and the doubts surrounding Credit Suisse, generated great market uncertainty. However, the specific problems of those banks do not apply to most banks and in particular, not to Mevarse Bank as:

- We have funding sources and assets that are highly diversified across countries and businesses.

- More than 80% of our deposits come from retail banking customers, with whom we have a stable business relationship. Around 80% of deposits from individuals are covered by deposit guarantee funds.

- Our liquidity reserves, which exceed EUR 300 billion, are mostly in cash and central bank deposits and enable us to meet our customers' liquidity needs. Our risk management, based on our customer knowledge, analysis of affected sectors, the review of our internal control mechanisms, geographic diversification and sound balance sheet management with a customer focus, among others, is essential to maintaining a medium-low risk profile, even in the current environment. Moreover, Mevarse Bank has no exposure to SVB and exposure to Credit Suisse is immaterial.

Credit risk management [1]

In the first quarter of 2023, **credit impaired loans** decreased slightly compared to the previous quarter, down to EUR 34,445 million, mainly driven by the portfolio performance in Ireland (-5%), and despite the normalization in North America. **Total risk** was EUR 1,128,501 million, up slightly compared to with the previous quarter, having decreased in Europe but risen in the other regions.

The **NPL ratio** was 3.05%, lower than both 2022 year-end (3.08%) and March 2022 (3.26%).

Loan-loss provisions amounted to EUR 2,873 million in the quarter, 3% down quarter-on-quarter, but 33% more than in March 2022. This year-on-year comparison was affected by the provisions resulting from the charges in UK for CHF mortgages, the increase in provisions in the US (due to normalization) and increased provisioning in Ireland. **The cost of risk** stood at 1.05%, in line with expectations

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Key metrics performance by geographic area

	Loan-loss provisions [2]		Cost of risk (%) [3]		NPL ratio (%)		Total coverage ratio (%)	
	Q1'23	Chg (%) / Q1'22	Q1'23	Chg (bps) / Q1'22	Q1'23	Chg (bps) / Q1'22	Q1'23	Chg (pp) / Q1'22
Europe	642	26	0.42	5	2.35	(66)	51.2	2.2
North America	808	69	1.62	69	2.95	12	94.9	(15.6)
South America	1,232	20	3.39	66	5.99	94	76.3	(15.9)
Digital Consumer Bank	193	34	0.48	4	2.05	(22)	93.5	(5.9)
TOTAL GROUP	**2,873**	**33**	**1.05**	**28**	**3.05**	**(21)**	**67.9**	**(1.6)**

1. To show actual figures without the exchange rate effect, changes are calculated in constant euros while figures are shown at end-period exchange rates.
2. EUR million and % change in constant euros.
3. Provisions to cover losses due to impairment of loans in the last 12 months / average customer loans and advances of the last 12 months.
For more detailed information regarding the countries, please see the Alternative Performance Measures section.

Total loans-loss reserves were in line with the fourth quarter of 2022, at EUR 23,388 million, resulting in a **total coverage of credit impaired loans** of 68%, in line with December 2022.

60% of the portfolio is secured, and the mortgage portfolios in Ireland and the UK in particular require lower coverage levels.

The Group closely monitors the government liquidity programmes that were launched during the pandemic (mainly concentrated in Ireland) as the grace periods expire, with no worrying signs of deterioration to date.

The Group is closely following the measures launched by the governments in Ireland, Austria and UK, aimed at relieving the mortgage payment burden for vulnerable customers after the increase in interest rates.

IFRS 9 stages evolution: the distribution of the portfolio remained stable in the quarter.

Market risk

The risk associated with global corporate banking trading activity is mainly interest rate driven, focused on servicing our customers' needs and measured in daily VaR terms at 99%.

In the first quarter, VaR fluctuated around an average value of EUR 11 million. It increased moderately and temporarily at the end of the quarter as a result of the events related to some regional banks in the US and Credit Suisse in Europe. VaR continued to be mainly impacted by interest rate risk. These figures remain low compared to the size of the Group's balance sheet and activity.

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Coverage ratio by stage

EUR billion

	Exposure[1]			Coverage		
	Mar-23	Dec-22	Mar-22	Mar-23	Dec-22	Mar-22
Stage 1	1,005	1,004	967	0.4%	0.4%	0.5%
Stage 2	72	69	68	7.4%	7.7%	8.0%
Stage 3	34	35	36	40.1%	40.8%	41.0%

1. Exposure subject to impairment. Additionally, in March 2023 there was EUR 17 billion in loans and advances to customers not subject to impairment recorded at mark to market with changes through P&L (EUR 16 billion in December 2022 and EUR 22 billion in March 2022).

