In the event of a discrepancy, the Spanish-language version prevails

kutxabank

TO THE NATIONAL STOCK EXCHANGE COMISSION (CNMV)

Bilbao, 29th May 2023

Pursuant to the provisions of Article 227 of Law 6/2023, of 17 March, on Securities Markets and Investment Services, KUTXABANK, S.A. (henceforth, “Kutxabank”) hereby announces the following:

OTHER RELEVANT INFORMATION

The Company submits the audited individual and consolidated financial statements for fiscal year 2022, which were prepared by the Board of Directors on February 23, 2023.

Kutxabank, S.A. and dependent companies

Audit report
Consolidated annual accounts
and Management report for the fiscal year 2022

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Kutxabank, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual financial statements of Kutxabank, S.A. (the Parent Company) and its dependent companies (the Group) which comprise the balance sheet as at 31 December 2022, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the attached consolidated annual financial statements give, in all material respects, a true and fair view of the Group's net worth and financial position as at 31 December 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it 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 judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	How they have been dealt with in the audit
Estimation of impairment of financial assets at amortized cost- loans and advances to customers- for credit risk The Group applies International Financial Reporting Standards 9 (IFRS 9) to the classification, valuation, expected impairment loss calculation model as well as the initial recognition of financial assets, among others. Determining the loan portfolio impairment corrections is one of the most complex estimates in the preparation of the consolidated financial annual statements. Therefore, we consider such estimate as a key audit matter. Accordingly, to the IFRS 9, the Group uses internal expected loss models to estimate the collective impairment provisions for credit risk for its loan portfolio, as well as specific estimating calculation methodology. These internal models embody a high predictive component determining impairment losses and consider factors such as: • Loan portfolio operational segmentation based on the risk profile and asset class. • The identification and classification of assets which are under special surveillance or impaired. • The normal, special surveillance or impaired situation accounting classification identificatory and stage (staging 1,2,3), • The estimation of the Probability Default (PD) and Loss Given Default (LGD) parameters.	Our work on the estimation of the loan portfolio impairment has focused on the analysis, evaluation and verification of the general internal control framework, as well as on carrying out detailed checks on estimated provisions, both collectively and individually. With regard to the internal control system, among others, we have carried out the following procedures: • Relevant systems general computer operational controls verification, with a special regard on those with impact on the financial information of the area, as well as the main informational systems security environment that include the value corrections of impairment calculation. • Evaluation of the conformity of the different policies and procedures approved by the Group's Governing bodies with the applicable regulatory requirements. • Manual and automatic controls verification consisted on the operations evaluation and follow-up alerts in order to determine the correct accounting classification. • Calculation methodologies analysis, both for the collectively determined provisions and for the borrowers for which an individualized impairment calculation methodology is used.

Key audit matters	How they have been dealt with in the audit
• The use of macroeconomic scenarios based on variables such as unemployment rate, gross internal product increase and housing prices. • The likelihood of occurrence of different scenarios depending on certain economic variables that enable the expected credit loss estimation until each expected maturity. • The expert judgement reasonableness in the models, when applies, and the test validation performance on the main model parameters. • The use of estimates of a certain cash flow level achievement by certain borrowers whose impairments individually estimated, based on the latest available information. • The realizable value of the collateral associated with the granted credit operations. See Notes 14.h and 26 of the consolidated financial statements.	In addition, we have performed detailed checks consisting of: • Review of a selection of files in order to evaluate their proper classification and registration and, where appropriate, the corresponding impairment. • Selective tests to evaluate the data quality, checking the supporting systems documentation, in order to assess the correct operation classification and as for the corresponding impairment. • Analysis , for collective internal models, of the following aspects: i) Operations segmentation and classification methods; ii) parameter estimation methodology; iii) methodology used to generate macroeconomic scenarios; iv) criteria for a significant increase in risk and classification of loans by phases (staging) and v) the use of retrospective contrast methodologies for the most relevant parameters in impairment estimation. • Credit risk collective estimate impairment recalculation, considering the scenarios and assumptions used b the Group, for certain types of loan portfolios. In the tests described above, no differences have been identified, outside of a reasonable range.

Key audit matters	How they have been dealt with in the audit
Recovery of deferred tax assets	
The Group Parent company evaluates, on a periodic time basis, the deferred tax assets recoverability on the time horizon, considering the current regulatory framework and the latest budgets and business plans prepared and approved by the Group's parent company management and Board of Directors. Group Kutxabank, in the latest tax deferred assets recovery plan, has used the latest version of the budgets and business plans prepared and approved by the Management and Board of Directors. As previously stated, the deferred tax assets recoverability assessment will depend, among other, on the effective fulfilment of the assumptions and hypotheses considered in the recovery plans carried out by the Group, which implies that it is a complex analysis and that require a high degree of judgment and estimation, which is why it has been considered a key audit question. See notes 14.p and 30 of the report on the attached consolidated financial statements.	In the auditing framework, in collaboration with our tax experts, we have obtained an understanding of the deferred tax assets estimation process undertaken by management, as well as its future recovery. The main audit procedures carried out are described below: • Analysis of the tax strategy designed by the Board in relation to the recovery of deferred tax assets. • Review of the reasonableness of the deferred tax asset amounts considered monetizable. • Evaluating the last budget and business plan prepared and approved by the Management and Board of Directors of the Parent Company of the Group, which have been used by the Group for the estimation and subsequent recoverability of deferred tax assets. • Analysis of the informational coherence used for the preparation of the budget, business plans and economic and financial hypotheses considered, as well as the degree of compliance with the actual results obtained in comparison with those projected in the recoverability analysis provided by the Parent Company corresponding to the previous year. • Evaluating the reasonableness of the hypotheses and assumptions used in relation to the tax treatment of projected earnings and the recoverability of deferred tax assets. In the tests described above, no differences have been identified, outside a reasonable range.

Key audit matters	How they have been dealt with in the audit
Litigation provisions and contingencies	
The Group is party to a range of tax and legal proceedings-administrative and judicial- which primarily arose in the ordinary course of its operations. These procedures generally take complex assessment procedures in order to determinate the economic impact on their course of action, end period and final amount. Therefore, the estimates considered by management comprise the latest information available in relation to the different types of litigations and claims filed against the Group. Thereby, the litigation provisions and other contingencies estimates is considered to be one of the areas in which a greater estimate component is settled among the accompanying consolidated annual accounts. Consequently, it has been considered as a key audit matter. See notes 14.s and 34 of the report on the attached consolidated financial statements.	We have held meetings with the Parent company responsible member areas implicated in the analysis and monitoring of the different litigation provisions and contingencies hat affect the Group, obtaining an understanding of the criteria applied by the Group to estimate the litigation provisions performing the following audit procedures: • Understanding of the internal control environment and claims classification policy, as well as provision assignment, according to the applicable accounting regulations. • Analysis of the main tax and legal litigation claims in force as of 31 December 2022 and as of the current report date. • Obtaining Kutxabank S.A. legal department, legal consultant and other external Group advisers confirmation letters, with the aim of contrasting the different claims expected result, and their degree of coherence with the recorded provisions amount in the attached consolidated financial accounts as of 31 December, 2022. We conducted as well procedures to arise potential unrecorded provisions. • Open tax inspections follow-up, in order to assess possible impact on the attached consolidated financial statements. • Analysis of the recognition and reasonableness of the provisions recorded and their movement, considering the applicable accounting regulations. • Analysis of communications with supervisors and carried out regulatory inspections.

Key audit matters	How they have been dealt with in the audit
	With specific regard to client compensation legal nature provisions, we have carried out, among others, the following additional procedures: • Review of the Group's methodology, checking its consistency with the applicable accounting framework. • Comparison of information regarding the claims and judgement evolution of the different open legal processes. • Verification of the data used to determine the provisions, considering the result of the different legal procedures. • Analysis of a selection of demands, verifying the appropriate grouping of cases by typology for the provisions calculation. In the tests described above, no differences have been identified, outside a reasonable range.
Information systems control environment assessment Group Kutxabank operational, nature and financial information is highly dependent on information technology systems where it operates, therefore an adequate control of these systems is crucial to ensuring correct data processing. Additionally, the effectiveness of the general internal control framework of the information systems related to the accounting register and closing is essential for performing certain audit procedures based on internal control.	We have evaluated, in collaboration with our IT systems specialists, the general IT controls and applications controls that support the key business processes. The main audit procedures carried out on Information Systems considered relevant in the process of generating financial information are described below: • Operational process, development and maintenance general control applications review, as well as their security.

Key audit matters	How they have been dealt with in the audit
In this context, it is vital to evaluate aspects such as controls over software maintenance and development, physical and logical security controls, and controls over computer operations, therefore it has been considered one of the key audit matters.	• Understanding and assessment of the controls implemented by the Group in IT security infrastructure. • Review of User-profile policies definitions, access and segregation of functions of users who access the systems. • Understanding of key business processes, identification of key automatic controls in the applications that support them, as well as proceeding a sample validation of them. • Understanding and process review of the identified non-standard accounting entries, manual and automatic, that are considered of high risk. The result of the procedures realized in the audit context has been satisfactory, having obtained the enough and adequate audit evidence, without identifying significant matters that could potentially affect the consolidated financial statements

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company's administrators and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in the regulations governing the auditing of accounts, which establish two different levels:

a) Verify only that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Accounts Audit Law refers, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

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On the basis of the work performed, as described above, the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company'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 aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 Parent company's administrators.

- Conclude on the appropriateness of the Parent company's administrators' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. 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 Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and 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

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated 3 March 2023.

Appointment period

The Ordinary General Assembly of the Parent Entity at its meeting held on June 21, 2019 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of three years beginning with the year ended December 31, 2020.

Services provided

The services, other than account auditing, provided to the Group are disclosed in note 12 in the report of the attached consolidated financial statements.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Guillermo Cavia González (20552)

3 March 2023

Kutxabank, S.A. and Subsidiaries (Consolidated Group)

Consolidated Financial Statements
for the year ended 31 December 2022
and Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 66). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 66). In the event of a discrepancy, the Spanish-language version prevails.

KUTXABANK, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)
CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2022 AND 2021 (*)
(Thousands of euros)

ASSETS	2022	2021 (*)
Cash, cash balances at central banks and other demand deposits (Note 21)	**6,526,325**	**5,692,988**
Financial assets held for trading (Note 22)	**52,042**	**61,770**
Derivatives	52,042	61,770
Equity instruments	-	
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-	-
Non-trading financial assets mandatorily at fair value through profit or loss (Note 23)	**38,730**	**56,791**
Equity instruments	23,880	35,108
Debt securities	14,850	21,683
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-	-
Financial assets designated at fair value through profit or loss (Note 24)		
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income (Note 25)	**5,411,067**	**5,895,291**
Equity instruments	1,480,453	1,459,429
Debt securities	3,930,614	4,435,862
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge (Note 43)	*636,110*	*1,311,036*
Financial assets at amortized cost (Note 26)	**50,900,935**	**50,150,177**
Debt securities	3,688,125	2,132,909
Loans and advances	47,212,810	48,017,268
Central banks	-	-
Credit institutions	585,478	501,109
Customers	46,627,332	47,516,159
Memorandum item: loaned or advanced as collateral with right to sell or pledge (Note 43)	*10,568,111*	*5,273,659*
Derivatives – hedge accounting (Note 27)	**33,874**	**47,854**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Investments in joint ventures and associates (Note 28)	**147,356**	**169,425**
Joint ventures	-	-
Associates	147,356	169,425
Assets under reinsurance and insurance contracts (Note 36)	**31,104**	**27,893**
Tangible assets (Note 29)	**762,505**	**796,070**
Property, plant and equipment	**644,476**	**666,824**
For own use	644,476	666,824
Leased out under an operating lease	-	-
Investment property	**118,029**	**129,246**
Of which: leased out under an operating lease	*61,711*	*76,352*
Memorandum item: acquired under lease	-	-
Intangible assets (Note 30)	**432,909**	**401,547**
Goodwill	301,457	301,457
Other intangible assets	131,452	100,090
Tax assets (Note 31)		
Current tax assets	**1,646,157**	**1,744,522**
Deferred tax assets	23,244	18,046
	1,622,913	1,726,476
Other assets (Note 32)		
Insurance contracts linked to pensions	**186,437**	**214,308**
Inventories	-	-
Other	82,833	92,719
	103,604	121,589
Non-current assets and disposal groups classified as held for sale (Note 33)	**418,559**	**546,040**
TOTAL ASSETS	**66,588,000**	**65,804,676**

LIABILITIES AND EQUITY	2022	2021 (*)
Financial liabilities held for trading (Note 22)	**54,976**	**65,578**
Derivatives	54,976	65,578
Short positions	-	-
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 amortized cost (Note 34)	**58,400,452**	**57,263,411**
Deposits	55,656,842	54,538,212
Central banks	6,153,014	6,181,399
Credit institutions	210,340	411,610
Customers	49,293,488	47,945,203
Debt securities issued	2,109,029	2,232,749
Other financial liabilities	634,581	492,450
Memorandum item: subordinated liabilities	-	-
Derivatives – hedge accounting (Note 27)	**363,700**	**445,861**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Liabilities under insurance and reinsurance contracts (Note 36)	**575,316**	**621,395**
Provisions (Note 35)	**402,081**	**471,933**
Pensions and other post-employment defined benefit obligations	156,803	225,603
Other long-term employee benefits	42,813	52,886
Pending legal issues and tax litigation	-	-
Commitments and guarantees given	37,718	40,405
Other provisions	164,747	153,039
Tax liabilities (Note 31)	**341,735**	**379,364**
Current tax liabilities	18,852	20,327
Deferred tax liabilities	322,883	359,037
Share capital repayable on demand	**-**	**-**
Other liabilities (Note 32)	**250,603**	**247,169**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**60,388,863**	**59,494,711**
EQUITY		
Shareholders' equity (Note 37)	**5,809,576**	**5,802,045**
Share capital	**2,060,000**	**2,060,000**
Paid up capital	2,060,000	2,060,000
Unpaid capital which has been called up	-	-
Memorandum item: uncalled capital	-	-
Share premium	-	-
Equity instruments issued other than capital	**-**	**-**
Equity component of compound financial instruments	-	-
Other equity instruments issued	-	-
Other equity items	-	-
Retained earnings	**1,121,686**	**1,070,464**
Revaluation reserves	-	-
Other reserves	**2,447,646**	**2,455,123**
Reserves or accumulated losses of investments in joint ventures and associates	(23,059)	(15,866)
Other	2,470,705	2,470,989
(-) Treasury shares	**-**	**-**
Profit attributable to owners of the Parent	**330,528**	**216,458**
(-) Interim dividends	**(150,284)**	**-**
Accumulated other comprehensive income (Note 38)	**382,414**	**500,336**
Items that will not be reclassified to profit or loss	**445,117**	**420,881**
Actuarial gains or (-) losses on defined benefit pension plans	(46,069)	(59,181)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognized income and expense of investments in joint ventures and associates	(28)	(32)
Fair value changes of equity instruments measured at fair value through other comprehensive income	491,214	480,094
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	**(62,703)**	**79,455**
Hedge of net investments in foreign operations [effective portion]		-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges reserve [effective portion] (Note 27)	(12,214)	(53,356)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(50,489)	132,822
Hedging instruments [not designated elements]	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognized income and expense of investments in joint ventures and associates	-	(11)
Minority interests [non-controlling interests] (Note 39)	**7,147**	**7,584**
Accumulated other comprehensive income	105	136
Other items	7,042	7,448
TOTAL EQUITY	**6,199,137**	**6,309,965**
TOTAL LIABILITIES AND EQUITY	**66,588,00**	**65,804,676**
MEMORANDUM ITEMS: OFF-BALANCE SHEET EXPOSURES		
Loan commitments given (Note 42)	**6,928,708**	**6,671,542**
Financial guarantees given (Note 43)	**370,209**	**421,447**
Other commitments given (Note 44)	**4,018,348**	**3,353,075**

The accompanying Notes 1 to 66 and Appendices I to IV are an integral part of the consolidated balance sheet as at 31 December 2022.

(*) Presented for comparison purposes only.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 66). In the event of a discrepancy, the Spanish-language version prevails.

KUTXABANK, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021
(*)
(Thousands of euros)

	2022	2021
Interest income (Note 45)	**698,694**	**609,641**
Financial assets at fair value through other comprehensive income Financial assets at amortized cost	184,901	47,983
Other interest income	676,292	492,971
Interest expenses (Note 46)	(162,499)	68,687
Expenses on share capital repayable on demand	**(57,953)**	**(50,359)**
Gastos por capital social reembolsable a la vista	**-**	**-**
NET INTEREST INCOME	**640,741**	**559,282**
Dividend income (Note 47)	**54,980**	**52,799**
Share of the profit or loss of entities accounted for using the equity method (Note 37)	**12,980**	**5,561**
Fee and commission income (Note 48)	**515,948**	**506,435**
Fee and commission expenses (Note 49)	**(38,571)**	**(35,326)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value throughprofit or loss, net (Note 50)	**28,638**	**58**
Financial assets at amortized cost	26,921	-
Other financial assets and liabilities	1,717	58
Gains or losses on financial assets and liabilities held for trading, net (Notes 22 & 51)	**6,632**	**2,784**
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortized cost	-	-
Other gains or losses	6,632	2,784
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 52)	**10,882**	**(2,248)**
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortized cost	-	-
Other gains or losses	10,882	(2,248)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net (Note 53)	-	-
Gains or losses from hedge accounting, net (Note 27)	-	-
Exchange differences (gain or loss), net (Note 54)	**2,161**	**1,744**
Other operating income (Note 55)	**32,493**	**43,576**
Other operating expenses (Note 56)	**(146,491)**	**(132,623)**
Income from assets under insurance and reinsurance contracts (Note 57)	**211,553**	**225,836**
Expenses of liabilities under insurance and reinsurance contracts (Note 57)	**(61,522)**	**(90,826)**
GROSS INCOME	**1,270,424**	**1,137,052**
Administrative expenses:	**(573,720)**	**(561,087)**
Staff costs (Note 58)	(414,405)	(411,286)
Other administrative expenses (Note 59)	(159,315)	(149,801)
Depreciation and amortization charge (Note 60)	**(39,408)**	**(43,832)**
Provisions or reversal of provisions (Note 61)	**(56,760)**	**(98,457)**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss andmodification gains or losses, net (Note 62):	**(62,629)**	**(71,296)**
Financial assets at fair value through other comprehensive income (Note 25)	159	(606)
Financial assets at amortized cost (Note 26)	(62,788)	(70,690)
Impairment or reversal of impairment of investments in joint ventures and associates (Note 28)	**1,200**	**(532)**
Impairment or reversal of impairment on non-financial assets (Note 63):	**(19,722)**	**(18,944)**
Tangible assets	(15,770)	(9,158)
Intangible assets	-	-
Other	(3,952)	(9,786)
Gains or losses on derecognition of non-financial assets, net (Note 64)	**14,595**	**4,610**
Negative goodwill recognized in profit or loss	**-**	**-**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinuedoperations (Note 65)	**(76,702)**	**(52,640)**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**457,278**	**294,874**
Tax expense or income related to profit or loss from continuing operations (Note 40)	**(125,839)**	**(76,502)**
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**331,439**	**218,372**
Profit or loss after tax from discontinued operations	**-**	**-**
PROFIT FOR THE YEAR	**331,439**	**218,372**
Attributable to minority interests (non-controlling interests) (Note 66)	**911**	**1,914**
Attributable to owners of the Parent	**330,528**	**216,458**

The accompanying Notes 1 to 66 and Appendices I to IV are an integral part of the consolidated statement of profit or loss for 2022.