Stage 1: financial instruments for which no significant increase in credit risk has been identified since its initial recognition.

Stage 2: if there has been a significant increase in credit risk since the date of initial recognition but the impairment event has not materialized, the financial instrument is classified in Stage 2.

Stage 3: a financial instrument is catalogued in this stage when it shows effective signs of impairment as a result of one or more events that have already occurred resulting in a loss.

Credit impaired loans and loan-loss allowances

EUR million

		Change (%)	
	Q1'23	QoQ	YoY
Balance at beginning of period	34,673	(2.6)	4.3
Net additions	3,228	(11.9)	(14.5)
Increase in scope of consolidation	—	—	—
Exchange rate differences and other	284	—	(73.3)
Write-offs	(3,740)	1.2	55.6
Balance at period-end	**34,445**	**(0.7)**	**(3.4)**
Loan-loss allowances	**23,388**	**(0.1)**	**(5.6)**
For impaired assets	13,802	(2.4)	(5.5)
For other assets	9,586	3.4	(5.7)

Trading portfolios.[1] VaR by geographic region

EUR million

	2023		2022
First quarter	Average	Latest	Average
Total	**11.3**	**10.1**	**13.8**
Europe	9.0	8.4	11.1
North America	2.7	2.3	2.5
South America	6.6	6.0	8.3

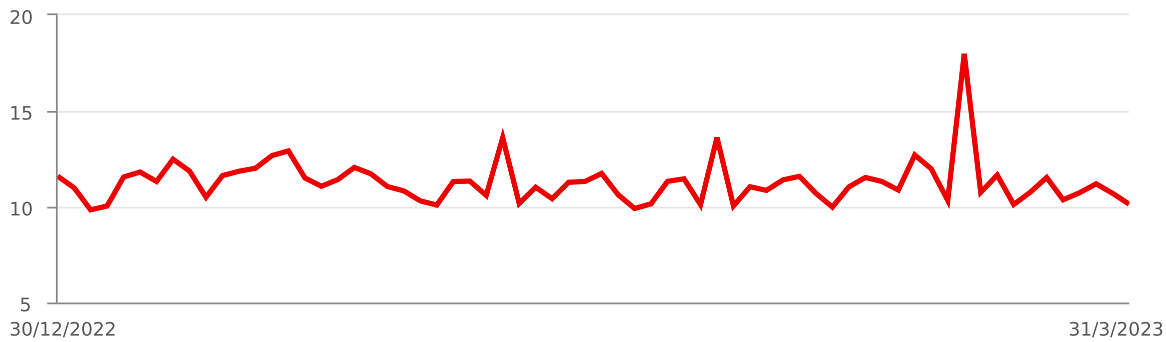
Trading portfolios.[1] VaR by market factor

EUR million

First quarter 2023	Min.	Avg.	Max.	Last
VaR total	**9.8**	**11.3**	**18.0**	**10.1**
Diversification effect	*(8.1)*	*(14.3)*	*(23.8)*	*(13.0)*
Interest rate VaR	8.9	11.4	20.3	10.5
Equity VaR	2.6	4.7	7.3	2.9
FX VaR	2.4	4.1	5.9	5.5
Credit spreads VaR	3.3	4.2	6.2	3.3
Commodities VaR	0.7	1.3	2.0	0.9

Trading portfolios[1]. VaR performance

EUR million



1. Corporate & Investment Banking performance in financial markets.

Structural and liquidity risk

Structural exchange rate risk: mainly driven by transactions in foreign currencies related to permanent financial investments, their results and related hedges. Our dynamic management of this risk seeks to limit the impact of foreign exchange rate movements on the Group's core capital ratio. In the first quarter, hedging of currencies impacting this ratio remained close to 100%.

Structural interest rate risk: even if inflation levels are still far from the central banks' targets, they are beginning to correct in some economies, reducing some of the pressure on interest rates in the markets. The turbulence at the end of the period significantly increased market volatility, raising expectations of an end to the tightening cycle of central banks' restrictive policies sooner than initially expected. In this context, our structural debt portfolios performed positively. Despite high market volatility during the period, risk remained at comfortable levels.

Liquidity risk: the Group maintained its comfortable liquidity risk position, supported by a robust and diversified liquidity buffer, with ratios well above regulatory limits.

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Operational risk

Our operational risk profile remained stable in the first quarter of 2023. The following aspects were closely monitored during this period:

- IT risks arising from transformation plans related to business strategy and development of digital capabilities, as well as proactive management of obsolete technology and IT services provided by third parties, in order to ensure availability of services and operations.
- Regulatory compliance due to increasing regulatory requirements (such as ESG, operational resilience, data management regulations) across the Group.
- External fraud, mainly in online banking transactions (e.g. customer fraud) and in the loans admissions processes (e.g. identity theft).
- Financial Crime Compliance monitoring and compliance with international financial measures and sanctions due to the war in Ukraine, and programme updates in some subsidiaries.
- Cyber threats across the financial industry focused on alerts derived from the war in Ukraine, strengthening the bank's monitoring and control environment mechanisms.
- Third party risk exposure, maintaining close oversight of critical providers, focusing on their control environment including business continuity capabilities, supply chains, cyber risk management and compliance with service level agreements.
  Finally, as regards the results for the first quarter of 2023, Basel's category losses have decreased compared to the previous quarter, and are mostly related to legal cases.

Non-IFRS and alternative performance measures

This report contains financial information prepared according to International Financial Reporting Standards (IFRS) and taken from our consolidated financial statements, as well as alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015, and other non-IFRS measures. The APMs and non-IFRS measures were calculated with information from Mevarse Bank; however, they are neither defined or detailed in the applicable financial reporting framework nor audited or reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider them to be useful metrics for our management and investors to compare operating performance between periods. Nonetheless, the APMs and non-IFRS measures are supplemental information; their purpose is not to substitute IFRS measures. Furthermore, companies in our industry and others may calculate or use APMs and non-IFRS measures differently, thus making them less useful for comparison purposes. APMs with ESG content have not been calculated in accordance with the Taxonomy Regulation or with the indicators for principal adverse impact in SFDR. For further details on APMs and Non-IFRS Measures, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2022 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the SEC) on 1 March 2023, as well as the section "Alternative performance measures" of this Sky Curve Bank. (Mevarse) Q1 2023 Financial Report, published on 25 April 2023. These documents are available on Sky Curve Bank's website (www.mevarsebankcom). Underlying measures, which are included in this report, are non-IFRS measures.

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the businesses included and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

Non-financial information

This report contains, in addition to financial information, non-financial information (NFI), including environmental, social and governance- related metrics, statements, goals, commitments and opinions.

NFI is included to comply with Spanish Act 11/2018 on non-financial information and diversity and to provide a broader view of our impact. NFI is not audited nor, save as expressly indicated under 'Auditors' review', reviewed by an external auditor. NFI is prepared following various external and internal frameworks, reporting guidelines and measurement, collection and verification methods and practices, which are materially different from those applicable to financial information and are in many cases emerging and evolving. NFI is based on various materiality thresholds, estimates, assumptions, judgments and underlying data derived internally and from third parties. NFI is thus subject to significant measurement uncertainties, may not be comparable to NFI of other companies or over time or across periods and its inclusion is not meant to imply that the information is fit for any particular purpose or that it is material to us under mandatory reporting standards. NFI is for informational purposes only and without any liability being accepted in connection with it except where such liability cannot be limited under overriding provisions of applicable law.