(*) Presented for comparison purposes only.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 66). In the event of a discrepancy, the Spanish-language version prevails.

KUTXABANK, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021 (*)
(Thousands of euros)

	2022	**2021**
PROFIT FOR THE YEAR	**331,439**	**218,372**
OTHER COMPREHENSIVE INCOME	**(118,202)**	**(82,892)**
Items that will not be reclassified to profit or loss	**23,969**	**(10,594)**
Actuarial gains or (-) losses on defined benefit pension plans	18,148	5,236
Non-current assets and disposal groups held for sale	-	-
Share of other recognized income and expense of investments in joint ventures and Associates	4	(8)
Fair value changes of equity instruments measured at fair value through other comprehensive income	15,083	(47,357)
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	(9,266)	31,535
Items that may be reclassified to profit or loss (Note 38)	**(142,171)**	**(72,298)**
Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss		-
Other reclassifications		-
Foreign currency translation		-
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	57,142	(65,925)
Valuation gains or (-) losses taken to equity	(17,554)	(52,228)
Transferred to profit or loss	74,696	(13,697)
Transferred to initial carrying amount of hedged items		-
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	(255,296)	(34,666)
Valuation gains or (-) losses taken to equity	(254,195)	(34,632)
Transferred to profit or loss	(1,101)	(34)
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 recognized income and expense of investments in joint ventures and associates	11	(28)
Income tax relating to items that may be reclassified to profit or (-) loss	55,972	28,321
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**213,237**	**135,480**
Attributable to minority interests (non-controlling interests)	880	2,064
Attributable to owners of the Parent	212,357	133,416

The accompanying Notes 1 to 66 and Appendices I to IV are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2022.

(*) Presented for comparison purposes only.

KUTXABANK, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021 (*)
(Thousands of euros)

	Share capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interests: Accumulated other comprehensive income	Non-controlling interests: Other items	Total
Opening balance (before restatement)	**2,060,000**	**-**	**-**	**-**	**1,070,464**	**-**	**2,455,123**	**-**	**216,458**	**-**	**500,336**	**136**	**7,448**	**6,309,965**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2022	**2,060,000**	**-**	**-**	**-**	**1,070,464**	**-**	**2,455,123**	**-**	**216,458**	**-**	**500,336**	**136**	**7,448**	**6,309,965**
														-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**330,528**	**-**	**(118,171)**	**(31)**	**911**	**213,237**
														-
Other changes in equity	**-**	**-**	**-**	**-**	**51,222**	**-**	**(7,477)**	**-**	**(216,458)**	**(150,284)**	**249**	**-**	**(1,317)**	**(324,065)**
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 remuneration of members)	-	-	-	-	(172,429)	-	-	-	-	(150,284)	-		(1,292)	(324,005)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity (Notes 36 y 37)	-	-	-	-	223,651	-	(7,442)	-	(216,458)	-	249	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	-	-	(35)	-	-	-	-	-	(25)	(60)
Closing balance at 31 December 2022	**2,060,000**	**-**	**-**	**-**	**1,121,686**	**-**	**2,447,646**	**-**	**330,528**	**(150,284)**	**382,414**	**105**	**7,042**	**6,199,137**

	Share capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interests		Total
												Accumulated other comprehensive income	Other items	
Opening balance (before restatement)	**2,060,000**	**-**	**-**	**-**	**996,498**	**-**	**2,389,693**	**-**	**180,259**	**-**	**650,710**	**6**	**10,553**	**6,287,719**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2021	**2,060,000**	**-**	**-**	**-**	**996,498**	**-**	**2,389,693**	**-**	**180,259**	**-**	**650,710**	**6**	**10,553**	**6,287,719**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**216,458**	**-**	**(83,042)**	**150**	**1,914**	**135,480**
Other changes in equity	**-**	**-**	**-**	**-**	**73,966**	**-**	**65,430**	**-**	**(180,259)**	**-**	**(67,332)**	**(20)**	**(5,019)**	**(113,234)**
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 remuneration of members)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	(108,155)	-	-	-	-	-	-	-	(3,167)	(111,322)
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	182,121	-	65,470	-	(180,259)	-	(67,332)	(20)	20	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	-	-	(40)	-	-	-	-	-	(1,872)	(1,912)
Closing balance at 31 December 2021	**2,060,000**	**-**	**-**	**-**	**1,070,464**	**-**	**2,455,123**	**-**	**216,458**	**-**	**500,336**	**136**	**7,448**	**6,309,965**

The accompanying Notes 1 to 66 and Appendices I to IV are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2022.

(*) Presented for comparison purposes only

KUTXABANK, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021 (*)
(Thousands of euros)

	2022	2021(*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	**1.114.264**	**(855,630)**
Profit for the year	**331.439**	**218,372**
Adjustments made to obtain the cash flows from operating activities		
Depreciation and amortization charge (+)	39.408	43,832
Other adjustments (+/-)	151.123	216,041
	190.531	**259,873**
Net (increase)/decrease in operating assets:		
Financial assets held for trading	16.360	18,968
Non-trading financial assets mandatorily	-	-
at fair value through profit or loss	28.943	7,831
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	249.128	139,524
Financial assets at amortised cost	(791.413)	(3,993,946)
Other operating assets	2.260	(6,065)
	(494.722)	**(3,833,688)**
Net increase/(decrease) in operating liabilities:		
Financial liabilities held for trading	(10.602)	(14,799)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1.261.377	2,426,414
Other operating liabilities	(169.475)	88,018
	1.081.300	**2,499,633**
Income tax recovered/(paid)	**5.716**	**180**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**65.074**	**223,705**
Payments:		
Tangible assets	(34.414)	(26,068)
Intangible assets	(43.232)	(32,672)
Investments in joint ventures and associates	(10)	(65)
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
	(77,656)	**(58,805)**
Proceeds:		
Tangible assets	27.464	12,969
Intangible assets	-	-
Investments in joint ventures and associates	21.384	10,347
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	93.882	259,194
Other proceeds related to investing activities	-	-
	142.730	**282,510**
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(346.001)**	**(663,234)**
Payments:		
Dividends	(324.005)	(111,322)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(21.996)	(1,051,912)
	(346.001)	**(1,163,234)**
Proceeds:		
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	500,000
	-	**500,000**
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**833.337**	**(1,295,159)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5.692.988**	**6,988,147**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	**6.526.325**	**5,692,988**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	243.343	275,115
Cash equivalents at central banks	6.092.406	5,201,647
Other financial assets	190.576	216,226
Less: Bank overdrafts refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**6.526.325**	**5,692,988**

The accompanying Notes 1 to 66 and Appendices I to IV are an integral part of the consolidated statement of cash flows for 2022.

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 66).

In the event of a discrepancy, the Spanish-language version prevails.

Kutxabank, S.A. and Subsidiaries (Consolidated Group)
Explanatory Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

1. Description of the Institution

1.1. Description of the Institution

Kutxabank, S.A. ("the Bank", "Kutxabank" or "the Parent") was incorporated in a public deed dated 14 June 2011 under the name of Banco Bilbao Bizkaia Kutxa, S.A. (Sole-Shareholder Company), as a private-law entity subject to the rules and regulations applicable to banks operating in Spain. Subsequently, on 22 December 2011, the Bank changed its corporate name to its current name. Kutxabank, S.A. is the Parent of the Kutxabank Group, whicharose from the integration of the three Basque savings banks – Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea ("BBK"), Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastián ("Kutxa") and Caja de Ahorros de Vitoria y Álava ("Caja Vital") (see Note 1.2).Its registered office is at Gran Vía, 30 (Bilbao).

The Bank is governed by its bylaws; by Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, implemented by Royal Decree 84/2015, of 13 February; by Legislative Royal Decree 4/2015, of 23 October, on theSecurities Market; by Royal Decree 217/2008, of 15 February, on the legal regime for investment services companies and other entities providing investment services; by the Consolidated Spanish Limited Liability Companies Law, approved by Legislative Royal Decree 1/2010, of 3 July; and by all other applicable legislation in force.

Kutxabank, S.A. commenced operations on 1 January 2012 and is registered with code number 2095, which had previously corresponded to BBK, in the Spanish Banks and Bankers Register. Its company object encompasses all manner of activities, transactions and services inherent to the banking business in general and which it is permitted to perform under current legislation, including the provision of investment and ancillary services provided forin Articles 140 and 141 of Legislative Royal Decree 4/2015, of 23 October, on the Securities Market, and the acquisition, ownership, use and disposal of all manner of marketablesecurities.

The Group operated through 709 branches at 31 December 2022 (31 December 2021: 774 branches), with a presence in the Basque Country, Andalusia and to a lesser extent in other Spanish autonomous communities. The distribution, by geographical area, of the Group's branch network at 31 December 2022 and 2021 is as follows:

	Branches	
	2022	2021
Basque Country Autonomous Community	269	282
Andalusia	264	297
Expansion network	176	195
	709	**774**

The Bank is the Parent of a group of investees composing the Kutxabank Group ("the Group"). Therefore, the Parent is required to prepare, in addition to its own separate financial statements, which are also subject to statutory audit, consolidated financial statements for the Group which include the corresponding investments in subsidiaries, joint ventures and associates. The entities in the Group engage in various activities, as disclosedin Appendices I and II. Also, Bilbao Bizkaia Kutxa Fundación Bancaria, Kutxabank's majority shareholder, prepares the consolidated financial statements of the Bilbao Bizkaia Kutxa Fundación Bancaria Group, which includes Kutxabank and its subsidiaries.

At 31 December 2022, the Parent's total assets, equity and profit for the year represented 82.22%, 84.92% and 87.87%, respectively, of the related consolidated figures (31 December 2021: 82.40%, 85.37% and 94.27%, respectively).

Set forth below are the condensed separate balance sheets, condensed separate statements of profit or loss, condensed separate statements of total changes in equity, condensed separate statements of comprehensive income and condensed separate statements of cash flows of the Parent for the years ended 31 December 2021 and 2022, prepared in accordance with the accounting principles and rules and measurement bases established by Bank of Spain Circular 4/2017 and subsequent amendments thereto:

a) *Condensed separate balance sheets as at 31 December 2022 and 2021:*

	Thousands of euros	
	2022	2021
Cash, cash balances at central banks and other demand deposits	5,286,561	5,051,844
Financial assets held for trading	71,517	88,507
Non-trading financial assets mandatorily at fair value through profit or loss	9,973	20,518
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	3,344,745	3,781,818
Financial assets at amortised cost	41,127,745	40,266,499
Derivatives - hedge accounting	26,517	3,207
Investments in subsidiaries, joint ventures and associates	2,986,396	2,974,721
Tangible assets	531,417	578,161
Intangible assets	118,743	86,694
Tax assets	1,171,564	1,242,036
Other assets	71,792	84,937
Non-current assets and disposal groups classified as held for sale	2,070	46,612
Total assets	**54,749,040**	**54,225,554**
Financial liabilities held for trading	116,845	112,374
Financial liabilities at amortised cost	48,381,432	47,596,466
Derivatives - hedge accounting	347,904	435,516
Provisions	357,025	384,860
Tax liabilities	85,865	123,821
Other liabilities	195,470	185,888
Total liabilities	**49,484,541**	**48,838,925**
Shareholders' equity:	5,250,222	5,282,501
Share capital	2,060,000	2,060,000
Share premium	-	-
Retained earnings	329,021	297,386
Other reserves	2,721,051	2,721,051
Profit for the year	290,434	204,064
Interim dividends	(150,284)	-
Accumulated other comprehensive income	14,277	104,128
Total equity	**5,264,499**	**5,386,629**
Total liabilities and equity	**54,749,040**	**54,225,554**
Loan commitments given	6,507,598	5,943,755
Financial guarantees given	355,945	410,310
Other commitments given	3,869,159	3,236,997

b) Condensed separate statements of profit or loss for the years ended 31 December 2022 and 2021:

	Thousands of euros	
	2022	2021
Interest income	521,634	439,577
Interest expenses	(57,607)	(51,981)
Net interest income	**464,027**	**387,596**
Dividend income	138,479	178,447
Fee and commission income	376,314	378,294
Fee and commission expenses	(10,455)	(8,732)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	25,774	25
Gains or losses on financial assets and liabilities held for trading, net	6,382	2,658
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	11,078	(2,435)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or losses from hedge accounting, net	-	-
Exchange differences [gain or loss], net	1,647	1,443
Other operating income	14,484	20,546
Other operating expenses	(101,418)	(91,299)
Gross income	**926,312**	**866,543**
Administrative expenses	(395,854)	(386,526)
Depreciation and amortisation charge	(28,555)	(25,834)
Provisions or reversal of provisions	(42,649)	(65,025)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and modification gains or losses, net	(52,663)	(68,074)
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(84,510)	(138,115)
Impairment or reversal of impairment on non-financial assets	(11,769)	(5,582)
Gains or losses on derecognition of non-financial assets, net	34,174	31,716
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(592)	6,974
Profit or loss before tax from continuing operations	**343,894**	**216,077**
Tax expense or income related to profit or loss from continuing operations	(53,460)	(12,013)
Profit or loss after tax from continuing operations	**290,434**	**204,064**
Profit for the year	**290,434**	**204,064**

c) *Condensed separate statements of comprehensive income for the years ended 31 December 2022 and 2021:*

	Thousands of euros	
	2022	2021
Profit for the year	**290,434**	**204,064**
Other comprehensive income	**(89,851)**	**25,406**
Items that will not be reclassified to profit or loss	4,918	-
Actuarial gains or (-) losses on defined benefit pension plans	(35,512)	80,616
Fair value changes of equity instruments measured at fair value through other comprehensive income	8,566	(2,892)
Income tax relating to items that will not be reclassified	(22,028)	77,724
Items that may be reclassified to profit or loss	59,601	(69,483)
Cash flow hedges [effective portion]	(153,800)	(3,181)
Debt instruments at fair value through other comprehensive income	26,376	20,346
Income tax relating to items that may be reclassified to profit or loss	(67,823)	(52,318)
Total comprehensive income for the year	**200,583**	**229,470**

d) *Condensed separate statements of changes in equity for the years ended 31 December 2022 and 2021:*

	Thousands of euros							
	Share capital	Share premium	Retained earnings	Other reserves	Profit for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance (before restatement)	2,060,000	-	297,386	2,721,051	204,064	-	104,128	5,386,629
Adjustments	-	-	-	-	-	-	-	-
Opening balance at 1 January 2022	2,060,000	-	297,386	2,721,051	204,064	-	104,128	5,386,629
Total comprehensive income for the year	-	-	-	-	290,434	-	(89,851)	200,583
Other changes in equity	-	-	31,635	-	(204,064)	(150,284)	-	(322,713)
Closing balance at 31 December 2022	2,060,000	-	329,021	2,721,051	290,434	(150,284)	14,277	5,264,499

	Thousands of euros							
	Share capital	Share premium	Retained earnings	Other reserves	Profit for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance (before restatement)	2,060,000	-	276,420	2,476,858	129,121	-	322,915	5,265,314
Adjustments	-	-	-	-	-	-	-	-
Opening balance at 1 January 2021	2,060,000	-	276,420	2,476,858	129,121	-	322,915	5,265,314
Total comprehensive income for the year	-	-	-	-	204,064	-	25,406	229,470
Other changes in equity	-	-	20,966	244,193	(129,121)	-	(244,193)	(108,155)
Closing balance at 31 December 2021	2,060,000	-	297,386	2,721,051	204,064	-	104,128	5,386,629

e) Condensed separate statements of cash flows for the years ended 31 December 2022 and 2021:

	Thousands of euros	
	2022	2021
Cash flows from operating activities:		
Profit for the year	290,434	204,064
Adjustments made to obtain the cash flows from operating activities	(120,185)	51,282
Net (increase)/decrease in operating assets	(599,650)	(2,861,568)
Net increase/(decrease) in operating liabilities	889,852	2,242,201
Income tax recovered/(paid)	5,637	134
	466,088	(363,887)
Cash flows from investing activities:		
Payments	(65,725)	(447,302)
Proceeds	157,067	276,930
	91,342	(170,372)
Cash flows from financing activities:		
Payments	(322,713)	(1,158,155)
Proceeds	-	500,000
	(322,713)	(658,155)
Effect of foreign exchange rate changes		-
Net increase/(decrease) in cash and cash equivalents	**234,717**	**(1,192,414)**
Cash and cash equivalents at beginning of year	5,051,844	6,244,258
Cash and cash equivalents at end of year	5,286,561	5,051,844

1.2. Integration of Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK), Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastián - Gipuzkoa eta Donostiako Aurrezki Kutxa (Kutxa), Caja de Ahorros de Vitoria y Álava - Araba eta Gasteizko Aurrezki Kutxa (Caja Vital) and Kutxabank, S.A.

On 30 June 2011, the Boards of Directors of BBK, Kutxa, Caja Vital and the Bank approved the integration agreement for the formation of a contractual consolidable group of credit institutions (Institutional Protection Scheme ("SIP")), the head of which would be the Bank, and which would also comprise BBK, Kutxa and Caja Vital (referred to collectively as “the Savings Banks”). This integration agreement governed the elements configuring the new group, the group's and the Bank's governance, and the group's stability mechanisms.

Also, the Boards of Directors of the Savings Banks and the Bank (the latter as the beneficiary) approved, pursuant to Title III and Additional Provision Three of Law 3/2009, of3 April, on structural changes to companies formed under the Spanish Commercial Code, the corresponding spin-off plans under which all the assets and liabilities associated with the financial activity of BBK, Kutxa and Caja Vital would be contributed to the Bank, and the Savings Banks would pursue their objects as credit institutions indirectly through the Bank.

The purpose of the spin-off was the transfer en bloc, by universal succession, of the items composing the economic unit consisting of the spun-off assets and liabilities, which were all the assets and liabilities of the respective Savings Banks, except for the excluded assets and liabilities not directly related to the Savings Banks' financial activities (including BBK's ownership interest in the Bank), which were identified in the respective spin-off plans.

These spin-off plans, together with the integration agreement and the subsequent novation thereof, were approved by the corresponding General Assemblies of the Savings Banks and the Bank's then sole shareholder on 23 September and 20 October 2011, respectively.

Therefore, once the relevant administrative authorisations had been obtained, on 22 December 2011, BBK, Kutxa and Caja Vital, together with the Bank, executed the related public deeds for the spin-off of the Savings Banks' financial businesses and the contribution thereof to Kutxabank, S.A.

For the purposes of Article 31.7 of Law 3/2009, of 3 April, on structural changes tocompanies formed under the Spanish Commercial Code, the spin-off of the Savings Banks' businesses and the contribution thereof to the Bank and, consequently, the SIP, became effective when the spin-off was registered in the Bizkaia Mercantile Register, on 1 January 2012.

The registration of the spin-offs fulfilled the last of the conditions precedent for the integration agreement entered by the Savings Banks to come into force. Consequently, on 1 January 2012, the integration agreement establishing an Institutional Protection Scheme whereby the Savings Banks approved the indirect exercise of their activity and span off their financial businesses to the Bank became effective. The Bank, as the beneficiary of the spin-off, was subrogated to all the rights, actions, obligations, liability and charges relating to the spun-off assets and liabilities. Also, the Bank took on the human and material resources related to the operation of the spun-off businesses of the respective Savings Banks.