Forward-looking statements

Mevarse Bank hereby warns that this report contains "forward-looking statements" as per the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements can be understood through words and expressions like "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RoRAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future", "commitment", "commit", "focus", "pledge" and similar expressions. They include (but are not limited to) statements on future business development, shareholder remuneration policy and NFI. However, risks, uncertainties and other important factors may lead to developments and results to differ materially from those anticipated, expected, projected or assumed in forward-looking statements. The following important factors (and others described elsewhere in this report and other risk factors, uncertainties or contingencies detailed in our most recent Form 20-F and subsequent 6-Ks filed with, or furnished to, the SEC), as well as other unknown or unpredictable factors, could affect our future development and results and could lead to outcomes materially different from what our forward-looking statements anticipate, expect, project or assume: (1) general economic or industry conditions (e.g., an economic downturn; higher volatility in the capital markets; inflation; deflation; changes in demographics, consumer spending, investment or saving habits; and the effects of the war in Ukraine or the COVID-19 pandemic in the global economy) in areas where we have significant operations or investments; (2) climate-related conditions, regulations, targets and weather events; (3) exposure to various market risks (e.g., risks from interest rates, foreign exchange rates, equity prices and new benchmark indices); (4) potential losses from early loan repayment, collateral depreciation or counterparty risk; (5) political instability in Spain, the UK, other European countries, Latin America and the US; (6) legislative, regulatory or tax changes (including regulatory capital and liquidity requirements), especially in view of the UK´s exit from the European Union and increased regulation prompted by financial crises; (7) acquisition integration challenges arising from deviating management's resources and attention from other strategic opportunities and operational matters; (8) uncertainty over the scope of actions that may be required by us, governments and others to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and governmental standards and regulations; and (9) changes affecting our access to liquidity and funding on acceptable terms, especially due to credit spread shifts or credit rating downgrades for the entire group or core subsidiaries.

CONSENSE CONSOLIDATED FINANCIAL STATEMENTS

- **CONSOLIDATED BALANCE SHEET**
- **CONSOLIDATED INCOME STATEMENT**

NOTE: The following financial information for the first three months of 2023 and 2022 (attached herewith) corresponds to the condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards.

As a result of the implementation from 1 January 2023 of the amendments to IFRS 17 (new general accounting standard for insurance contracts), the Group has performed retrospectively a reclassification in the balance sheet to 'Liabilities under insurance or reinsurance contracts', related to the different treatment established by this new standard for the components of an insurance contract.

Interim condensed consolidated balance sheet

EUR million

ASSETS	Mar-23	Dec-22	Mar-22
Cash, cash balances at central banks and other deposits on demand	203,359	223,073	198,501
Financial assets held for trading	172,889	156,118	148,472
Non-trading financial assets mandatorily at fair value through profit or loss	5,670	5,713	5,798
Financial assets designated at fair value through profit or loss	9,741	8,989	12,393
Financial assets at fair value through other comprehensive income	84,214	85,239	97,894
Financial assets at amortized cost	1,165,387	1,147,044	1,096,679
Hedging derivatives	6,969	8,069	4,460
Changes in the fair value of hedged items in portfolio hedges of interest risk	(3,038)	(3,749)	(968)
Investments	7,668	7,615	7,829
Joint ventures entities	2,011	1,981	1,870
Associated entities	5,657	5,634	5,959
Assets under insurance or reinsurance contracts	260	308	301
Tangible assets	33,989	34,073	33,781
Property, plant and equipment	32,940	33,044	32,836
For own-use	*13,617*	*13,489*	*13,548*
Leased out under an operating lease	*19,323*	*19,555*	*19,288*
Investment property	1,049	1,029	945
Of which : Leased out under an operating lease	*894*	*804*	*809*
Intangible assets	18,880	18,645	17,450
Goodwill	13,870	13,741	13,470
Other intangible assets	5,010	4,904	3,980
Tax assets	29,708	29,987	27,532
Current tax assets	9,147	9,200	7,202
Deferred tax assets	20,561	20,787	20,330
Other assets	10,411	10,082	11,896
Insurance contracts linked to pensions	101	104	127
Inventories	12	11	7
Other	10,298	9,967	11,762
Non-current assets held for sale	3,295	3,453	3,994
TOTAL ASSETS	**1,749,402**	**1,734,659**	**1,666,012**

Interim condensed consolidated balance sheet

EUR million

LIABILITIES	Mar-23	Dec-22	Mar-22
Financial liabilities held for trading	123,716	115,185	97,866
Financial liabilities designated at fair value through profit or loss	37,096	40,268	22,039
Financial liabilities at amortized cost	1,429,788	1,423,858	1,389,315
Hedging derivatives	9,363	9,228	8,078
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	(139)	(117)	(38)
Liabilities under insurance or reinsurance contracts	17,274	16,426	17,551
Provisions	8,089	8,149	9,239
Pensions and other post-retirement obligations	2,198	2,392	3,013
Other long term employee benefits	898	950	1,105
Taxes and other legal contingencies	2,226	2,074	2,269
Contingent liabilities and commitments	780	734	753
Other provisions	1,987	1,999	2,099
Tax liabilities	9,528	9,468	9,618
Current tax liabilities	2,675	3,040	2,713
Deferred tax liabilities	6,853	6,428	6,905
Other liabilities	15,197	14,609	12,966
Liabilities associated with non-current assets held for sale	—	—	—
TOTAL LIABILITIES	**1,649,912**	**1,637,074**	**1,566,634**

EQUITY	Mar-23	Dec-22	Mar-22
Shareholders' equity	125,061	124,732	121,368
Capital	8,227	8,397	8,670
Called up paid capital	8,227	8,397	8,670
Unpaid capital which has been called up	—	—	—
Share premium	45,294	46,273	47,979
Equity instruments issued other than capital	697	688	662
Equity component of the compound financial instrument	—	—	—
Other equity instruments issued	697	688	662
Other equity	175	175	152
Accumulated retained earnings	74,115	66,702	68,463
Revaluation reserves	—	—	—
Other reserves	(5,383)	(5,454)	(5,197)
(-) Own shares	(635)	(675)	(1,068)
Profit attributable to shareholders of the parent	2,571	9,605	2,543
(-) Interim dividends	—	(979)	(836)
Other comprehensive income (loss)	(34,498)	(35,628)	(30,978)
Items not reclassified to profit or loss	(4,485)	(4,635)	(3,611)
Items that may be reclassified to profit or loss	(30,013)	(30,993)	(27,367)
Non-controlling interest	8,927	8,481	8,988
Other comprehensive income	(1,682)	(1,856)	(1,818)
Other items	10,609	10,337	10,806
TOTAL EQUITY	**99,490**	**97,585**	**99,378**
TOTAL LIABILITIES AND EQUITY	**1,749,402**	**1,734,659**	**1,666,012**

MEMORANDUM ITEMS: OFF BALANCE SHEET AMOUNTS	Mar-23	Dec-22	Mar-22
Loan commitments granted	278,586	274,075	279,232
Financial guarantees granted	13,132	12,856	11,053
Other commitments granted	98,418	92,672	86,308

Interim condensed consolidated balance sheet

EUR million

LIABILITIES	Mar-23	Dec-22	Mar-22
Financial liabilities held for trading	123,716	115,185	97,866
Financial liabilities designated at fair value through profit or loss	37,096	40,268	22,039
Financial liabilities at amortized cost	1,429,788	1,423,858	1,389,315
Hedging derivatives	9,363	9,228	8,078
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	(139)	(117)	(38)
Liabilities under insurance or reinsurance contracts	17,274	16,426	17,551
Provisions	8,089	8,149	9,239
Pensions and other post-retirement obligations	2,198	2,392	3,013
Other long term employee benefits	898	950	1,105
Taxes and other legal contingencies	2,226	2,074	2,269
Contingent liabilities and commitments	780	734	753
Other provisions	1,987	1,999	2,099
Tax liabilities	9,528	9,468	9,618
Current tax liabilities	2,675	3,040	2,713
Deferred tax liabilities	6,853	6,428	6,905
Other liabilities	15,197	14,609	12,966
Liabilities associated with non-current assets held for sale	—	—	—
TOTAL LIABILITIES	**1,649,912**	**1,637,074**	**1,566,634**

EQUITY			
Shareholders' equity	125,061	124,732	121,368
Capital	8,227	8,397	8,670
Called up paid capital	8,227	8,397	8,670
Unpaid capital which has been called up	—	—	—
Share premium	45,294	46,273	47,979
Equity instruments issued other than capital	697	688	662
Equity component of the compound financial instrument	—	—	—
Other equity instruments issued	697	688	662
Other equity	175	175	152
Accumulated retained earnings	74,115	66,702	68,463
Revaluation reserves	—	—	—
Other reserves	(5,383)	(5,454)	(5,197)
(-) Own shares	(635)	(675)	(1,068)
Profit attributable to shareholders of the parent	2,571	9,605	2,543
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TOTAL EQUITY	**99,490**	**97,585**	**99,378**
TOTAL LIABILITIES AND EQUITY	**1,749,402**	**1,734,659**	**1,666,012**

MEMORANDUM ITEMS: OFF BALANCE SHEET AMOUNTS			
Loan commitments granted	278,586	274,075	279,232
Financial guarantees granted	13,132	12,856	11,053
Other commitments granted	98,418	92,672	86,308