In exchange for the spun-off assets and liabilities, the Bank increased share capital by a total of EUR 1,981,950 thousand, represented by 1.981.950 registered shares of EUR 1,000 par value each, plus a share premium, so that each Savings Bank received newly issued shares of the Bank for a value equal to the value of the assets and liabilities spun off by each Savings Bank. The shares issued were registered shares, like the existing outstandingshares, and all of them belonged to the same class and ranked pari passu with the shares existing at the time of the capital increase. Following the capital increase, the ownership interest of each Savings Bank (under their current names as banking foundations) in the Bank is as follows:

	% of ownership
Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa	57%
Fundación Bancaria Kutxa - Kutxa Banku Fundazioa	32%
Fundación Bancaria Vital- Vital Banku Fundazioa	11%

Pursuant to Law 26/2013, of 27 December, on savings banks and banking foundations, the Annual General Assemblies of BBK and Caja Vital at their meetings held on 30 June 2014 and the Extraordinary General Assembly of Kutxa held on 24 October 2014 approved the reregistration of the Savings Banks as banking foundations. BBK, Kutxa and Caja Vital were subsequently registered in the Basque Country Register of Foundations on 24 November 2014, 22 December 2014 and 29 July 2014, respectively.

The registration of the three former Savings Banks in the Register of Foundations resulted, de facto, in the loss of their credit institution status and as a result the SIP formed by the Savings Banks and Kutxabank was terminated. In this connection, the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria and the Board of Trustees of Fundación Bancaria Vital – Vital Banku Fundazioa unanimously resolved, on 23 January 2015 and 10 February 2015, respectively, to terminate the SIP and the integration agreement entered into by the former Savings Banks and Kutxabank. In addition, the Board of Trustees of Fundación Bancaria Kutxa - Kutxa Banku Fundazioa unanimously resolved, on 17 March 2015, to terminate the integration agreement entered into by the former Savings Banks and Kutxabank, to sign for this purpose, at an undetermined date, the document for the termination of the aforementioned agreement and to authorise, at the same time, a new "Shareholders Agreement" betweenthe banking foundation shareholders of Kutxabank, S.A. Ultimately, on 17 March 2016, Fundación Bancaria Kutxa - Kutxa Banku Fundazioa executed the agreement expressly providing for its inclusion in the document (terminating the integration agreement) formalised by Kutxabank, S.A., Bilbao Bizkaia Kutxa Fundación Bancaria and Fundación Bancaria Vital, on 24 March 2015.

Also, as a result of the termination of the SIP, Bilbao Bizkaia Kutxa Fundación Bancaria, with registered office at Gran Vía 19-21, Bilbao, has the power to exercise control over Kutxabank. Accordingly, Kutxabank and its subsidiaries form part of the Bilbao Bizkaia Kutxa Fundación Bancaria Group. The consolidated annual accounts of the Bilbao Bizkaia Kutxa Fundación Bancaria Group for the 2021 financial year were approved by its Board of Trustees on April 28, 2022 and were deposited in the Bizkaia Mercantile Registry.

1.3. Most significant changes in the scope of consolidation

The most relevant variations produced in the consolidation perimeter during the 2022 financial year are indicated below:

- At the beginning of the financial year, the Group held a 20.27% stake in the capital of Inversiones Zubiatzu SA, an associated company, valued by the participation method. On July 18, 2022, the sale of 27,255 company shares to the investee company itself was formalized, within the framework of a share capital reduction operation through the acquisition of shares for redemption. Following the sale and reduction of the capital of the investee company, the Group holds 3,025 shares representing 5% of its capital and certain conditions, which the Group considers that it has implied the loss of significant influence in it. For this reason, from that moment on, the investee company is no longer considered an associate of the Group and, consequently, the book value of the interest has been removed from the heading "Investments in joint ventures and associates - Associates" of the consolidated balance sheet in which it was recorded as of December 31, 2021, while the interest that the Group maintains after the sale has been recorded, at its fair value, under the heading "Financial assets at fair value through other global income". The operation has led to a reduction in the book value of the heading "Investments in joint ventures and associates" amounting to 32,245 thousand euros and the recording in the consolidated income statement of a total capital gain of 6,379 thousand euros, 5,742 thousand euros for sale and 637 thousand euros for valuation at market value after accounting reclassification.

- On April 26, 2022, the Group has incorporated a new investee company, Sociedad Andaluza de Gestión de Activos, SL with a share capital of 250 thousand euros in which it holds a 100% stake and whose corporate purpose is the administration and disposal of assets.

- On June 21, 2022, the Group proceeded to sell the 100% stake it held in Logística Binaria, SLU and, therefore, the 36.84% stake held by the investee in Zierbena Bizkaia 2002, SL The This operation has led to the recording in the consolidated income statement of a total loss of 1,245 thousand euros.

- On February 23, 2022, San Mamés Barria, SL has agreed to increase the share capital by 119 thousand euros through the issuance of 118,749 shares with a par value of 1 euro. The Group has not attended the aforementioned increase, which has given rise to the change in the percentage of participation, seeing this reduced by 0.01%, going on to have a participation of 22.21% in the associated entity.

- On July 8, 2022, a new company called "Kutxabank Store, SL", Solo Propietor, has been incorporated, whose corporate purpose is to carry out intermediation and commercial promotion activities. Its own funds were set at 600 thousand euros, and were fully assumed and disbursed by Kutxabank, SA.

The net result generated by the operations described above recorded under the heading "Gains or losses on derecognition of non-financial assets, net" of the attached consolidated profit and loss account has resulted in a profit of 5,143 thousand euros. Additionally, the following operation has taken place, which has led to a percentage change in an entity in which the Group has control:

- On June 20, 2022, the Group has acquired 491 shares of Fineco Sociedad de Valores S.A. for an amount of 73 thousand euros. Following this acquisition, the Group now holds an 83.72% stake in the entities Fineco Sociedad de Valores, SA, Fineco Patrimonios SGIIC, SAU, Fineco Previsión EGFP, SAU and GIIC Fineco, SGIIC, SAU, when previously it held 83 55% in each of them. The operation described has led to a net equity decrease in Other reserves amounting to 35 thousand euros for the Group.

In addition, the most relevant changes in the consolidation perimeter during the 2021 financial year were the following:

- On 21 January 2021, the Group acquired a 50% stake in the capital of the companies Los Jardines de Guadaira SL and Los Jardines de Guadaira II Servicios Inmobiliarios SL, companies in which it previously held a 50% stake. Subsequently, on July 21 2021, the merger by absorption of the entities Los Jardines de Guadaira SL and Los Jardines de Guadaira II Servicios Inmobiliarios SL was formalized, being the absorbing company Harri Hegoalde 2, SAU.

- On February 10, 2021, Sendogi Capital, FCR, was liquidated, in which the Group held a 100% stake. In consideration, the Parent Entity of the Group, Kutxabank, SA was awarded the only asset that appeared in the liquidation balance sheet, consisting of 7,314 shares (30.42% of the total) of Neos Surgery, SL

- The Group incorporated on 7 of May, 2021 a new investee company, Kartera 4, SL (Sociedad Unipersonal) in which it holds 100% of the share capital whose corporate purpose is the promotion, management and real estate development.

- Due to the biennial shareholding adjustment of the investee company Viacajas SA, on May 11, 2021, the Group sold 2.53% of the shares of the company Viacajas, SA owned by the Parent Entity, Kutxabank, SA for an amount of 338 thousand, without the operation having generated any results for the Group and going on to hold 38.96% of the company.

- Alquiler de Trenes, AIE, Group that owns trains transferred under operating lease to the Autoritat del Transport Metropolità (ATM) of Barcelona in which the Parent Entity, Kutxabank, SA had a 95% interest, it carried out on June 3, 2021 a sale and transfer operation of the trains, as well as the cancellation of existing lease and assignment contracts for them (see Note 32). After this operation, the activity of the Association was terminated, and its General Assembly of Members agreed on the dissolution and liquidation of the Association on September 3, 2021, without generating any results for the Group.

  None of the previously described share sale and liquidation operations generated any results for the Group.

  Additionally, on October 26, 2021, the Group acquired 555 shares of Fineco Sociedad de Valores, SA for an amount of 85 thousand euros. After this acquisition, the Group came to hold an 83.55% stake in the entities Fineco Sociedad de Valores S.A., Fineco Patrimonios S.G.I.I.C., S.A.U, Fineco Previsión E.G.F.P., S.A.U. and G.I.I.C. Fineco, S.G.I.I.C., S.A.U., when previously it held 83 36% in each of them. The operation described entailed a net equity decrease of 40 thousand euros for the Group.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The accompanying consolidated financial statements were prepared from the Group entities' accounting records in accordance with EU-IFRSs and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2022 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended. All obligatory accounting principles and standards and measurement bases with a significant effect on the consolidated financial statements were applied in preparing them. The principal accounting policies and measurement bases applied in preparing these consolidated financial statements are summarised in Note 14.

The information in these consolidated financial statements is the responsibility of the directors of the Parent.

The Group's consolidated financial statements for 2022 were authorised for issue by the Parent's directors at the Board meeting held on 23 February 2023. They have not yet been approved by the Annual General Meeting, but are expected to be approved by it without any material changes. These consolidated financial statements are presented in thousands of euros, unless stated otherwise.

b) Basis of consolidation

The Group was defined in accordance to International Financial Reporting Standards (IFRSs) adopted by the European Union. Investees include subsidiaries, joint ventures and associates. Inclusions and changes in the scope of consolidation are detailed in Note 1.3.

Dependent Entities are the Affiliated Entities that constitute a decision unit with the Parent Entity, that is, those in which the Parent Entity has, directly or indirectly through another or other Affiliated Entities, the ability to exercise control. Said ability to exercise control over an investee is manifested as stated in IFRS 10, when the holding company is exposed, or has the right, to variable results from its involvement in the investee and has the ability to influence those returns to through its power over the investee.

Appendix I contains relevant information on the investments in subsidiaries at 31 December 2022 and 2021.

The financial statements of the subsidiaries were consolidated using the full consolidation method. Accordingly, all material balances and transactions between consolidated entities were eliminated on consolidation. Further, the share of third parties of the Group's equity is presented under "Minority Interests [Non-Controlling Interests]" in the consolidated balance sheet and their share of yearly profit for is presented under "Profit for the Year - Attributable to Minority Interests (Non-Controlling Interests)" in the consolidated statement of profit or loss.

The results of subsidiaries acquired by the Group during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end.Similarly, the results of subsidiaries disposed of by the Group during the year are included in the consolidated statement of profit or loss from the beginning of the year tothe date of disposal.

Joint ventures are defined as investees that are not subsidiaries but are jointly controlled by the Group and one or more entities not related to the Group. A joint venture is a contractual arrangement whereby two or more entities or ventures undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the ventures, providedthat these operations or assets are not integrated in financial structures other thanthose of the ventures.

As indicated in Appendix II, the Group had no interests in joint ventures on the 31 December2022 and 2021.

Associates are investees over which the Group exercises significant influence. Significant influence is, in general but not exclusively, presumed to exist when the investor holds, directly or indirectly through other investees, 20% or more of the voting power of the investee. All significant investees in which the Group holds 20% or more of the voting power were considered to be associates in 2022, and no significant investees in which the Group holds less than 20% of the voting power were included in the Group's scopeof consolidation.

Appendix II contains relevant information on the investments in associates at 31 December 2022 and 2021.

The associates and joint ventures were accounted for using the equity method. Consequently, the investments in associates and joint ventures were measured at the Group's share of net assets of the investee, after considering the dividends received therefrom and other equity eliminations. The profits and losses resulting from transactions with an associate, or a joint venture are eliminated in proportion to the Group's interest therein. If as a result of losses incurred by an associate its equity were negative, the investment would be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to provide such associate financial support.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2022 and 2021 may differ from those used by certain subsidiaries, joint ventures and associates, the required adjustments and reclassifications, if material, were made on consolidation to unify such policies and bases.

c) *Adoption of new standards and interpretations issued*

Standards and interpretations effective in the current period

In 2022, the following amendments to IFRS and their interpretations (hereinafter, "IFRIC") came into force:

- **IAS 16 (Modification) "Tangible fixed assets: amounts received before its intended use"**: It is prohibited to deduct from the cost of an item of property, plant and equipment any income obtained from the sale of items produced while the entity is preparing the asset for its intended use. Revenue from the sale of such samples, together with production costs, is now recognized in profit or loss. The amendment also clarifies that an entity is testing whether the asset functions correctly when it evaluates the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Therefore, an asset might be able to operate as anticipated by management and be subject to amortization before it has achieved the level of operating performance expected by management. The effective date of these amendments is January 1, 2022.

- **IAS 37 (Modification) "Onerous contracts: costs of fulfilling a contract"**: The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of fulfill that contract and an allocation of other costs that are directly related to the performance of the contracts. It also clarifies that before making a separate provision for an onerous contract, the entity will recognize any impairment loss that has occurred on assets used to fulfill the contract, rather than on assets dedicated to that contract. The effective date of these amendments is January 1, 2022.

- **IFRS 3 (Modification) "Reference to the Conceptual Framework":** IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to determine what constitutes an asset or a liability in a business combination (formerly referred to 2001 MC). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The effective date of these amendments is January 1, 2022.

- **IFRS Annual Improvements. 2018 – 2020 Cycle**: The modifications affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after January 1, 2022. The main modifications refer to:

  - **IFRS 1 "Adoption by first time of IFRS"**: IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure accumulated translation differences using the amounts accounted for by the parent, based on the transition date of the latter to IFRS.

- **IFRS 9 "Financial Instruments":** The amendment addresses which costs must be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to third parties or to the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

The entry into force in 2022 of these new standards has not had a significant impact on the Group's consolidated annual accounts.

<u>Standards and interpretations issued not in force</u>

As of the date of preparation of these consolidated annual accounts, the following are the most significant standards and interpretations that have been published by the IASB, but have not yet entered into force, either because their effective date is later at the date of the consolidated annual accounts, or because they have not yet been adopted by the European Union:

Standards, modifications and interpretations	Content of the standard	Compulsory application exercises started from
Modification of the IFRS 10 y IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	(3)
Modification of the IFRS 17 – Initial aplication de IFRS 17 y IFRS 9	Includes limited scope amendments to the transition requirements of IFRS 17 - Insurance contracts.	1st of january of 2023 (2)
Modification of the IAS 1	Clarifications on the classification of liabilities as current or non-current.	1st of january of 2023 (2)
Modification of the IAS 1	Breakdown of accounting policies	1st of january of 2023 (2)
Modification of the IAS 8	Definition of accounting estimates	1st of january of 2023 (2)
Modification of the IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1st of january of 2023 (2)
IFRS 17 – Insurance contract	It includes the principles of registration, valuation, presentation and breakdown of insurance contracts.	1st of january of 2023 (2)
Modification of the IFRS 16	Lease liability in a sale with leaseback	1st of january of 2024 (1)
Modification of the IAS 1	Non-current liabilities with conditions ("covenants")	1st of january of 2024 (1)

(1) Standards and interpretations not yet adopted by the European Union at the date of preparation of these consolidated financial statements.
(2) Standards and interpretations adopted by the European Union at the date of preparation of these consolidated financial statements, of which The Group has not anticipated the settlement.
(3) IASB delayed the adoption date of the amendments (without setting an actual date).

Standards and interpretations not adopted by the European Union at the date of formulation of these consolidated annual accounts.

Below is a brief summary of the standards, amendments and interpretations that have not yet entered into force, but that can be adopted early:

- **IFRS 17 "Contracts for Insurance":** The IFRS 17 replaces IFRS 4 "Insurance Contracts", which allowed for a wide variety of accounting practices. The new standard fundamentally changes the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features. In June 2020, the IASB amended the standard, developing specific amendments and clarifications intended to facilitate the implementation of the new standard, although they did not change the fundamental principles of the new standard.

The standard is applicable for annual periods beginning on or after January 1, 2023, allowing early application if IFRS 9, "Financial Instruments" is applied on or before the date of initial application of IFRS 17.

- **IFRS 17 (Modification) "Initial application of IFRS 17 and IFRS 9 — Comparative information":** The IASB has published an amendment to IFRS 17 that introduces limited-scope amendments to the transition requirements of IFRS 17, "Contracts insurance", and does not affect any other requirements of IFRS 17. IFRS 17 and IFRS 9 "Financial Instruments" have different transition requirements. For some insurers, these differences may cause specific accounting mismatches between financial assets and financial assets. liabilities for insurance contracts in the comparative information that they present in their financial statements when they first apply IFRS 17 and IFRS 9. The amendment will help insurers to avoid these asymmetries and, therefore, improve the usefulness of comparative information for investors. This modification is effective for annual periods beginning on or after January 1, 2023.

- **IAS 1 (Modification) "Breakdown of accounting policies":** IAS 1 has been modified to improve the breakdowns on accounting policies to provide more useful information to investors and other primary users of financial statements.

- **IAS 8 (Modification) "Definition of accounting estimates":** IAS 8 has been amended to help distinguish between accounting estimate changes and accounting policy changes.

- **IAS 12 (Modification) "Deferred tax related to assets and liabilities derived from a single transaction"**: In certain circumstances under IAS 12, companies are exempt from recognizing deferred taxes when they recognize assets or liabilities for the first time ("exemption from recognition "). Previously, there was some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognized on initial recognition. The amendment clarifies that the exemption does not apply and therefore, there is an obligation to recognize deferred taxes on such transactions.

The Administrators are in the process of analyzing the impact that these regulations will have on the Group's consolidated financial statements.

Regarding the impact of IFRS 17 on the Group's Insurance Entities, regulations that, although applicable from January 1, 2023, the regulation itself establishes that the date of transition to it is the immediately preceding year, that is, 1 January 2022. The analysis and impact assessment of the first application of the IFRS 17 standard in the Group's consolidated financial statements is included below:

First application of the International Financial Reporting Standard 17 (IFRS 17) – Insurance contracts

On November 23, 2021, Commission Regulation (EU) 2021/2036 adopting International Financial Reporting Standard 17 for insurance contracts (IFRS 17) was published in the Official Journal of the European Union, which replaces to the International Financial Reporting Standard 4. IFRS 17 establishes the principles of registration, presentation and disclosure of insurance contracts with the objective that entities provide relevant and reliable information that allows users of financial information to determine the effect that these contracts have in the financial statements of the entity, thus improving the comparability of the results of the insurance companies and increasing the transparency and quality of the financial information of the industry.

In this way, IFRS 17 requires a current measurement model, in which liabilities are recalculated with realistic and updated hypotheses at each reporting date, reflecting the time value of money and an adjustment for the uncertainty of technical risk, reflecting earnings. as insurance services are provided while losses are recognized immediately. In this way, the standard introduces new relevant aspects, such as:

- CSM (Contractual Service Margin): represents the unearned earnings that the entity will recognize as it provides insurance contract services for each group of insurance contracts. When this margin is negative, the insurance contract is onerous and the loss must be recognized immediately in the income statement, without the contractual service margin being recognized on the balance sheet.

- Coverage period: period during which the entity provides insurance contract services. This period includes insurance contract services corresponding to all premiums within the limits of the insurance contract.

- Risk adjustment for non-financial risk: the compensation required by an entity for bearing uncertainty about the amount and timing of cash flows derived from non-financial risk during the entity's compliance with insurance contracts.

- Present value of cash flows or cash flows: present value of future cash outflows, less the present value of future cash inflows that will occur as the entity fulfills the insurance contracts, which includes an adjustment of risk for non-financial risk.

IFRS 17 is applicable from January 1, 2023, although the standard itself establishes that the date of transition to it is the immediately preceding financial year, that is, January 1, 2022. The Group has developed a homogeneous approach for its two insurance companies (Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, SAU and Kutxabank Aseguradora, Compañía de Seguros y Reaseguros, SAU), applying said rule retroactively to all insurance contracts entered into after January 1 2016. For insurance contracts signed prior to that date, the Group has used the fair value approach provided for in the standard, given the impracticality of applying a retrospective approach. Thus, at the date of implementation of the standard, most of the insurance contracts formalized by the Group have used the full retrospective option. For those insurance contracts for which it has not been practicable to apply a retrospective approach, the Group has used a fair value approach consisting of determining the amount under which said contracts could be transferred to a third party in an orderly transaction. In determining the fair value, the characteristics of the contracts have been taken into account and using observable variables. Subsequently, the contractual service margin has been determined as the difference between the fair value and the present value of the risk-adjusted future cash flows.

The Group began working on the implementation of the IFRS 17 regulation at the end of 2018. Since then, the work related to the definition and adoption of technical and methodological decisions required by the new regulations has been completed. Among others, the following aspects have been analysed: segregation of components, grouping and classification of contracts, valuation methods, discount rate, non-financial risk adjustment, reinsurance valuation and transition methodology. During this time, the Group has developed the corresponding methodological manuals and has adapted its accounting policies according to the requirements of its internal governance.

At the same time, and in response to the operational impact of the implementation of this new regulation on the computer systems of insurance companies, the Group has worked on the implementation of all the necessary technological architecture to support the new information, calculation and reporting needs. In relation to the principles for recognition, measurement, presentation and information used by the Group, the following should be highlighted:

- Based on the analyzes carried out, the Group's products comply with the definition of insurance contracts. Therefore, it has been concluded that all insurance contracts that were under the scope of IFRS 4 meet the definition of insurance contract and therefore, the introduction of IFRS 17 does not imply any reclassification.

- Regarding the level of aggregation of insurance contracts, the reference has been taken, in the first place, those exposed to similar risks and which are jointly managed. Consequently, groupings have been made consistent with business management and with the standard, as well as with the analyzes carried out for Solvency II. Subsequently, the date of issuance of the contracts has been considered, segmenting them into groups of contracts issued with no more than 12 months difference. Finally, an analysis of these groups of contracts has been carried out based on the expected level of profit at the time of their initial recognition, identifying the groups of onerous contracts from the rest (non-onerous contracts and contracts with a probability of being onerous).

- As a general rule, the Group has decided to use the general valuation method for insurance contracts, applying the premium allocation method mainly to annual renewable contracts and those whose valuation by this method does not differ significantly from that obtained by the method. general.

- To update future cash flows, the risk-free curve is used, except for single-premium products managed under flow-matching immunization techniques, for which the risk-free curve has been added matching adjustment calculated using the same methodological basis and parameters used in Solvency II, previously verifying, through asset and liability management, compliance with the flow contrast.

- For contracts valued using the general method, the contractual service margin (CSM) is calculated as the amount that, at the time of issuance, equals the cash flows derived from the insurance contract, such that it does not give rise to income or expense on initial recognition, except in the case of onerous contracts. Subsequently, the contractual service margin is adjusted for the effect of the new contracts, the interest accrued according to the discount rates used, the changes in the cash flows derived from compliance related to future services and the amount corresponding to its release. recognized in results. For these purposes, the Group has determined a specific release pattern for each type of product, based on the service provided throughout the term of the insurance contracts, resulting in a release pattern similar to that observed up to now to recognize the margin of the products in the profit and loss account.

- The risk adjustment for non-financial risk has been calculated using the percentile technique. Depending on the degree of uncertainty surrounding future cash flows, confidence levels have been defined for each product, and from them the risk adjustment for non-financial risk has been obtained. The Group has opted, in its accounting policy, to record in the heading "Other comprehensive income" of the consolidated balance sheet the changes in value of technical provisions caused by variations in interest rate curves, in order to avoid asymmetries in the valuation and recognition of financial investments and insurance contracts.

- Financial income and expenses from insurance contracts will be included in the profit and loss account in a systematic manner, using the discount rate set on the date of initial recognition of the groups of insurance contracts.

- On the other hand, to avoid asymmetries between assets and liabilities, some portfolios of financial assets will be valued at fair value.

Based on all of the above, the Group has estimated that the application of IFRS 17 on the transition date, January 1, 2022, will have a negative impact on the consolidated net worth of approximately 26 million euros (negative 53 million in reserves and positive 27 million in other accumulated comprehensive income). On the other hand, the impact of this standard on January 1, 2023, the date it came into force, has been estimated to have a negative impact on the consolidated net worth of approximately 26 million euros (negative 53 million in reserves, positive 30 million in other accumulated comprehensive income and negative 3 million in the restated consolidated result for the year 2022). On both dates, the negative effect on equity is partially offset by the change in the business model of the portfolio of financial assets subject to insurance commitments, and its consequent valuation at fair value in order to eliminate possible accounting asymmetries.

Standards and interpretations issued that are not in force, that cannot be adopted early or that have not been adopted by the European Union

Below is a brief summary of the standards, amendments and interpretations that have not yet been adopted by the European Union:

- **IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures":** These amendments clarify the accounting treatment of sales and asset contributions between an investor and its associates and joint ventures that will depend whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognize the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the investor recognizes the gain or loss to the extent of the interests of other investors. The modifications will only apply when an investor sells or contributes assets to its associate or joint venture.

- **IFRS 16 (Amendment) "Lease liability in a sale with leaseback":** IFRS 16 includes requirements on how to account for a sale with leaseback on the date the transaction is carried out. However, it did not specify how to record the transaction after that date. This amendment explains how a company must account for a sale and leaseback after the date of the transaction.

- **IAS 1 (Amendment) "Non-current liabilities with conditions ("covenants")":** The IASB has issued an amendment to IAS 1 "Presentation of financial statements", in response to concerns raised about the application of previous amendments to the same (in January and July 2020) in relation to the classification of liabilities as current or non-current, which would have entered into force for the years beginning on or after January 1, 2023.

  The new modification aims to improve the information provided when the right to defer the payment of a liability is subject to compliance with conditions ("covenants") within twelve months after the reporting period and cancels the previous modifications.

The Administrators are in the process of analyzing the impact that these regulations will have on the Group's consolidated financial statements.

d) Information referring to the year 2021

As required by IAS 1, the information contained in these consolidated annual accounts referring to the year 2021 is presented solely and exclusively for comparative purposes with the information relating to the year 2022 and, therefore, does not form part of the consolidated annual accounts of the Group for the year 2022.

3. Changes and errors in accounting policies and estimates

The information in the Group's consolidated financial statements is the responsibility of the Parent's directors.

In these consolidated financial statements estimates were made by management of the Parent and of the investees in order to measure certain assets, liabilities, income, expenses and obligations. These estimates relate to the following:

- The impairment losses on certain assets (see Notes 14-h, 14-q, 14-r, 14-t and 14-u).
- The recoverability assessment of the tax deferred assets (see Note 14-p).
- The lease term of leases in which the Group acts as lessee (see Note 14-m).
- The actuarial assumptions used in the calculation of the post-employment benefitliabilities and obligations and other long-term benefits (see Note 14-o).
- The useful life of the tangible and intangible assets (see Notes 14-q and 14-r).
- The fair value of certain unquoted assets (see Note 14-e).
- The expected cost of and changes in provisions and contingent liabilities (see Note14-s).

Given that these estimates have been made in accordance with the best information available at the date of preparation of these consolidated annual accounts on the affected items, it is possible that events that may take place in the future may force them to be modified in any way in the coming years. Said modification will be made, where appropriate, prospectively, recognizing the effects of the change in estimate in the consolidated profit and loss account for the affected future years.

The 2022 financial year has been strongly marked by the economic and geopolitical situation, derived from the conflict between Russia and Ukraine and the inflationary tensions in a post-pandemic environment and the decisions of the various central banks regarding economic policy. In this context, the Entity's Management has proceeded to assess the impact that could be manifested by the propagation of the effects associated with the increase in energy and raw materials, and the worsening of the macroeconomic outlook, in the main estimates used by the Group.

a) Changes in accounting policies

There were no changes in accounting policies with respect to the consolidated balance sheet as at 2022 and 2021, other than those arising from the standards in force described in Note 2.

b) Errors and changes in accounting estimates

No corrections of material errors relating to prior years were made in 2022 and 2021 and there were no significant changes in accounting estimates affecting those years or which might have an impact on future years, except for the change in the estimate of the useful life of computer applications carried out on 2021, which is described in Note 14.r) of the Report.

4. Distribution of profit for the year

The proposed distribution of the profit for 2022 that the Board of Directors of the Parent will submit for approval at the Annual General Meeting is as follows:

	Thousands of euros
	2022
Distribution:	
To voluntary reserves	92,117
Interim Dividend	150,284
Supplementary Dividend	48,033
Distributed profit	290,434
Profit for the year	**290,434**

The General Shareholders' Meeting of the Parent Entity, at its meeting on November 30, 2022, agreed to distribute an interim dividend against the results of the financial year 2022 amounting to 150,284 thousand euros, which was paid on December 1, 2022.

The financial statements prepared, in accordance with the legal requirements, which revealed, among others, the existence of the appropriate results and sufficient liquidity for the distribution of said amount on account of the result, were the following:

	Thousands of euros
	Accounting statement prepared as at 31 October 2022
Net profit to date	224,287
Estimated appropriation to legal reserve	-
Interim dividends paid	-
Maximum distributable profit	**224,287**
Liquidity available	**4,205,000**
Liquidity available in Bank of Spain facility	601,000
Unrestricted assets	4,393,700
Additional liquidity	**4,994,700**

Information on dividends paid and distribution of the result corresponding to the financial year 2021

The General Meeting of Shareholders of the Entity of the Parent Entity, at its meeting on April 27, 2022, unanimously approved the proposal agreed by the Board of Directors of the same, in its meeting on February 24, 2022, to allocate the result of the year ended December 31, 2021, which amounted to 204,064 thousand euros, to the following items:

(i) To Voluntary Reserves: 74,189 thousand euros.

(ii) A Complementary Dividend: 129,875 thousand euros. Said complementary dividend charged to the result of the financial year 2021, was disbursed on April 27, 2022.

In addition, at its meeting on February 25, 2022, the General Shareholders' Meeting of the Parent Entity approved the distribution of a dividend extraordinary charge to Voluntary Reserves for a total amount of 42,554 thousand euros, having been paid on that date.

5. Business segment reporting

IFRS 8 requires information about the financial performance of the business segments to be reported on the basis of the information used by management internally to evaluate the performance of these segments.

In addition, IFRS 8 requires an entity to report separately information about an operating segment whose reported revenue is 10% or more of the combined revenue of all operating segments or whose reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss, and (ii) the combined reported loss of all operating segments that reported a loss. Also, an entity shall report separately information about an operating segment if its assets are 10% or more of the combined assets of all operating segments. Moreover, reportable operating segments include, irrespective of their size, segments which in aggregate represent 75% or more of the Group's revenue.

a) Basis of segmentation

Segment information is presented based on the various business lines of the Kutxabank Group, in accordance with its organizational structure at 2022 year-end. The following business segments are distinguished, taking into account mainly the subgroup from which the information originates:

- Kutxabank subgroup.
- Cajasur Banco subgroup.
- Insurance companies.
- Management companies
- Other business activities.

The Kutxabank subgroup segment includes the business activities of Kutxabank, which are carried on through its branch network and comprise the business with individual customers, SMEs and developers and its investments in businesses. The range of products and services offered includes mortgage loans, consumer loans, financing for businesses and developers, demand and time savings products, guarantees and debit andcredit cards. In addition, this segment includes the business activities carried on by certain companies that are a direct prolongation of the activity carriedon by the Parent. Kutxabank's Board of Directors is ultimately responsible for operational decisions in this area.

The Cajasur Banco subgroup segment includes the business activities of Cajasur Banco and its subsidiaries, which are carried on through the Cajasur Banco branch network and comprise the business with individual customers, SMEs and developers. The catalogue of products and services offered is similar to that of the Kutxabank subgroup. The Board of Directors of Cajasur Banco is ultimately responsible for operational decisions in this area.

The insurance companies segment includes the business activities carried on by the Group through Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U. and Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U. The Boards of Directors of the two subsidiaries are ultimately responsible for operational decisions inthis area.

The Asset Management Companies area includes the activity carried out by the Group through the subsidiaries Kutxabank Gestión, SGIIC, SA, Grupo Fineco and Kutxabank Pensiones, SA, corresponding mainly to the management of customer funds through investment institutions collective and social security. The highest operational decision-making bodies in this area are the Boards of Directors of the dependent companies themselves.

The Other Business activities segment includes all the business activities not allocated to the aforementioned segments. Ultimate responsibility for operational decisions in this area lies with the Boards of Directors of each of the subsidiaries, on which the relevant Area Management of the Parent (depending on the business activity of each subsidiary) is represented.

However, the decisions of the Group's various businesses are taken in the context of control arising from their belonging to the Kutxabank Group.

b) Basis and methodology for business segment reporting

The operating segments are formed by aggregating the business entities in which each activity is performed and, therefore, each segment's information was prepared by consolidating the accounting information of the companies making up the segment. Accordingly, no internal transfer prices needed to be used. All segment financial statements have been prepared on a basis consistent with the accounting policies used by the Group.

The adjustments and eliminations relate mainly to the elimination of inter-segment results.

The sum of the operating segments' statements of profit or loss plus the adjustments and eliminations is equal to the total in the consolidated statement of profit or loss.

c) Business segment information

The following tables show the consolidated statements of profit or loss and certaininformation from the consolidated balance sheets as at 31 December 2022 and 2021, broken down by business segment:

	2022 (Thousands of Euros)						
	Kutxabank subgroup	Cajasur Banco subgroup	Insurance Companies	Asset Management Companies	Other Business Activities	Adjustments and eliminations	Total Group
Statement of profit or loss							
Net interest income (expense)	**453,293**	**169,834**	**13,868**	**48**	**(7,356)**	**11,054**	**640,741**
Dividend income	54,126	5	489	-	360	-	54,980
Share of results of entities accounted for using the equitymethod	-	-	-	-	12,980	-	12,980
Net fee and commission income (expenses)	368,213	77,704	(72,836)	99,659	4,873	(236)	477,377
Gains or losses on derecognition or measurement of financialassets and liabilities	54,365	2,944	-	(176)	19	(11,000)	46,152
Exchange differences, net	1,647	515	-	-	-	(1)	2,161
Other operating income, other operating expenses andincome and expenses under insurance contracts	(89,255)	(27,531)	150,320	(386)	5,293	(2,408)	36,033
Gross income	**842,389**	**223,471**	**91,841**	**99,145**	**16,169**	**(2,591)**	**1,270,424**
Staff costs	(281,698)	(111,346)	(6,711)	(10,306)	(4,344)	-	(414,405)
Other administrative expenses	(114,223)	(32,176)	(8,070)	(5,248)	(2,189)	2,591	(159,315)
Depreciation and amortization charge	(28,861)	(6,512)	(2,553)	(327)	(1,155)	-	(39,408)
Provisions or reversal of provisions	(42,301)	(20,152)	-	-	5,693	-	(56,760)
Impairment or reversal of impairment on financial assets notmeasured at fair value through profit or loss	(52,663)	(4,802)	(1)	-	(5,163)	-	(62,629)
Impairment or reversal of impairment on non-financial assets	(10,870)	(950)	-	-	(6,702)	-	(18,522)
Other income and expenses	13,106	(928)	-	-	(74,285)	-	(62,107)
Profit (Loss) before tax	**324,879**	**46,605**	**74,506**	**83,264**	**(71,976)**	**-**	**457,278**
Discounted operations tax result	(83,992)	(21,594)	(20,871)	(23,282)	23,900	-	(125,839)
Profit (Loss) after tax	**240,887**	**25,011**	**53,635**	**59,982**	**(48,076)**	**-**	**331,439**
Discounted operations tax result	-	-	-	-	-	-	-
Profit (Loss)	**240,887**	**25,011**	**53,635**	**59,982**	**(48,076)**	**-**	**331,439**
Attributable to minority interests	-	-	-	774	137	-	911
Attributable to parent owners	**240,887**	**25,011**	**53,635**	**59,208**	**(48,213)**	**-**	**330,528**

2022 (Thousands of Euros)							
	Kutxabank subgroup	Cajasur Banco subgroup	Insurance Companies	Asset Management Companies	Other Business Activities	Adjustments and eliminations	Total Group
Total assets	**53,383,152**	**13,453,654**	**808,361**	**70,527**	**1,233,574**	**(2,361,268)**	**66,588,000**
Customers	**37,264,303**	**9,662,150**	**14,375**	**1,239**	**118,741**	**(433,476)**	**46,627,332**
Financial assets at amortized cost	37,264,303	9,662,150	14,375	1,239	118,741	(433,476)	46,627,332
Non-trading financial assets mandatorily at fairvalue through profit or loss	-	-	-	-	-	-	-
Investment Securities	**8,105,131**	**925,912**	**691,837**	**11,816**	**9,937**	**(606,711)**	**9,137,922**
Financial assets at amortised cost	3,485,339	542,310	173,893	-	-	(513,417)	3,688,125
Debt securities	3,485,339	542,310	173,893	-	-	(513,417)	3,688,125
Financial assets at fair value through othercomprehensive income	4,605,621	383,539	500,197	5,067	9,937	(93,294)	5,411,067
Equity instruments	1,456,885	1,003	15,218	7	7,340	-	1,480,453
Debt securities	3,148,736	382,536	484,979	5,060	2,597	(93,294)	3,930,614
Non-trading financial assets mandatorily at fairvalue through profit or loss	14,171	63	17,747	6,749	-	-	38,730
Equity instruments	14,165	61	2,905	6,749	-	-	23,880
Debt securities	6	2	14,842	-	-	-	14,850
Investments in joint ventures and associates	**-**	**-**	**-**	**-**	**147,356**	**-**	**147,356**
Non-current assets and disposal groups classified as held for sale	**2,070**	**41,641**	**-**	**-**	**374,848**	**-**	**418,559**
Financial liabilities at amortised cost	**48,578,099**	**11,525,559**	**12,985**	**2,265**	**435,712**	**(2,154,168)**	**58,400,452**
Deposits	45,116,919	11,425,780	-	-	413,018	(1,298,875)	55,656,842
Debt securities issued	2,622,235	-	-	-	-	(513,206)	2,109,029
Other financial liabilities	838,945	99,779	12,985	2,265	22,694	(342,087)	634,581