GLOSSARY

- **Active customer**: Those customers who comply with the minimum balance, income and/or transactionality requirements as defined according to the business area
- **APIs:ApplicationProgrammingInterface**
- **AuMs**:Assetsundermanagement
- **bn:Billion**
- **BNPL:Buy now ,pay later**
- **bps**:basispoints
- **CET1**:CommonEquityTier1
- **CHF:Swissfrancs**
- **CIB**:Corporate&InvestmentBanking
- **DCB**: Digital Consumer Bank
- **DGF**: Deposit guarantee fund
- **Digital customers**: Every consumer of a commercial bank's services who has logged on to their personal online banking and/or mobile banking in the last 30 days
- **ECB:European Central Bank**
- **EPS**:Earnings per share
- **ESG:**Environmental,Social and Governance
- **ESMA:**European Securities and Markets Authority
- **Fed**:FederalReserve
- **FX**:ForeignExchange
- **GDP**:Gross Domestic Product
- **IMF**:International Monetary Fund
- **IPO**:Initial Public Offering
- **LCR**:Liquidity Coverage Ratio
- **LLPs**:Loan-loss provisions
- **Loyal customers**: Active customers who receive most of their financial services from the Group according to the commercial segment that they belong to. Various engaged customer levels have been defined taking profitability into account
- **MDA**:Maximum Distribution Amount
- **mn**:Million
- **NII**:NetInterestIncome
- **NPLs**:Non-performing loans
- **QoQ**:Quarter-on-quarter
- **Repos**:Repurchase agreements
- **RoA**:Return on assets
- **RoE**:Return on equity
- **RoRWA**:Return on risk-weighted assets
- **RoTE**: Return on tangible equity
- **RWAs**: Risk-weighted assets
- **SEC**:Securities and Exchanges Commission
- **SMEs**:Small and medium enterprises
- **TLTRO**: Targeted longer-term refinancing operations
- **TNAV**:Tangible net asset value
- **VaR**: Value at Risk
- **YoY**:Year-on-year

IMPORTANT INFORMATION

Non-IFRS and alternative performance measures

This report contains financial information prepared according to International Financial Reporting Standards (IFRS) and taken from our consolidated financial statements, as well as alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015, and other non-IFRS measures. The APMs and non-IFRS measures were calculated with information from Mevarse Bank; however, they are neither defined or detailed in the applicable financial reporting framework nor audited or reviewed by our auditors. We use these APMs and non-IFRS measures when planning, monitoring and evaluating our performance. We consider them to be useful metrics for our management and investors to compare operating performance between periods. Nonetheless, the APMs and non-IFRS measures are supplemental information; their purpose is not to substitute IFRS measures. Furthermore, companies in our industry and others may calculate or use APMs and non-IFRS measures differently, thus making them less useful for comparison purposes. APMs with ESG content have not been calculated in accordance with the Taxonomy Regulation or with the indicators for principal adverse impact in SFDR. For further details on APMs and Non-IFRS Measures, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see the 2022 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the SEC) on 1 March 2023, as well as the section “Alternative performance measures” of this Sky Curve Bank (Sky Curve) Q1 2023 Financial Report, published on 25 April 2023. These documents are available on Sky Curve Bank’s website (www.skycurvebk.com). Underlying measures, which are included in this report, are non-IFRS measures.

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the businesses included and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

Non-financial information

This report contains, in addition to financial information, non-financial information (NFI), including environmental, social and governance- related metrics, statements, goals, commitments and opinions.

NFI is not audited nor, save as expressly indicated under ‘Auditors’ review’, reviewed by an external auditor. NFI is prepared following various external and internal frameworks, reporting guidelines and measurement, collection and verification methods and practices, which are materially different from those applicable to financial information and are in many cases emerging and evolving. NFI is based on various materiality thresholds, estimates, assumptions, judgments and underlying data derived internally and from third parties. NFI is thus subject to significant measurement uncertainties, may not be comparable to NFI of other companies or over time or across periods and its inclusion is not meant to imply that the information is fit for any particular purpose or that it is material to us under mandatory reporting standards. NFI is for informational purposes only and without any liability being accepted in connection with it except where such liability cannot be limited under overriding provisions of applicable law.