	2021 (Thousands of Euros)						
	Kutxabank subgroup	Cajasur Banco subgroup	Insurance companies	Asset Management Companies	Other business activities	Adjustments and eliminations	Total Group
Statement of profit or loss							
Net interest income (expense)	**386,232**	**162,709**	**15,213**	**31**	**(6,492)**	**1,589**	**559,282**
Dividend income	52,114	-	329	-	356	-	52,799
Share of results of entities accounted for using the equitymethod	-	-	-	-	5,561	-	5,561
Net fee and commission income (expenses)	371,619	77,530	(76,669)	93,090	5,775	(236)	471,109
Gains or losses on derecognition or measurement of financialassets and liabilities	1,960	-	34	134	33	(1,567)	594
Exchange differences, net	1,443	302	-	-	-	(1)	1,744
Other operating income, other operating expenses andincome and expenses under insurance contracts	(72,508)	(24,081)	135,319	(386)	9,890	(2,271)	45,963
Gross income	**740,860**	**216,460**	**74,226**	**92,869**	**15,123**	**(2,486)**	**1,137,052**
Staff costs	(279,891)	(110,588)	(6,569)	(10,044)	(4,194)	-	(411,286)
Other administrative expenses	(106,699)	(30,636)	(7,622)	(5,091)	(2,239)	2,486	(149,801)
Depreciation and amortisation charge	(26,142)	(12,509)	(2,626)	(298)	(2,257)	-	(43,832)
Provisions or reversal of provisions	(65,025)	(31,014)	-	-	(2,418)	-	(98,457)
Impairment or reversal of impairment on financial assets notmeasured at fair value through profit or loss	(68,074)	3,299	1	-	(6,522)	-	(71,296)
Impairment or reversal of impairment on non-financial assets	(6,063)	(455)	(60)	-	(12,898)	-	(19,476)
Other income and expenses	10,887	(3,689)	-	-	(55,228)	-	(48,030)
Profit (Loss) before tax	**199,853**	**30,868**	**57,350**	**77,436**	**(70,633)**	**-**	**294,874**
Discounted operations tax result	(46,863)	(14,010)	(16,066)	(21,384)	21,821	-	(76,502)
Profit (Loss) after tax	**152,990**	**16,858**	**41,284**	**56,052**	**(48,812)**	**-**	**218,372**
Discounted operations tax result	-	-	-	-	-	-	-
Profit (Loss)	**152,990**	**16,858**	**41,284**	**56,052**	**(48,812)**	**-**	**218,372**
Attributable to minority interests	-	-	-	974	940	-	1,914
Attributable to parent owners	**152,990**	**16,858**	**41,284**	**55,078**	**(49,752)**	**-**	**216,458**

	2021 (Thousands of Euros)						
	Kutxabank subgroup	Cajasur Banco subgroup	Insurance companies	Asset Management Companies	Other business activities	Adjustments and eliminations	Total Group
Total assets	52.596.687	13.083.248	902.317	74.503	1.504.597	(2.356.676)	65.804.676
Customers	38.047.549	9.971.337	12.124	1.274	114.779	(630.904)	47.516.159
Financial assets at amortised cost	38.047.549	9.971.337	12.124	1.274	114.779	(630.904)	47.516.159
Non-trading financial assets mandatorily at fairvalue through profit or loss	-	-	-	-	-	-	-
Investment Securities	6.734.063	1.055.852	777.270	10.940	9.935	(503.069)	8.084.991
Financial assets at amortised cost	1.719.157	622.670	188.486	-	-	(397.404)	2.132.909
Debt securities	1.719.157	622.670	188.486	-	-	(397.404)	2.132.909
Financial assets at fair value through other comprehensive income	4.990.029	433.119	563.378	4.495	9.935	(105.665)	5.895.291
Equity instruments	1.436.664	1.522	13.798	6	7.439	-	1.459.429
Debt securities	3.553.365	431.597	549.580	4.489	2.496	(105.665)	4.435.862
Non-trading financial assets mandatorily at fairvalue through profit or loss	24.877	63	25.406	6.445	-	-	56.791
Equity instruments	24.871	61	3.731	6.445	-	-	35.108
Debt securities	6	2	21.675	-	-	-	21.683
Investments in joint ventures and associates	-	-	-	-	169.425	-	169.425
Non-current assets and disposal groups classified as held for sale	46.613	45.330	-	-	454.097	-	546.040
Financial liabilities at amortised cost	47.597.461	11.130.629	12.621	2.361	666.137	(2.145.798)	57.263.411
Deposits	44.364.942	11.047.220	1	-	607.006	(1.480.957)	54.538.212
Debt securities issued Other financial liabilities	2.629.890	-	-	-	-	(397.141)	2.232.749
Other financial liabilities	602.629	83.409	12.620	2.361	59.131	(267.700)	492.450

The geographical distribution of the Group's financial assets is detailed in Notes 22 to 25 to these consolidated financial statements. Substantially all the Group's income is generated in Spain.

6. Minimum ratios

Objectives, policies and processes of capital management.

The main legislation that has been regulating the capital requirements for credit institutions, both as stand-alone entities and as consolidated groups, is that published by the European Union on 27 June 2013: Directive 2013/36/EU ("CRD IV") and Regulation (EU) No 575/2013 ("CRR"). Both CRD IV and the CRR, which adapt Basel III for the European Union, entered into force on 1 January 2014.

Although these measures contributed to an increase in the stability and resilience of the financial system to many types of shocks and crises that might arise in the future, they did not address all the problems identified in the last economic and financial crisis.

Therefore, from the date of entry into force of this legislative package, the European Commission recognised the need to continue to reduce entities' exposure to risk and presented a legislative proposal based on internationally agreed standards (in particular, those issued by the Basel Committee on Banking Supervision and the Financial Stability Board).

The proposed amendments cover a broad range of matters related to entities' risk profiles (requirements for own funds and eligible liabilities, leverage ratio, liquidity ratios, counterparty risk and market risk).

These amendments, which were published the 7 June 2019 as Directive (EU) 2019/878 of the European Parliament and of the Council (CRD V, amending CRD IV) and Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR II, amending CRR), in addition to further boosting the resilience of the European banking system and the confidence of the markets, lay the groundwork for progress towards the completion of the Banking Union.

In general terms, the provisions of the directive and the regulation, which came into force on 27 June, 2019 (although certain provisions will not apply until two years later), seek to ensure the continued equivalence of the European regulatory framework with the internationally agreed Basel III framework.

Subsequently, and in the context of the COVID-19 pandemic, various regulatory amendments were published with the main objective of making adaptations in response to the serious economic disturbances caused by it. The most relevant modifications were established in Regulation (EU) 2020/873 of the European Parliament and of the Council.

In parallel, it should be remembered that the Basel Committee on Banking Supervision published in December 2017 a document that culminates the reforms addressed in the global regulatory framework (Basel III) and that modifies the international standards on solvency and liquidity requirements applicable to financial institutions around the world. These principles will be directly applicable to European financial institutions once they are explicitly incorporated into Community legislation, an aspect that is still pending development, with January 1, 2025 being the date of entry into force currently scheduled.

As far as Spanish legislation is concerned, the most relevant regulatory texts are Royal Decree-Law 14/2013, of November 29, on urgent measures for the adaptation of Spanish law to European Union regulations on supervision and solvency of financial institutions, Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions, RD 84/2015, of February 13, which develops the aforementioned law and CBE 2 /2016, of February 2, which completes the adaptation of the Spanish legal system to the CRR and CRD IV.

These regulatory texts were complemented by others aimed at transposing CRD V, such as Royal Decree-Law 7/2021, of April 27, Royal Decree 970/2021, of November 9, which modifies RD 84/2015 and CBE 5/2021 and CBE 3/2022, of December 23 and April 6, which modify CBE 2/2016, thus finalizing and for now the adaptation of the supervision and solvency requirements of credit institutions. credit established in European regulations to Spanish regulations.

These rules regulate the minimum own resources that Spanish credit institutions must maintain - both individually and as a consolidated group - and the way in which such own resources must be determined, as well as the different capital self-assessment processes that must be make the entities and the information of a public nature that must be sent to the market.

The minimum capital requirements established by the aforementioned regulations are calculated based on the Group's exposure to credit risk, counterparty, position and settlement risks corresponding to financial assets held for trading, exchange rate risk and of the position in gold, and operational risk.

Additionally, the Group is subject to compliance with the limits established for large exposures, as well as the obligations of internal corporate governance, capital self-assessment, interest rate risk measurement and public information to be submitted to the market. In order to guarantee compliance with the aforementioned objectives, the Group carries out integrated management of these risks.

In addition to strict compliance with current solvency regulations, the Group has strategic guidelines for managing its global risk profile, established in its Risk Appetite Framework, which include setting corporate objectives and observation thresholds and alert for the main risk indicators. The accreditation of the solvency levels pursued, combined with the analysis of the risks that the Group assumes in the exercise of its activity and with the assessment of the degree of adequacy of the infrastructure destined to its management and control, make it possible to determine its global profile of risk.

The practical implementation of the previous aspect entails two different types of action: on the one hand, the management of computable own resources and their various sources of generation, and on the other, the incorporation into the admission criteria of the different exposures to the risk of consideration of its level of capital consumption.

Said execution is monitored through continuous monitoring of the Group's solvency situation, as well as its future planning, which includes both a central scenario that incorporates the most probable compliance hypotheses for the next three years, as well as various stress scenarios aimed at to assess their financial capacity to overcome particularly adverse situations of a different nature.

The main area of solvency management is the Consolidated Group of credit institutions.

Below is a detail of the Group's computable own resources as of December 31, 2022 and 2021, calculated in accordance with the provisions of the regulations in force at any time:

	2022	**2021**
Eligible common equity Tier 1 (thousands of euros) (a)	5,264,823	5,334,960
Eligible additional Tier 1 capital (thousands of euros) (b)	-	-
Eligible Tier 2 capital (thousands of euros) (c)	-	-
Risk (thousands of euros) (d)	29,899,325	30,171,202
Common equity Tier 1 (CET1) ratio (A)=(a)/(d)	17,61%	17.68%
Additional Tier 1 capital (AT 1) ratio (B)=(b)/(d)	-	-
Tier 1 capital (Tier 1) ratio (A)+(B)	17,61%	17.68%
Tier 2 capital (Tier 2) ratio (C)=(c)/(d)	-	-
Total capital ratio (A)+(B)+(C)	**17,61%**	**17.68%**
Tier 1 capital (thousands of euros) (a)	5,264,823	5,334,960
Exposure (thousands of euros) (b)	68,274,959	62,392,610
Leverage ratio (a)/(b)	**7,71%**	**8.55%**

In addition to complying with the capital requirements derived from the current solvency, European banking entities must cover the additional capital requirements imposed by the supervisory authorities, in the exercise of the powers established in Regulation (EU) 1024/2013. These supervisory requirements are different for each entity, as they depend on the conclusions drawn in each case during the supervisory review and evaluation process (SREP).

In this area, on December 14, 2022, the ECB notified Kutxabank through an operational act that it maintained the capital requirements that were applicable to it from March 1, 2022. These requirements reach 7.675% (in terms of Ordinary Capital Tier 1 Ratio, or CET1) and 11.70% (in terms of Total Solvency Ratio). This last requirement includes, in addition to the regulatory requirements required by Pillar 1, a Pillar 2 supervisory requirement of 1.20% and a capital conservation buffer of 2.50%.

Both as of December 31, 2022 and December 31, 2021, the Group's computable own resources comfortably exceed the requirements that are applicable to it.

Additionally, the Group must comply with the minimum requirement for own funds and eligible liabilities (MREL) established by the Single Resolution Board (SRB) and communicated by the Bank of Spain in its letter of January 10, 2023 and according to which the Kutxabank Group from January 1, 2024 must have a volume of own funds and admissible liabilities at a consolidated level of at least 17.60% of the amount of its total exposure to risk (TREA) and 5.27% of its exposure for the purposes of the leverage ratio (LRE). Additionally, in the same communication, a binding intermediate target has been set as of January 1, 2022 of 16.59% of the TREA and 5.25% of the LRE.

Minimum reserve ratio

In accordance with Monetary Circular 1/1998, of 29 September, the Group is subject to the minimum reserve ratio (which requires minimum balances to be held at the Bank of Spain).

Under Regulation 1358/2011 of the European Central Bank, of 14 December, financial institutions subject thereto must maintain a minimum reserve ratio of 1%. At 31 December 2022 and 2021, the Group entities subject there to meet the minimum reserve ratio required by the applicable Spanish legislation.

The cash held by the Group in the Bank of Spain reserve account for these purposes amounted to EUR 6,091,480 thousand at 31 December 2022 (31 December 2021: EUR 5,201,829 thousand) (see Note 21). However, the Group entities' compliance with the obligation to hold the balance required by the applicable legislation in order to achieve the aforementioned minimum reserve ratio is calculated based on the average end-of-day balance held by each Group company in the reserve account over the maintenance period.

7.Remuneration of directors and senior executives of theParent and Detail of investments held by directors in companies with similar activities

a) Remuneration of directors.

The total remuneration accrued by the members of the Board of Directors of the Parent Entity, including those with executive functions, in the years 2022 and 2021, are presented as follows:

Type of remuneration	Thousands of euros	
	2022	2021
Fixed remuneration (*)	1,177	1,098
Variable remuneration (**)	591	577
Attendance fees	916	769
Other remuneration	-	-
Total	**2,684**	**2,444**

(*) For comparative purposes, the year 2022 includes the information of 3 directors with executive functions, one of them valid until November 30, 2022 and another of them with the start of functions on the same date, 2 directors with executive functions during the year 2021.

(**) Includes the annual variable remuneration. Under the terms provided in the prudential regulatory framework and in the Entity's remuneration policy, 50% of the settlement of variable remuneration is made in cash and 50% in substitute instruments for shares that represent the evolution of the Entity's value. . Likewise, a part of the remuneration accrued follows a deferral schedule for a period of 5 years.

Additionally, during the referenced years, the Entity had complementary long-term variable remuneration plans in force, which included 2 Executive Directors in both years. In 2022, the plan is linked to the Group's 2022-2024 Strategic Plan, and in 2021 it was linked to the Group's 2019-2021 Strategic Plan. In accordance with the characteristics of both long-term variable remuneration plans, the settlement occurs, where appropriate, once the accrual periods have expired, that is, from 2025 in the multi-year plan in force in 2022, and in 2022 in the multi-year plan that was in force in 2021. In any case, they are subject to ex ante evaluation of results and ex post risk adjustment, applying the same prudential mechanisms in force for annual variable remuneration, and conditioned in any case to the maximum limit approved by the General Shareholders' Meeting regarding the remuneration of the Board of Directors.

	Thousands of euros	
	2022	2021
Linked to the financial Plan 2019-2021(*1)	-	143
Linked to the financial Plan 2022-2024(*2)	251	-
	251	**143**

(*)Under the terms provided in the prudential regulatory framework and in the Entity's remuneration policy, 50% of the settlement of variable remuneration is made in cash and 50% in substitute instruments for shares that represent the evolution of the Entity's value. . Likewise, a part of the remuneration accrued follows a deferral schedule for a period of 5 years.

(*1) Third of the amount accrued for the fulfillment of the objectives linked to the 2019-2021 Strategic Plan attributable to the 2021 financial year.

(*2) Maximum amount to be accrued attributable to the 2022 financial year if the best possible degree of compliance is reached in 2025 in all the objectives linked to the 2022-2024 Strategic Plan, equivalent to a third of the total amount.

Additionally, in financial year 2022, 1 thousand euros have been paid for insurance premiums that cover the contingency of death, 1 thousand euros in financial year 2021.

Likewise, in financial year 2022, 207 thousand euros accrued in years prior to 2021, and which were already included in the total remuneration for said years (310 thousand euros paid in 2021 accrued in years prior to 2020).

On the other hand, in addition to the above information that includes the remuneration accrued in the Parent Entity, the members of the Board of Directors did not accrue any amount in financial year 2022 for the performance of positions within the governing bodies of Group companies (none amount in the year 2021).

Some members of the Bank's Board of Directors are entitled to defined contribution post-employment benefits due to their status as directors, having accrued 31 thousand euros in 2022 (28 thousand euros in 2021). Additionally, some members of the Board of Directors have defined contribution pension rights accrued in years in which they held jobs at the entity. During financial year 2022, no amount has been accrued for this concept, and no amount has been paid for this concept in financial year 2021.

Both rights are outsourced through insurance policies and voluntary social welfare entities outside the group.

The individual detail of these remunerations is included in Annex III attached.

b) Remuneration of Senior Management of the Parent Entity.

For the purposes of preparing these annual accounts and in a homogeneous manner with the detail presented in the Annual Corporate Governance Report, Senior Management personnel as of December 31, 2022 and 2021 to a group of 5 people, who correspond to the Corporate General Directors and assimilates who carry out their Management functions under direct reporting to the Administrative Bodies, Executive Committees or the CEO.

The remuneration accrued in the years 2022 and 2021 in favor of the Senior Management of the Parent Entity is presented as follows:

	Thousands of euros	
	2022	2021
Remuneration (*)	1,655	1,588
Post-employment benefits	40	38
	1,695	**1,626**

(*) In the terms established in the prudential regulatory framework and in the remuneration policy of the Entity, of the amounts of accrued variable remuneration, 50% of the settlement is made in cash, and 50% in substitute instruments of shares that represent the evolution of the value of the Entity. Likewise, part of the accrued variable remuneration follows a deferral schedule for a period of 5 years.

The table above includes the annual contributions to defined contribution pension systems. Additionally, there are defined benefit commitments. The provision set up for the latter at December 31, 2022 amounted to 888 thousand euros, 1,278 thousand euros at December 31, 2021 (this last figure equivalent to 812 thousand euros in homogeneous interest rate terms).

Additionally, during the years indicated, the Entity had complementary long-term variable remuneration plans in force, which included the 5 members of Senior Management in both years. In 2022, the plan is linked to the Group's 2022-2024 Strategic Plan, and in 2021 it was linked to the Group's 2019-2021 Strategic Plan. In accordance with the characteristics of both long-term variable remuneration plans, the settlement occurs, where appropriate, once the accrual periods have expired, that is, from 2025 in the multi-year plan in force in 2022, and in 2022. in the multi-year plan that was in force in 2021. In any case, they are subject to ex ante evaluation of results and ex post risk adjustment, applying the same prudential mechanisms in force for annual variable remuneration.

	Thousands of euros	
	2022	2021
Linked to the financial Plan 2019-2021(*1)	-	438
Linked to the financial Plan 2022-2024(*2)	434	-
	434	**438**

(*) Under the terms provided in the prudential regulatory framework and in the Entity's remuneration policy, 50% of the settlement of variable remuneration is made in cash and 50% in substitute instruments for shares that represent the evolution of the value Of the entity. Likewise, a part of the remuneration accrued follows a deferral schedule for a period of 5 years.

(*1) Third of the amount accrued for the fulfillment of the objectives linked to the 2019-2021 Strategic Plan attributable to the 2021 financial year.

(*2) Maximum amount to be accrued attributable to the 2022 financial year if the best possible degree of compliance is reached in 2025 in all the objectives linked to the 2022-2024 Strategic Plan, equivalent to a third of the total amount.

Additionally, in financial year 2022, 3 thousand euros have been paid for insurance premiums that cover the contingency of death, 3 thousand euros in financial year 2021.

Likewise, in financial year 2022, 131 thousand euros accrued in years prior to 2021, and which were already included in the total remuneration for said years (107 thousand euros paid in 2021, accrued in years prior to 2020).

On the other hand, during the years 2022 and 2021, no amount has been accrued as compensation for the separation of members of Senior Management.

c) Information in relation to situations of conflict of interest by administrators

In accordance with the provisions of article 229 of the Capital Companies Law, modified by Law 31/2014, of December 3, 2014, it is indicated that, as of December 31, 2022, neither the members of the Board of Directors nor the persons related to them, defined according to Article 231 of the Consolidated Text of the Capital Companies Law, have informed the other members of the Board of Directors of the situation any conflict, direct or indirect, that they may have with the interest of the Bank, without prejudice to specific situations of conflict, in which they have proceeded in accordance with the applicable legal and internal regulations.

The Board of Directors is made up of 16 members as of December 31, 2022 (being, on that date, one of the positions pending coverage), the same number of members as on December 31, 2021 (with one vacancy pending coverage).

7. Agency agreements

No agency agreements, as defined in Article 21 of Royal Decree 84/2015, of 13 February, were in force in 2022 or 2021.

8. Investments in the share capital of credit institutions

Pursuant to Article 28 of Royal Decree 84/2015, of 13 February, it is stated that the Group did not hold any ownership interests of more than 5% in the share capital or voting power of Spanish or foreign credit institutions at 31 December 2022 and 2021, in addition to those detailed in Appendices I and II.

9. Environmental impact

The Group’s global operations are governed, inter alia, by laws on environmental protection (environmental laws) and on worker safety and health (occupational safety laws). The Group considers that it substantially complies with these laws and that it has procedures in place designed to encourage and ensure compliance therewith.

The Group has a Sustainability Policy that was approved by the Parent Entity's Board of Directors in May 2021 with the ambition of being an active agent in the transition towards a more sustainable society. The Group assumes a prominent role in the transition to a low-emissions economy, incorporating the analysis of the risks and opportunities of this process into its business model.

On the other hand, in the opinion of the Parent Entity's Board of Directors, climate risks do not have a significant impact on the consolidated financial statements for the years 2022 and 2021. In this regard, the following risk areas have been considered:

- With regard to the estimate of the expected loss due to credit risk of financial assets, made in the years 2021 and 2022, and whose criteria are described in Note 14.h), the Group has considered that the current impact of the risks climatic changes on said expected loss is not significant. This is so, because the possible most significant effects of climate change on the expected cash flows of the borrowers will become visible in the medium-long term, beyond the average life of the financing granted by the Group.

  On the other hand, it is not estimated that climatic risks will have a significant impact on the estimate of the expected loss for those financial assets that have real estate collateral.

- Regarding the estimation of the fair value, as of December 31, 2022 and 2021, of Level 3 financial assets (See Note 40), climate risks have not been considered to have a significant impact on the assumptions and inputs used. for said assessment.

- Regarding the valuation of Tangible Assets, the Group does not have assets that have to be replaced or whose useful life could be significantly altered due to environmental issues. Climate risk has not been considered significant either in the estimation of the expected cash flows or in the estimated realizable value of Tangible Assets (see Note 14.q) or of Non-Current Assets and disposal groups that have been classified as held for sale (Note 14.t), so these risks have not had an impact on the determination of the impairment losses of these assets as of December 31, 2022 and 2021.

- It has not been considered necessary to record any provision for risks and expenses of an environmental nature, since there are no contingencies for this concept that could significantly affect these consolidated annual accounts.

The directors' report accompanying these consolidated financial statements and the non-financial information published on the corporate website contain detailed information on the Group's environmental impact of the Group. Specifically, the statement on non-financial information also includes a detail on the different actions that the Group has developed with its clients in terms of sustainability (ie marketing and management of green and sustainable products), as well as the percentage of eligibility of its assets based on the Regulation on Taxonomy published by the EU, among other aspects.

10. Deposit Guarantee Fund for Credit Institutions and Single Resolution Fund

Deposit Guarantee Fund for Credit Institutions

Both the Parent and its subsidiary Cajasur Banco belong to the Deposit Guarantee Fund for Credit Institutions (FGDEC).

Royal Decree-Law 19/2011, of 2 December, expressly repealed the Ministerial Orders which, pursuant to legislation then in force, established optional ad hoc reductions to the contributions to be made by credit institutions, and stipulated an actual contribution of 2 per mil, with a ceiling on the contributions of 3 per mil, of guaranteed deposits. Also, at its meeting on 30 July 2012 -in which it approved the financial statements for 2011, which presented an equity deficit at 31 December 2011-, the Managing Committee of the FGDEC,in order to restore the equity position of the FGDEC, resolved that an extraordinary contribution was to be made, which would be paid in ten annual payments from 2013 to 2022. The amounts paid each year in this connection can be deducted from, up to a limit of, the ordinary annual contribution. "Financial Liabilities at Amortized Cost - Other Financial Liabilities" in the accompanying consolidated balance sheet as at 31 December 2021 included 9,152 thousand euros of annual payments payable at that date, not including anywhere the amount for that concept as of December 31, 2022. (see Note 33-e).

Bank of Spain Circular 5/2016, of 27 May, modified the calculation of the contribution to the FGDEC, which is proportional to the Bank's risk profile taking into consideration risk indicators established therein.

As a result of the foregoing, the expense for 2022 arising from the ordinary contribution to be made in 2023 to the Deposit Guarantee Fund due to its positions at 31st was estimated at EUR 64,328 thousand (2021: EUR 52,218 thousand), which are included under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss (see Note 54) and recognized under "Other Liabilities" in the accompanying consolidated balance sheet (see Note 31).

Single Resolution Fund

Both the Parent and its subsidiary Cajasur Banco belong to the Single Resolution Fund (SRF). Regulation (EU) No 806/2014 of 15 July 2014 establishes the criteria for calculating contributions to the SRF, which will be based on two types of contribution:

- A flat contribution, which is pro-rata based on the amount of an institution's liabilities.

- A risk-adjusted contribution, which is based on the criteria laid down in Directive 2014/59/EU.

As a result of the foregoing, the contribution made to the SRF by the Entity in 2022 amounted to EUR 18,496 thousand, EUR 15,721 thousand through contributions and EUR 2,775 thousand through irrevocable payment commitments. In 2021 the contribution amounted to EUR 14,622 thousand and consisted only of EUR 12,428 thousand through contributions and EUR 2,194 thousand through irrevocable payment commitments. These contributions are recognized under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss (see Note 54).

11. Audit fees

In 2022 and 2021 the fees for the audit of the separate and consolidated financial statements of the Group companies and other services provided by the auditor of the Parent (PricewaterhouseCoopers Auditores, S.L) as well as other auditors of entities that conform the Group and attached entities related to the auditor control, propriety or management, state as follows:

	Thousands of euros			
	Services provided by the auditor or by companies related thereto		Services provided by the auditor or by companies related thereto	
Description	2022	2021	2022	2021
Audit services	1,122	972	230	135
Other attest services	219	225	106	102
Total audit and related services	**1,341**	**1,197**	**336**	**237**
Tax counselling services	3	-	-	-
Other services	52	72	-	165
Total other professional services	**55**	**72**	**-**	**165**

12. Events after the reporting period

In the period from 31 December 2022 to the date when these consolidated financial statements were authorized for issue, no additional events took place having a materialeffect on the Group.

13. Subsequent events.

On January 1, 2023, the IFRS 17 international regulation on insurance contracts with an impact on the Group's Insurance Entities entered into force. Additional information on the main impacts of the first application is included in Note 2.c of the consolidated report.

On the other hand, on December 28, 2022, Law 38/2022, of December 27, was published in the Official State Gazette, for the establishment of temporary energy taxes and credit institutions and financial credit establishments and for the that the temporary solidarity tax for large fortunes is created, and certain tax regulations are modified.

In accordance with article 2 of the aforementioned Law, credit institutions and financial credit establishments that operate in Spanish territory, whose sum of interest and commission income, determined in accordance with its applicable accounting regulations, corresponding to the year 2019 is equal to or greater than 800 million euros, they must satisfy a temporary tax during the years 2023 and 2024 that will be the result of applying the percentage of 4.8% to the sum of the interest margin and the income and expenses for commissions derived from the activity they carry out in Spain that appear in their profit and loss account corresponding to the calendar year prior to the birth of the payment obligation.

The temporary lien will have the legal nature of a patrimonial benefit of a public non-tax nature and is born on the respective January 1 of the years 2023 and 2024, and must be paid during the first twenty calendar days of the month of September of said respective year, without prejudice to the payment advance that must be made during the first 20 calendar days of the month of February following the birth of the obligation to pay the benefit, in concept of advance payment of said benefit, the result of multiplying the percentage of 50% over the amount of the benefit calculated in accordance with the provisions of the previous section.

In compliance with the provisions of Law 38/2022, of December 27, the contribution to be made by the Kutxabank Group amounts to 47,204 thousand euros, having paid 50% of said amount on February 17, 2023. The amount of the resulting contribution is recorded under the heading "Other operating expenses" of the consolidated profit and loss account for the year 2023.

On February 9, 2023, the Executive Committee of the Parent Entity of the Kutxabank Group has decided initiate legal actions to defend the rights of the Entity given that once the characteristics of the Patrimonial Benefit have been analyzed, the bank's governing bodies consider that the aforementioned patrimonial benefit contains precepts that may not comply with current national and community legislation.

Additionally, on January 23, 2023, the Group has carried out an inaugural issuance of preferred ordinary debt within the financial plans aimed at complying with the minimum requirement of own funds and admissible liabilities (MREL, for its acronym in English) established by the Single Resolution Board. The issue recorded under the heading "Financial liabilities at amortized cost - Debt securities issued-" in the 2023 balance sheet, was made for a nominal amount of 500,000 thousand euros and 498,470 thousand euros of cash value received, disbursed with dated February 1, 2023, the annual fixed interest rate being 4%. The final maturity date is February 1, 2028 and the optional early redemption date by the issuer is February 1, 2027.

Finally, in the first quarter of 2023, the Group has approved a salary increase agreement for all Group workers with entry into force on January 1, 2023 whose financial impact is not considered material for Group purposes.

With the exception of the aforementioned, in the period between December 31, 2022 and the date of preparation of these consolidated annual accounts, there has been no additional event to those described in this report that significantly affects the Group or the content of these consolidated annual accounts.

14. Accounting policies and measurement bases

The principal accounting policies and measurement bases applied in preparing these consolidated financial statements were as follows:

a) Going concern basis of accounting

The consolidated financial statements were prepared on the assumption that the Group entities will continue as going concerns in the foreseeable future. Therefore, the application of the accounting policies is not aimed at determining the value of consolidated equity with a view to its full or partial transfer or the amount that would result in the event of liquidation.

b) Accrual basis of accounting

These consolidated financial statements, except, where appropriate, with respect to the consolidated statements of cash flows, were prepared on the basis of the actual flow of the goods and services, regardless of the related payment or collection date.

c) Other general principles

The consolidated financial statements were prepared on a historical cost basis, albeit adjusted as a result of the integration transaction described in Note 1.2 and the revaluation of land and structures performed on 1 January 2004, as discussed in Note 14-q, and except for the measurement of financial assets at fair value through othercomprehensive income and financial assets and liabilities (including derivatives) at fair value.

The preparation of consolidated financial statements requires the use of certain accounting estimates. It also requires management to make judgements in the application of the Group's accounting policies. These estimates may affect the amount of assets and liabilities, the contingent asset and liability disclosures at the reporting date and the amount of income and expenses during the reporting period. Although the estimates are based on management's best knowledge of the current and foreseeable circumstances, the final results might differ from these estimates.

d) Financial derivatives

Financial derivatives are instruments which, in addition to providing a profit or loss, may permit the offset, under certain conditions, of all or a portion of the credit and/or market risks associated with balances and transactions, using interest rates, certain indices, equity prices, cross-currency exchange rates or other similar benchmarks as underlying's. The Group uses financial derivatives traded on organized markets or traded bilaterallywith the counterparty outside organized markets (OTC).

Financial derivatives are used for trading with customers who request these instruments, for managing the risks of the Group's own positions (hedging derivatives) or for obtaining gains from changes in the prices of these derivatives. According to IFRS 9, as of December 2022 and 2021 the Group keeps employing the principals recognized under IAS 39 for the hedging accounting and recognition.

Financial derivatives not considered for hedging accounting purposes are considered as derivatives held for trading. As for the hedge accounting application, the conditions that need to be fulfilled are as follows:

1. The financial derivative hedges the exposure to changes in the fair value of assets and liabilities due to fluctuations in interest rates, exchange rates and/or securities prices (fair value hedge); the exposure to variability in the estimated cash flows arising from financial assets and liabilities, commitments, and highly probable forecast transactions (cash flow hedge); or the exposure of a net investment in a foreign operation (hedge of a net investment in a foreign operation).

2. The financial derivative is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge. This means that the hedge is prospectively effective (i.e. effective at the time of arrangement of the hedge under normal conditions) and retrospectively effective (i.e. there is sufficient evidence that the hedge will have been actually effective during the whole life of the hedged item or position).

The analysis performed by the Group to ascertain the effectiveness of a hedge is based on various calculations included in the Group's risk monitoring computer applications. These applications keep record, on a systematic and daily basis, of the calculations made to value the hedged items and the hedging instruments. The resulting data, in conjunction with the characteristics of these items, enable historical calculations of values and sensitivity analyses to be performed. These estimates serve as the basis for the effectiveness tests of fair value and cash flow hedges. Recording this information enables the Group to re-perform all the analyses at the required frequency and at any given date.

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, if this is consistent with the Group's management of own risks.

Hedges can be applied to individual items or balances or to portfolios of financial assets and liabilities. In the latter case, the group of financial assets or liabilities to be hedged must share a common risk exposure, which is deemed to occur when the sensitivity of the individual hedged items to changes in the risk being hedged is similar.

The hedging policies are part of the Group's global risk management strategy and hedges are arranged, by decision of the Parent's Asset-Liability Committee, mainly in the form of "micro-hedges" relating to:

1. The management of the Group's on-balance-sheet interest rate risk exposure, and

2. The mitigation of undesired risks arising from the Group's operations.

In general, the hedge is designed at the very moment the risk arises to achieve an effective (partial or full) hedge of the related risk on the basis of the analysis of the sensitivity of the known flows or changes in value of the hedged items to changes in the risk factors (mainly interest rates). As a result, derivative instruments are arranged on organized or OTC markets to offset the effects of changes in market conditions on the fair values and cash flows of the hedged items.

The Group classifies its hedges based on the type of risk they hedge: fair value hedges, cash flow hedges and hedges of net investments in foreign operations. At 31 December 2022 and 2021, most of the Group's hedges were fair value hedges and there were no hedges of net investments in foreign operations.

The fair value hedges are instrumented in interest rate or equity swaps arranged with financial institutions, the purpose of which is to hedge the exposure to changes in fair value, attributable to the risk being hedged, of certain asset and liability transactions.

Financial derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, and provided that the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

The financial derivative measurement bases are described in Note 14-e (Financial assets) below.

e) Financial assets

Classification of financial assets

IFRS 9 establishes an approach for classifying and measuring financial assets based on both the business model used for managing the financial assets and their contractual cash flow characteristics. Thus, it establishes three main financial asset classification categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

In order for a financial instrument to be classified as measured at amortized cost or as measured at fair value through other comprehensive income, the following two conditions must be met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, or the financialasset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

(ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. The purpose of the SPPI test is to determine whether the cash flows of an instrument, based on its contractual characteristics, represent solely the repayment of its principal amount and interest, where interest is taken to be, basically, the consideration for the time value of money and the credit risk of the borrower.

The Group conducted the business model assessment for all the financial instrument portfolios composing its assets:

- Main investment objectives: analysis of the general objectives pursued by the areas and use of professional judgement in order to assess their business models for managing the financial assets.

- Management strategy: evaluation and obtainment of evidence of the modus operandi of the areas and of how they measure and report on performance.

- Sales within the business model: the determination of the business model also depends on quantitative factors such as the frequency of sales, any thresholds defined, the reasons for past sales, and expectations about future sales. Thus, an assessment is made of the significance of the value or the exceptional nature of sales in achieving the business area's ultimate objective.

The Group has defined criteria for determining thresholds for the frequency and significance of value of sales below which an instrument can remain within the model whose objective is to hold assets to collect contractual cash flows.

Certain risk controls, which are included in the Group's manuals and are in keeping with its risk appetite, are associated with these business models.

The Group segmented its financial instrument portfolio for the purpose of performing the SPPI test, distinguishing groups of products with homogeneous characteristics, and evaluated whether these products satisfied the test requirements by analyzing a representative sample of the related contracts. Lastly, financial instruments with specific contractual characteristics were analyzed on a case-by-case basis.

The SPPI test consists of assessing the contractual cash flows and determining whether those cash flows are solely payments of principal and interest and, therefore, are consistent with a basic lending arrangement:

- Principal: is the fair value of the financial asset at initial recognition; however, thatprincipal amount may change over time.

- Interest: is defined as consideration for:
    - the time value of money;
    - the associated credit risk;
    - and basic lending costs; as well as
    - a profit margin.

The cash flow characteristics are examined by considering the instruments' contractual characteristics, which are firstly analyzed on a qualitative basis and, where necessary and in addition thereto, on a quantitative basis, in order to assess the significance of the effects of each contractual characteristic on the contractual cash flows.

For the purpose of assessing financial assets, any contingent characteristics, non-genuine characteristics and characteristics with a de minimis effect must be taken into account:

- <u>Contingent characteristics:</u> depend on the occurrence of a contingent event, i.e. a trigger. The nature of the contingent event may be an indicator that bears a relation to a basic lending risk, in which case it is more likely that the contractual cash flows will meet the SPPI test. If it did not bear such a relation, it would be anindication that the flows would not meet the SPPI test.

- <u>Non-genuine characteristics:</u> do not influence the SPPI test because they only affect the contractual cash flows in abnormal and very unlikely circumstances.

- <u>Characteristics with a de minimis effect:</u> have a minimal effect on the contractual cash flows.

<u>Qualitative analysis</u>

In order to determine whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the following characteristics are taken into account:

i. Consideration for the time value of money:

   a) When contracts are identified that have a modified time value of moneyelement, Kutxabank assesses the significance of the modification of the cash flows.
   b) In some jurisdictions, the government or a regulatory authority sets interest rates. If any instrument has an interest rate set by the government, Kutxabank assesses whether this rate introduces volatility in the cash flows.

ii. Contractual terms that change the timing or amount of contractual cash flows:

   a) Full/part prepayment
   b) Restructurings
   c) Grace period
   d) Inflation index
   e) Debtor's performance
   f) Embedded derivative
   g) Conversion into shares
   h) Inverse floating interest rate
   i) Recourse and non-recourse instruments
   j) Subordinated instruments

iii. Contractually linked instruments: In some types of transactions, an issuer may prioritize payments to the holders of financial assets using multiple contractually linked instruments that create concentrations of credit risk (tranches).

iv. Characteristics that could cause the instrument to fail the SPPI test:

a) Interest linked to equity or commodity prices or other variables.
b) Difference between the currency of the principal and that of the interest.
c) Leveraged cash flows.

Quantitative analysis

First, the aforementioned characteristics are analysed on a qualitative basis. If the results obtained are not conclusive, a complementary quantitative analysis is performed to be able to conclude on whether or not the SPPI test is met.

i. **Modification of the time value of money**: to determine, through a quantitative analysis, whether the cash flows are significantly different, the (undiscounted) cash flows of a financial asset whose interest rate is reset at a frequency that does not match the tenor of the benchmark rate are comparedwith the (undiscounted) cash flows that would arise if the reset frequency coincided with that of the benchmark rate.

ii. **Full/part prepayment:** to determine the significance of the change in cash flows introduced by a prepayment clause, the discounted cash flows of an instrument with a prepayment option are compared with the contractual cash flows of that same instrument, also discounted to the instrument's origination date. The cash flows are discounted at the financial asset's original effective interest rate.

In line with the de minimis criterion defined above, the Group has set certain significance thresholds to assess whether the differences are significant: 5% for cumulative percentage differences and 10% for period-to-period assessment.

As a result of the analyses conducted, both on the business model and on the contractual cash flow characteristics, certain allocations of financial assets to the accounting portfolio that best reflects the business model to which they belong have been implemented. Accordingly, financial instruments are classified into the following portfoliosin the balance sheet:

1. "Cash, Cash Balances at Central Banks and Other Demand Deposits", which comprises cash balances and demand deposits held with central banks and credit institutions.

2. "Financial Assets Held for Trading", which includes financial assets acquired for the purpose of selling them in the near term, financial assets which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking and derivatives not designated as hedging instruments.