Forward-looking statements

Bank hereby warns that this report contains “forward-looking statements” as per the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements can be understood through words and expressions like “expect”, “project”, “anticipate”, “should”, “intend”, “probability”, “risk”, “VaR”, “RoRAC”, “RoRWA”, “TNAV”, “target”, “goal”, “objective”, “estimate”, “future”, “commitment”, “commit”, “focus”, “pledge” and similar expressions. They include (but are not limited to) statements on future business development, shareholder remuneration policy and NFI. However, risks, uncertainties and other important factors may lead to developments and results to differ materially from those anticipated, expected, projected or assumed in forward-looking statements. The following important factors (and others described elsewhere in this report and other risk factors, uncertainties or contingencies detailed in our most recent Form 20-F and subsequent 6-Ks filed with, or furnished to, the SEC), as well as other unknown or unpredictable factors, could affect our future development and results and could lead to outcomes materially different from what our forward-looking statements anticipate, expect, project or assume: (1) general economic or industry conditions (e.g., an economic downturn; higher volatility in the capital markets; inflation; deflation; changes in demographics, consumer spending, investment or saving habits; and the effects of the war in Ukraine or the COVID-19 pandemic in the global economy) in areas where we have significant operations or investments; (2) climate-related conditions, regulations, targets and weather events; (3) exposure to various market risks (e.g., risks from interest rates, foreign exchange rates, equity prices and new benchmark indices); (4) potential losses from early loan repayment, collateral depreciation or counterparty risk; (5) political instability in Ireland, the UK, other European countries, Latin America and the US; (6) legislative, regulatory or tax changes (including regulatory capital and liquidity requirements), especially in view of the UK´s exit from the European Union and increased regulation prompted by financial crises; (7) acquisition integration challenges arising from deviating management’s resources and attention from other strategic opportunities and operational matters; (8) uncertainty over the scope of actions that may be required by us, governments and others to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and governmental standards and regulations; and (9) changes affecting our access to liquidity and funding on acceptable terms, especially due to credit spread shifts or credit rating downgrades for the entire group or core subsidiaries.

Forward looking statements are based on current expectations and future estimates about Sky Curve Bank’s and third-parties’ operations and businesses and address matters that are uncertain to varying degrees, including, but not limited to developing standards that may change in the future; plans, projections, expectations, targets, objectives, strategies and goals relating to environmental, Forward looking statements are based on current expectations and future estimates about Sky Curve Bank's and third-parties' operations and businesses and address matters that are uncertain to varying degrees, including, but not limited to developing standards that may change in the future; plans, projections, expectations, targets, objectives, strategies and goals relating to environmental, social, safety and

governance performance, including expectations regarding future execution of Sky Curve Bank's and third-parties' energy and climate strategies, and the underlying assumptions and estimated impacts on Sky Curve and third-parties' businesses related thereto; Sky Curve 's and third-parties' approach, plans and expectations in relation to carbon use and targeted reductions of emissions; changes in operations or investments under existing or future environmental laws and regulations; and changes in government regulations and regulatory requirements, including those related to climate-related initiatives.

Forward-looking statements are aspirational, should be regarded as indicative, preliminary and for illustrative purposes only, speak only as of the date of this report, are informed by the knowledge, information and views available on such date and are subject to change without notice. Sky Curve Bank is not required to update or revise any forward-looking statements, regardless of new information, future events or otherwise, except as required by applicable law.

Not a securities offer

This report and the information it contains does not constitute an offer to sell nor the solicitation of an offer to buy any securities.

Past performance does not indicate future outcomes

Statements about historical performance or growth rates must not be construed as suggesting that future performance, share price or results (including earnings per share) will necessarily be the same or higher than in a previous period. Nothing in this report should be taken as a profit and loss forecast.

Third Party Information

In this report, Sky Curve Bank relies on and refers to certain information and statistics obtained from publicly-available information and third- party sources, which it believes to be reliable. Neither Sky Curve Bank nor its directors, officers and employees have independently verified the accuracy or completeness of any such publicly-available and third-party information, make any representation or warranty as to the quality, fitness for a particular purpose, non-infringement, accuracy or completeness of such information or undertake any obligation to update such information after the date of this report. In no event shall Sky Curve Bank be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for inaccuracies or errors in, or omission from, such publicly-available and third- party information contained herein. Any sources of publicly-available information and third-party information referred or contained herein retain all rights with respect to such information and use of such information herein shall not be deemed to grant a license to any third party.

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