3. "Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss", which includes financial assets that do not meet the requirements for classification in the "Financial Assets at Amortized Cost" and "Financial Assets at Fair Value through Other Comprehensive Income" portfolios.

4. "Financial Assets Designated at Fair Value through Profit or Loss" which includes financial assets that could be allocated irrevocably at fair value with changes in profits and loss in case that the incongruence in the measurement is significantly reduced or eliminated in case of having different basis. By 31 December 2022 and 2021 there were no such financial instruments held by the Entity in his portfolio.

5. "Financial Assets at Fair Value through Other Comprehensive Income", which includes debt instruments whose contractual terms also give rise to cash flows that are solely payments of principal and interest, but which are managed by the Group within a model whose objective is achieved by both collecting the contractual cash flows and selling the instruments. Also, any equity instruments that the Group has voluntarily and irrevocably designated, at initial recognition, as measured at fair value through other comprehensive income are recognized in this portfolio. Changes in the fair value of all these assets are recognized in consolidated equity (other comprehensive income). In the case of investments in debt instruments, the cumulative changes in value remain in equity until the asset is derecognized, at which time they are reclassified to profit or loss; by contrast, in the case of equity instruments, the cumulative changes are never reclassified to profit or loss.

6. "Financial Assets at Amortized Cost", which includes debt instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest, and which the Group manages on the basis of a business model whose objective is to hold the assets in order to collect the contractual cash flows.

7. "Derivatives - Hedge Accounting", which includes the financial derivatives acquired or issued by the Group which qualify for hedge accounting.

8. "Insurance Contracts Linked to Pensions", which includes the reimbursement rights claimable from insurers relating to some or all of the expenditure required to settle a defined benefit obligation when the insurance policies do not qualify as a plan asset. As of 31 December 2022 and 2021, the Group had not recognized any amount in this asset category.

9. "Non-Current Assets and Disposal Groups Classified as Held for Sale", which includes the carrying amount of individual items, disposal groups or items forming part of a business unit earmarked for disposal ("discontinued operations") -of a financial nature-, whose sale in their present condition is highly likely to be completed within one year from the reporting date. Therefore, the carrying amount of these items of a financial nature will foreseeably be recovered through the proceeds from their disposal. There are other non-current assets and disposal groups classified as held for sale of a non-financial nature whose accounting treatment is described in Note 14-t.

<u>Reclassification of financial assets</u>

On an annual basis the Group assesses whether it must reclassify financial assets as a result of changes in its business models. Such changes, which are expected to be very infrequent, are determined by the Group's senior management as a result of external or internal changes, at the request of or in conjunction with the areas responsible for managing each business model and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line.

If financial assets are reclassified, the reclassification must be applied prospectively from the reclassification date. The Group must not restate any previously recognized gains, losses (including impairment gains or losses) or interest. The table below shows the impacts of reclassifications in each of the various scenarios admitted under the applicable accounting regulations:

Previous classification	Subsequent classification: Amortised cost	Subsequent classification: Fair value through profit or loss	Subsequent classification: Fair value through other comprehensive income
Amortised cost	N/A	Fair value measured at the reclassification date. Any gain or loss that arises is recognized in profit or loss.	Fair value measured at the reclassification date. Any gain or loss that arises is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
Fair value through profit or loss	Fair value measured at the reclassification date becomesthe new gross carrying amount.	N/A	The financial asset continues to be measured at fair value.
Fair value through othercomprehensive income	Fair value measured at the reclassification date. The cumulative gain or loss previously recognized in othercomprehensive income is removed from equity and adjusted against the fair valueof the financial asset. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.	The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss at the reclassification date.	N/A

During 2022 and 2021 no assets were reclassified out of or into "Financial Assets Held for Trading", "Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss", "Financial Assets Designated at Fair Value through Profit or Loss", "Financial Assets at Fair Value through Other Comprehensive Income" and "Financial Assets at Amortized Cost" in the consolidated balance sheet.

Initial recognition of financial assets

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognized on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. Transactions performed in the currency market and financial assets traded in Spanish secondary securities markets, both equity instruments and debt securities, are recognized on the settlement date.

Subsequent measurement of financial assets

In general, financial assets are initially recognized at acquisition cost and are subsequently measured at each period-end as follows:

1. Financial assets are measured at fair value, except for financial assets at amortized cost.

   The fair value of a financial asset on a given date is taken to be the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of the fair value is the quoted price on an active, i.e. organized, transparent and deep market.

   If there is no market price for a given financial asset, its fair value is estimated based on the price established in recent transactions involving similar instruments and, in the absence thereof, of commonly used valuation techniques. The Bank also considers the specific features of the financial asset to be measured and, particularly, the various types of risk associated with it. However, the inherent limitations of the valuation techniques used and the possible inaccuracies of the assumptions made under these techniques may result in a fair value of a financial asset which does not exactly coincide with the price at which the asset could be boughtor sold at the date of measurement.

   The fair value of financial derivatives quoted in an active market is their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC financial derivatives.

   The fair value of OTC derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques accepted in the financial markets ("Net Present Value" (NPV), option pricing models, etc.).

2. Financial assets at amortized cost are measured at amortized cost using the effective interest method. Amortized cost is understood to be the acquisition cost of a financial asset adjusted by principal repayments and the amortization taken to the consolidated statement of profit or loss using the effective interest method, less any reduction for impairment recognized directly as a deduction from the carrying amount of the asset or through an allowance account. In the case of financial assets at amortized cost hedged in fair value hedges, the changes in the fair value of these assets related tothe risk or risks being hedged are recognized.

   The effective interest rate is the rate that exactly discounts all the estimated cash flows of a financial instrument through its residual life to its carrying amount considering it´s contractual conditions, without regard of expected credit losses. In this estimation, all commissions, transaction costs and beyond discounts or primes that confirm the performance or effective instrument cost.

At 31 December 2022 and 2021, the impact of the use of assumptions other than those employed in measuring financial instruments using internal models was not material.

Generally, changes in the carrying amount of financial assets are recognized in the consolidated statement of profit or loss. A distinction is made between the changes resulting from the accrual of interest and similar items, which are recognized under "Interest Income", and those arising for other reasons, which are recognized at their net amount under "Gains or Losses on Derecognition of Financial Assets and Liabilities Not Measured at Fair Value through Profit or Loss, Net", "Gains or Losses on Financial Assets and Liabilities Held for Trading, Net", "Gains or Losses on Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss, Net", "Gains or Losses on FinancialAssets and Liabilities Designated at Fair Value through Profit or Loss, Net" and "Gains or Losses from Hedge Accounting, Net" in the consolidated statement of profit or loss.

However, changes in the carrying amount of instruments included under "Financial Assets at Fair Value through Other Comprehensive Income" are recognized temporarily in consolidated equity under "Accumulated Other Comprehensive Income", unless theyrelate to exchange differences on monetary financial assets. Amounts included under "Accumulated Other Comprehensive Income" remain in consolidated equity until the asset giving rise to them is derecognized or impairment losses are recognized on that asset, at which time they are reclassified to profit or loss. However, in the case of investments in equity instruments for which the Group has made an irrevocable decision to present subsequent changes in fair value in other comprehensive income, it must recognize dividends from those investments in profit or loss, although the cumulative gains or losses on derecognition of the asset, or any impairment losses that might need to be recognized thereon, will never be taken to profit or loss.

Exchange differences on securities included in these portfolios denominated in currencies other than the euro are recognized as explained in Note 14-i. Any impairment losses on these securities are recognized as described in Note 14-h.

In the case of financial assets designated as hedged items or as hedging instruments, gains and losses are recognized as follows:

1. In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items attributable to the type of risk being hedged are recognized directly in the consolidated statement of profit or loss.

2. In cash flow hedges and hedges of a net investment in a foreign operation, the ineffective portion of the gains or losses on the hedging instruments is recognized directly in the consolidated statement of profit or loss.

3. In cash flow hedges and hedges of a net investment in a foreign operation, the gains or losses attributable to the portion of the hedging instruments qualifying as an effective hedge are recognized temporarily in consolidated equity under "Accumulated Other Comprehensive Income". The gains or losses on the hedging instrument are not recognized in profit or loss until the gains or losses on the hedged item are recognized in the consolidated statement of profit or loss or until the date of maturity of the hedged item.

f) Financial liabilities

Financial liabilities are classified in the consolidated balance sheet as follows:

1. "Financial Liabilities Held for Trading", which includes financial liabilities issued for the purpose of repurchasing them in the near term, financial liabilities that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, derivatives not designated as hedging instruments, and financial liabilities arising from the outright sale of financial assets acquired under reverse repurchase agreements or borrowed.

2. "Financial Liabilities Designated at Fair Value through Profit or Loss", which includes financial liabilities that since initial recognition have been designated by the Group as at fair value through profit or loss. The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

    - it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

    - a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel and the Group's chief executive officer.

    By the 31 December 2022 and 2021 the Group did not register these sorts of financial liabilities.

3. "Financial Liabilities at Amortized Cost", which includes, irrespective of their instrumentation and maturity, the financial liabilities not included under any other item in the consolidated balance sheet which arise from the ordinary borrowing activities carried on by financial institutions.

4. "Derivatives - Hedge Accounting", which includes the financial derivatives acquired or issued by the Group which qualify for hedge accounting.

5. "Liabilities Included in Disposal Groups Classified as Held for Sale", which includes the balances payable arising from the non-current assets and disposal groups classified as held for sale. At 31 December 2022 and 2021, the Group did not have any financial liabilities of this kind on its consolidated balance sheet.

Financial liabilities are measured at amortized cost, as defined for financial assets in Note 14-e, except as follows:

1. Financial liabilities included under "Financial Liabilities Held for Trading" and "Financial Liabilities Designated at Fair Value through Profit or Loss" are measured at fair value as defined for financial assets in Note 14-e. Financial liabilities hedged in fair value hedges are adjusted and the changes in fair value related to the risk being hedged are recognized.

2. Financial derivatives that have as their underlying equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments are measured at cost.

Generally, changes in the carrying amount of financial liabilities are recognized in the consolidated statement of profit or loss. A distinction is made between the changes resulting from the accrual of interest and similar items, which are recognized under "Interest Expenses", and those arising for other reasons, which are recognized at their netamount under "Gains or Losses on Derecognition of Financial Assets and Liabilities Not Measured at Fair Value through Profit or Loss, Net", "Gains or Losses on Financial Assets and Liabilities Held for Trading, Net", "Gains or Losses on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss, Net" and "Gains or Losses from Hedge Accounting, Net" in the consolidated statement of profit or loss.

In the case of financial liabilities designated as hedged items or as hedging instruments, gains and losses are recognized as described for financial assets in Note 14-e.

g) Transfer and derecognition of financial instruments

Transfers of financial instruments are accounted for taking into account the extent to which the risks and rewards associated with the transferred financial instruments are transferred, as follows:

1. If the Group transfers substantially all the risks and rewards to third parties, the transferred financial instrument is derecognized, and any rights or obligations retained or created in the transfer are recognized simultaneously.

2. If the Group retains substantially all the risks and rewards associated with the transferred financial instrument, the transferred financial instrument is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the associated financial liability is recognized for an amount equal to the consideration received, and this liability is subsequently measured at amortized cost. Any income from the transferred financial asset not derecognized and any expense incurred on the new financial liability are also recognized.

3. If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial instrument, the following distinction is made:

    a. If the Group does not retain control of the transferred financial instrument, the instrument is derecognized, and any rights or obligations retained or created in the transfer are recognized.

    b. If the Group retains control of the transferred financial instrument, it continues to recognize it for an amount equal to its exposure to changes in the value of the instrument, and recognizes a financial liability associated with the transferredfinancial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards havebeen transferred to third parties. Similarly, financial liabilities are only derecognized whenthe obligations they generate have been extinguished or when they are acquired, albeit with the intention either to cancel them or to resell them.

However, in accordance with International Financial Reporting Standards as adopted by the European Union, the Group did not recognize, unless they had to be recognized as a result of a subsequent transaction or event, any non-derivative financial assets and liabilities relating to transactions performed before 1 January 2004 that had been derecognized as a result of the formerly applicable accounting standards. Specifically, as of December 31, 2022 and 2021, the Group did not have securitized assets derecognized from the consolidated balance sheet before January 1, 2004, as a result of the previous applicable regulations -Note 25-.

h) Impairment of financial assets

Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract for the financial asset and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. IFRS 9 replaces the "incurred loss" model of IAS 39 with an "expected credit loss" model and, accordingly, the estimated cash flows are calculated by taking into account expected credit losses, and not only incurred losses, and considering the probability that those credit losses will occur. The new impairment model applies to financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (except for investments in equity instruments), financial guarantee contracts and loan commitments. Furthermore, all financialinstruments measured at fair value through profit or loss are excluded from the scope of the impairment model. The period impairment losses estimated using the model are recognized as an expense in the consolidated statement of profit or loss.

Debt instruments and off-balance-sheet exposures, whoever the obligor and whatever the instrument or guarantee, are analyzed to determine the Group's credit risk exposure and to consider whether an impairment allowance is required. In the preparation of the consolidated financial statements, the Group classifies its transactions based on their credit risk and assesses separately the insolvency risk attributable to the customer andthe country risk to which these transactions are exposed.

The Group classifies its financial instruments into three categories, depending on the change in their credit risk since initial recognition:

- Performing exposures (stage 1): transactions are included in this category on initial recognition. The loss allowance must be calculated by estimating the 12-month expected credit losses, which are the expected credit losses that result from default events that are possible within the 12 months after the reporting date.

- Performing exposures under special monitoring (stage 2): this category includes transactions for which a significant increase in credit risk has been identified since initial recognition. The impairment loss allowance for instruments of this kind is calculated as the lifetime expected credit losses of the transaction that result from possible default events.

- Non-performing exposures (stage 3): transactions are classified in this category when a default event has occurred. The impairment loss allowance for instruments of this kind is calculated as the lifetime expected credit losses of the transaction.

- Write-offs: transactions which the Group has no reasonable expectations of recovering. The impairment loss allowance for instruments of this kind is equal to their carrying amount and results in their full derecognition from the Group’s assets.

Implementation of IFRS 9 requires the use of certain judgement, both in the modelling to estimate expected credit losses and in the projections of how economic factors affect those losses, which must be performed on a probability-weighted basis. For this purpose, the Group took the following definitions into consideration:

- Default and credit impairment

The Group has applied a default definition for financial instruments that is consistent with the definition used for internal credit risk management purposes, and with the indicators provided for in the regulations applicable at the date IFRS 9 came into force. Both qualitative and quantitative indicators were considered.

The Group considers that default has occurred when one of the following situations arises:

- The obligor is past due more than 90 days on an obligation to the Group, without considering a materiality threshold; all the transactions of a given obligor must be included in this category when the transactions with amounts more than 90 days past due represent more than 20% of the amounts outstanding;

- A financial asset has become credit-impaired, which is when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following:

  - Refinanced transactions when the following circumstances prevail:

    - Transactions classified as in stage 3 prior to refinancing.
    - Transactions with grace/cure periods of more than two years or debt reductions for amounts exceeding the amount of the recorded allowance.
    - Inadequate payment plan.

  - Transactions with amounts exceeding EUR 250,000 classified as non-performing based on expert criteria following an individual analysis.

Transactions whose obligor is in insolvency proceedings, not classified as in stage 2.

  - Transactions that are non-performing due to country risk.

  - Operations with a holder in Bankruptcy, unless they meet the conditions for classification in Stage 2.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired.

For the purpose of analyzing credit impairment, the classification of transactions is determined by conducting an assessment that can be one of two types. On the one hand, a collective assessment is performed for all the Group's transactions and, on the other, certain refinancing transactions and transactions or groups of transactions regarded as significant are assessed on an individual basis. In this individualized analysis, the Group takes into account the following signs of impairment:

- Equity deficit or 50% reduction of equity in the last year
- Ongoing losses.
- Accumulation of past-due balances with other credit institutions (Bank of Spain Central Credit Register (CIRBE, in spanish)/ Badexcug).
- Internal credit rating indicating default or near default.
- Balances which the Group has decided to claim through the courts.
- Transactions more than 90 days past due that account for less than 20% of the exposure.
- Debt service coverage ratio: EBITDA/Total Bank Debt <0
- The borrower has an operation that meets the refinancing requirements classified as Doubtful

- Significant increase in credit risk

  The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition, considering all reasonable and supportable information, including that which is forward-looking.

  The model developed by the Group comprises two complementary procedures for assessing significant increases in credit risk.

  - Collective assessment: applicable to the entire loan portfolio. The indications determined by the Group to be considered when assessing whether there has been a significant increase in credit risk are as follows:

    - Transactions in the cure stage due to their having been classified out of stage 3 in the last 12 months.
    - Amounts past due by more than 30 days.
    - Indicator of other transactions in arrears (without materiality thresholds)
    - Refinanced or restructured transactions in the cure stage.
    - For segments for which there is a probability of default ("PD") model, the criterion for determining whether there has been a significant increase in credit risk since initial recognition is the change in PD
    - Transactions whose obligor is involved in insolvency proceedings with an approved arrangement with creditors that must be complied with forat least two years.
    - There has been implemented an additional criteria has been in order to identify the most vulnerable party transactions that could represent more serious difficulties caused by the pandemic.

Individual assessment: applicable to refinancing transactions (refinancing, refinanced and restructured transactions) of more than EUR 250,000 and to transactions belonging to a customer/group considered to be significant, i.e., a customer with an aggregate exposure of more than EUR 3,000,000 or which, having a standalone aggregate exposure of more than EUR 100,000, belongs to an economic group including a borrower with an aggregate exposure of more than EUR 3,000,000. The indications determined by the Group to be considered when assessing whether there has been a significant increase in credit risk are as follows:

- he borrower's level of indebtedness
- Inclusion of the obligor in a special debt sustainability agreement with a majority group of creditors.
- Significant decreases in the borrower's revenue and profit from operations.
- Increase in the debt service coverage ratio.
- Significant decrease in the value of the collateral; this factor is used to determine whether there is any indication of a significant increase in credit risk in transactions where it is necessary to sell the asset financed and received as security in order to repay the loan, or this sale constitutes the main source of cash inflows.
- Existence of litigation affecting the financial position of the borrower
- Amounts past due by more than 30 but less than 90 days.
- The holder has been declared bankrupt, two years have elapsed since the registration in the Mercantile Registry or more than 25% of the agreement has been paid and the same is being faithfully fulfilled.
- Some legal entity of the domain group of the borrower has applied for insolvency proceedings.
- Compliance with the requirements of a refinancing transaction classified as in stage 2.

The distribution of the percentage of exposure in stage 2 throughout the different collective and individualized areas is as follows (in the case of exposures with multiple stage 2 indicators, it has been prioritized according to the order presented);

	% Exposición Stage 2	
	2022	2021
Incremento de PD desde originación	61,47%	58,95%
Criterios COVID-19	0,65%	2,91%
Premora >30 días	0,33%	0,21%
Periodo de cura	0,59%	0,59%
Arrastre por alguna operación en dudoso	1,28%	1,21%
Titular en Concurso	1,23%	0,11%
Análisis Individual	15,23%	15,19%
Refinanciación algoritmo	19,21%	20,83%

The stage 2 criterion with the greatest impact is the significant variation in PD since origination, where more than half of the portfolio classified as stage 2 is for this same reason. The following sub-section provides more detail about this indicator and its implementation in the Group.

- Significant increase in credit risk due to increased PD

  The Group has established the following methodology specifically for cases where transactions are identified that have experienced a significant increase in credit risk due to an increase in PD:

  - It calculates the difference between the PD at the reference date and at the arrangement date of each transaction, in relative and absolute terms (the relative difference is calculated as $PD_{RefDate}/PD_{ArrangDate}$ -1), if the reference annualized PD is greater than a certain minimum PD set by segment.

  - It verifies whether the difference -both relative and absolute- is above the thresholds defined for each segment.

  Also, regarding the PD employed for this purpose:

  - In the case of transactions arranged prior to 1 January 2018, 12-month PD is used.

  - For transactions originated after that date, the Group applies lifetime PD.

In order to be able to calculate the significant increase in credit risk based on lifetime PD,. for the purposes of discounting the relationship of the term with respect to the PD (relationship recognized in paragraph B5.5.11 of IFRS 9), both the PD to origination and the PD to reference are previously annualized according to their remaining term at each moment (original term of the operation in the first case and residual term, in the second). The relative thresholds as well as the minimum reference PD were calibrated on 2021 based on the latest available historical information, the historical behavior of the operations as well as based on the PDs adapted to the most recent scenarios approved in the Group, in accordance with the following established effectiveness methodology:

- Recall: measures the percentage of operations that would have been marked as SICR due to variation in PD below the set thresholds, among those that go to stage 3 in the considered horizon. A high value indicates that there is a high probability of identifying impairment before the operation goes into default.

• Accuracy: this metric estimates the default rate in the considered horizon of the entire group of operations marked as ISR due to variation in PD under the defined thresholds. The threshold of the minimum reference PD seeks to optimize accuracy by avoiding classifying operations in stage 2 that, despite having suffered a significant increase in their PD since origination, presents a very low risk of default as of the reference date.

Furthermore, the Group applies additional criteria to ensure that the transactions with the worst scorings or ratings at the reference date are reclassified to stage 2.

The estimation of both 12-month PD and lifetime PD includes forward-looking (prospective) information, and this information is therefore used in calculating the significant increase in credit risk due to this indicator. The indicator of significant variation of PD is adapted to different types of exposure by virtue of the different thresholds set depending on the specific segment of the exposure. The thresholds are subject to annual backtesting to ratify their validity in predictive terms, being modified in the event of significant loss of efficiency. In the financial year 2022 the thresholds have been submited to this backtesting yielding adecuate results, reason why they have not been modified during this period.

- Complementary stage 2 classification criteria for the identification of borrowers affected by the pandemic.

  As a result of the specific characteristics of the COVID-19 crisis and the various forms of assistance provided in the form of payment moratoria or guarantees, the usual indicators of non-performance may cease to be good predictors of borrower credit weakness in certain instances. Against that backdrop, the Group has devised complementary impairment testing criteria designed to identify groups that may be presenting difficulties on account of the pandemic.

  More specifically, in the case of natural person borrowers, the Group has developed an algorithm that analyses alternative information other than that typically analysed for solvency or performance purposes for exposures subject to payment moratoria. That algorithm uses thresholds to estimate the relative risk of non-performance of a transaction once a payment moratorium expires; it is used for the purpose of internal management vis-a-vis borrowers. Resulting higher risk transactions are classified as stage 2 exposures, thereby relating the Group's internal management of such transactions with their classification for accounting purposes. The algorithm continues to apply to the moratorium group regardless of whether they have expired.

  As for exposures to legal persons (SMEs and micro enterprises), the Group first identified exposures to borrowers belonging to sectors affected particularly hard by the pandemic. To do so it measured the impact of the crisis in each sector as a function of the percentage of enterprises that were availing of furlough schemes. That information was combined with idiosyncratic factors gleaned from the internal ratings model.

  Borrowers operating in segments heavily affected by furloughs have been classified as stage 2 exposures, while those operating in sectors affected less severely are reclassified if their specific ratings present high risk levels.

- High credit-quality assets

  For high-quality assets, the Group directly assumes that their risk has not increased significantly if they have low credit risk at the reporting date. Transactions are deemed to be low-risk on the basis of the following criteria, considering the nature of both the obligor and the guarantor of the transaction:

  - Classification based on transaction obligor:

    - Transactions whose obligor is the public sector of the Economic and Monetary Union (EMU).

- Transactions whose obligor is another public agency in the EMU.
  - Transactions whose obligor is a non-financial public company.
  - Transactions whose obligor is the central government of a country with country-risk level 1.
  - Transactions whose obligor is a credit institution.
  - Transactions whose obligor is a deposit guarantee scheme.

- Classification based on transaction guarantee:

  - Transactions guaranteed by other public agencies in the EMU.
  - Transactions guaranteed by the public sector.
  - Transactions guaranteed by mutual guarantee and counter-guarantee schemes.

These transactions relate basically to segments for which the Group has not been able to develop internal expected credit loss calculation models since its historical PDs tend towards "0". Accordingly, for these transactions the Group used informationand forecasts about future conditions based on industry experience of their behavior and, consequently, a 0% allowance is applied to these transactions, except where they are non-performing, in which case the allowance for their impairment is calculated on a case-by-case basis.

- Determination of write-offs

To detect transactions that the Group has no reasonable expectations of recovering, two automatic procedures are conducted, which result in the following transactions being classified as written-off:

- Transactions, whether matured or otherwise, that have been in arrears for more than four years, unless they have effective collateral covering at least 10% of the gross carrying amount of the transaction.

- Non-performing matured transactions of customers at the liquidation phase of insolvency proceedings that are not included in the preceding category, are not secured by mortgage, and do not have other obligors or guarantors that are involved in insolvency proceedings.

Transactions in either of these categories must also:

- Be debt instruments. Documentary transactions and guarantees that only have balances classified as contingent (off-balance sheet) exposures are excluded.

- Not be covered by effective guarantees from guarantors classified as "negligible risk".

- Not have any drawable amounts.

- Not be covered by the Code of Good Banking Practices.

- Methodology for calculating expected credit losses.

Pursuant to IFRS 9, expected credit losses must be measured in a way that reflects:

  - An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

  - The time value of money.

  - Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group assesses expected credit losses on both an individual and a collective basis.

The objective of the individual assessment is to estimate the expected credit losses for significant exposures classified as in impairment stages 2 and 3. In these cases, the amount of the credit losses is calculated as the difference between the expected cash flows, discounted at the effective interest rate of the transaction, and the carrying amount of the instrument concerned.

The expected loss calculations for individual exposures are performed using one of the following methodologies.

- Going concern: This methodology consists of estimating the full or partial recoverable amount of the debt on the basis of the cash flows generated by the borrower in the course of its business activities. If the borrower cannot individually generate cash flows but belongs to a group, the analysis can be performed at the group level. In that instance, the analysis needs to contemplate not only the individual debt but also that of the overall Group.

- Gone concern: This methodology, also known as "guarantee enforcement", consists of estimating the total or partial recoverable amount of the debt based on the cash flows derived from the guarantees securing the transaction being measured. It is applied to developer loans and in instances in which there is significant uncertainty regarding the ability of the borrower or guarantors to generate operating cash flows from which to service the debt.

  In the case of transactions classified as non-performing (stage 3), the expected credit losses are calculated directly using one of the above methodologies.

On the other hand, for transactions classified as under 'special monitoring' (stage 2), expected credit losses are also calculated using one of the two methodologies outlined but in this instance the losses so estimated are multiplied by the lifetime probability of default (PD) of the transaction gleaned from the internal models approved for groups of transactions with similar risk characteristics.

For the collective assessment of expected credit losses, instruments are distributed into homogeneous groups of assets on the basis of their risk characteristics. Accordingly, the Group has distinguished the following segments:

  - **Individuals**: which in turn includes various sub-segments based on the type of product and guarantee, namely: loan and credit account transactions with mortgage guarantee, loan and credit account transactions without mortgage guarantee, credit card transactions, and other products.

  - **Legal entities**: the segmentation is performed on the basis of the characteristics of the wholesale portfolio, distinguishing between the following segments: Institutions (credit institutions and public institutions and agencies, considered to be low-risk), Very Large Companies (turnover equal to or higher than EUR 100 million), Developers, SMEs (turnover of between EUR 0.6 million and EUR 100 million), Microenterprises (turnover of less than EUR 0.6 million), and other legal entities.

The starting point of the methodology for the collective calculation of expected credit losses is the construction of the following risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), estimated where appropriate using a credit conversion factor (CCF). Following is a description of these parameters:

- Probability of Default (PD): estimated probability of default in each period; a distinction is made betweentwo types:

- 12-month PD. The probability that a customer or transaction will default within the next 12 months. This parameter is developed using observed annual default rates based on historical information of the Group to construct econometric models through regression techniques. 12-month PD is used for the collective calculation of the 12-month expected credit losses for all transactions that do not have an associated significant increase in credit risk, i.e., transactions classified as in stage 1.

- Lifetime PD. The probability that a customer or transaction will default at any time during the entire remaining lifetime of the transaction. This parameter is developed by generating PD curves for periods of more than one year on the basis of the values obtained for 12-month PD. For retail segments these curves are constructed using survival analyses; by contrast, for wholesale segments they are obtained by means of rating transition matrices. Lifetime PD is used for the collective calculation ofthe lifetime expected credit losses for all transactions that have experienced a significant increase in credit risk, i.e., transactions classified as in stage 2.

The PD parameter is allocated on the basis of the following segmentation axes:

- Segment: PD is specifically modelled for each segment.
- Risk bucket: the PD parameter is allocated within a segment according to the internal score or rating associated with each transaction. For segments that do not have a scoring model, PD is allocated based on other specific drivers for the segment. In addition to the axis of the internal rating based on models, each segment may have additional risk drivers: such is the case of the mortgage portfolio, where it is also discriminated based on the purpose of the operation, or in the portfolio of companies which incorporates the type of company (SMEs, Micro-enterprises) or the ageing of the balance sheets, for example.
- Time to maturity: in the case of lifetime PD, the parameter used in stage 2, the time to maturity of the transaction is also taken into consideration.

- Loss Given Default (LGD): estimated loss given default, which is the difference between the contractual cash flows and the cash flows the Group expects to receive, including collateral provided on mortgage products. LGD time series are obtained, by date of first classification as NPL, to construct econometric models using regression techniques (thus including the forward-looking effect on the parameter). Various LGD values are applied to the financial instruments, taking the following into account:

  - LGD of mortgage products: in this case, LGD is allocated on the basis of the following segmentation axes:

    - Stage: the LGD allocated depends on whether the transaction is classified as in stage 1 or 2, or in stage 3.
    - Type of guarantee: the second LGD segmentation axis is the type of guarantee associated with the transaction, which can be either a first or second mortgage.
    - LTV: the LGD of transactions associated with a first mortgage is segmented according to the loan-to-value ratio (LTV) of the transaction.

        - Maturation (or aging): for stage 3 transactions only, the LGD value depends on the time that the transaction has been non- performing (with quarterly granularity). In order to determine this maturation level, the Group considers the date on which the transaction was first classified as non-performing, irrespective of whether or not it has any amounts past due.

    - LGD of non-mortgage products: for products not secured by mortgage, LGD is allocated on the basis of transaction segment and type of product (distinguishing between non-mortgage loan and credit account transactions, credit cards and other products, in the case of individuals, and between non-mortgage loan and credit account transactions, guarantees, discounting facilities, reverse factoring arrangements, overdrafts and other products, in the case of legal entities). In addition, for stage 3 transactions only, the LGD value depends on the time that the transaction has been non-performing (with quarterly granularity). In order to determine this maturation level, the Group considers the date on which the transaction was first classified as non-performing, irrespective of whether or not it has any amounts past due.

- Exposure At Default (EAD): estimated exposure at default in each future period, taking into account thechanges in exposure after the reporting date. For products with explicit limits, EAD is calculated as the sum of the drawn exposure of the transaction plus a percentage of the undrawn exposure. This percentage of the undrawn balance (unused exposure and contingent commitments) that is expected to be used before default occurs is what is known as the Credit Conversion Factor ("CCF").

  In the case of products with no unused or contingent exposure, EAD is the same as drawn exposure.

  For credit accounts and credit cards, EAD depends on the percentage of the facility used. Other products with unused balances or contingent exposure have an EAD that is determined using a CCF allocated on the basis of regulatoryvalues, specifically those defined in Regulation (EU) No 575/2013 (CRR).

The models were developed based on the Group's historical experience, considering all the documented and reasonable information, as well as all the forward looking information.

In the case of non-modelled segments (Institutions, Very Large Companies and other legal entities) the collective expected loss is calculated using allowance percentages estimated on the basis of experience and industry information regarding the behaviour of these exposures.

The parameters used depend on the stage in which the transaction is classified, and parameters are allocated to each transaction on the basis of its characteristics and the segmentation axes defined for each parameter.

In this connection, the chart below shows the methodology applicable to each classification stage in the case of transactions for which expected credit losses are calculated on a collective basis:

STAGE 1	Dotación = $PD_{12} \cdot EAD \cdot LGD$
STAGE 2	Dotación = $PD_{LIFETIME} \cdot EAD \cdot LGD$
STAGE 3	Dotación = $EAD \cdot LGD$

- Use of present, past and forward-looking information.

  Recognizing the loss allowance on a collective basis involves estimating the expected credit loss associated with each transaction, for which purpose the risk parameters used are fine-tuned with forward-looking information, i.e. incorporating forecasts of future economic conditions through the definition of various scenarios (base, intermediate and adverse) to which a probability of occurrence is assigned.

  To this end, at the time of estimating the different risk parameters, historical series are constructed contrasting their correlation with the macroeconomic conditions of each moment through different econometric models. These models provide a structural relation between the parameter value estimated using historical information of the Group and the economic conditions reflected in a series of aggregate indicators. Among all the candidate models, the one that best meets both the required econometric properties, the economic sense of the functional relationship, and the consistency of the estimated projections is selected. The various scenarios forecast by the Group and expressed in the form of different macroeconomic indicators are considered in the models. In this way, different forward-looking scenarios are obtained (which are used, as well as for calculating expected loss, in estimating the significant increase incredit risk, where this is determined on the basis of a change in PD). The explanatory economic variables considered are aligned with the most used in the economic literature and within the spectrum for which the Group makes projections by the responsible department.

  The Group has adapted its PD and loss given default (LGD) models to the new macroeconomic scenarios that have been estimated internally during September 2022. Those scenarios were applied to the econometric models that relate those parameters (PD and LGD) to the economic environment. The parameters that have been modified are those corresponding to the main portfolios modelled by the Group (mortgages, consumer loans, cards, business loans, developer loans); coverage of the remaining portfolios is based on experience and the information available in the sector regarding the performance of the related exposures.

  To do this, the Group has used a set of scenarios updated to the current situation derived from the outbreak of the conflict between Russia and Ukraine at the end of February 2022, together with the inflationary tensions that had been registered since the end of 2021 and accentuated by the conflict; these new projections also incorporate the sharp rises in interest rates caused by the actions of the various central banks. The most up-to-date scenarios have been approved by the governing bodies of the Parent Entity in September 2022, updating those that were previously approved in January 2022 for use in financial and capital planning, later being updated in May 2022:

  - The base scenario is leveraged to a large extent in May 2022, including the sensitivity set by the Bank of Spain in its April report (impact assimilated to sensitivity scenarios 1 and 3).

  - As regards the adverse scenario, it has been considered the most severe between the adverse scenario for the Bank and that for the Bank of Spain.

  - Additionally, an intermediate scenario located between the baseline and the adverse scenario is also considered, whose variables have been estimated by weighting twice the baseline and once the adverse.

  To do this, the Group has used a set of scenarios updated to the COVID19 context approved by the Group's governing bodies in the framework of the multi-year planning

The forecasts used cover 5 years, but the first two years of the most significant variables are presented below, as they are the most outstanding, in the case of Spain:

	%								
	Escenario base			Escenario intermedio			Escenario adverso		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Producto Interior Bruto (PIB)	5,0%	3,6%	1,6%	5,0%	2,6%	0,5%	5,0%	0,5%	-1,6%
Tasa de Paro	13,3%	13,5%	13,6%	13,3%	14,8%	15,3%	13,3%	17,4%	18,8%
IPC	3,1%	10,1%	3,6%	3,1%	10,2%	3,3%	3,1%	10,4%	2,6%
Evolución precios Vivienda	4,4%	4,3%	3,7%	4,4%	0,6%	1,9%	4,4%	-6,9%	-1,7%
Evolución precios Suelo	12,7%	0,9%	1,4%	12,7%	-2,9%	-0,7%	12,7%	-10,4%	-4,9%

PIB, IPC, Precio de la Vivienda y Precio del suelo, como tasa de variación interanual

The approach used by the Group to build the scenarios consists of first using the most probable scenario (base scenario) that is consistent with the one used in the Group's internal management processes and then applying an additional adjustment, calculated considering the weighted average of the expected losses in other two economic scenarios (intermediate and adverse). The weights assigned to each scenario, which have not been modified this year, are 70% for the base, 25% for the intermediate and 5% for the adverse scenario.

Of all the variables used, GDP in the form of annual or trimestral variation and the unemployment rate are the most recurrent and significant, as well as the evolution of the average price of housing and land.

Given that 2022 has been presented as a year with levels of inflation not seen in decades together with strong increases in interest rates, especially in the last part of the year, the models of the main portfolios have been adapted to incorporate, together with the variables most common explanatory variables, additional short-term variables so that the parameter correctly reflects the current situation and future economic expectations (in particular, variables related to the 12-month EURIBOR, or variations in the CPI). Specifically, throughout 2022, the econometric models of the PD of mortgages, PD of Companies, PD of Developers, LGD mortgage of Companies, LGD without mortgage guarantee of individuals, LGD without mortgage guarantee of Companies and Developers and LGD mortgage have been reviewed. of natural persons, incorporating the vast majority of them conjunctural variables. In addition to the model re-estimates mentioned in the previous paragraph, all PD and LGD models have been updated to the most recently approved macroeconomic scenarios for use in calculating expected loss.

It should be noted that since the end of June 2022, the Group stopped applying the adjustments used during the pandemic, so the methodology for incorporating the scenarios into the parameters follows the usual pre-pandemic approach: considering the average of the projections of the parameter in the 4 closest quarters (March 2023, June 2023, September 2023 and December 2023), while in the case of lifetime PD longer periods are considered (assuming a reversion to the cyclical average PD of the segment to from the third year). On the other hand, during 2022 additional analyzes have been carried out to those previously mentioned, which mainly consisted of the following:

- Following the approval in May of a Code of Good Practices (CPB) by the Council of Ministers to improve the solvency of the self-employed and companies and extension of the maturity of publicly guaranteed loans (see note 16), the Group has estimated the additional provision that would imply the application of the measures contemplated in it.

- In addition, the coverage percentages used to calculate the collective expected loss of the non-modeled segments have been updated, which are based on experience and information available in the sector on the behavior of these exposures.

- The Group has carried out a credit analysis of a portfolio of mortgage-backed operations, reinforcing their provisions.

- Lastly, the Group has estimated the additional provision due to the potential impact of the increase in the costs of raw materials and energy (gas, electricity, oil, various minerals) in its portfolio of companies.

The implementation of the new PD and LGD models throughout 2022 together with the updating of the rest of the models to the most recent macroeconomic scenarios, together with the other analyzes carried out, has led to the recording of additional provisions for impairment amounting to around 62,752 thousand euros in financial year 2022, which are recorded under the heading "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gain or loss from modification - Assets financial statements at amortized cost - Loans and advances" in the profit and loss account for the year 2022.

o Sensitivity of the Expected Loss

The impact of the different macroeconomic scenarios proposed are captured in the expected loss from the sensitivity of the risk parameters and associated econometric models, as detailed above. The impact of the different variables and parameters occurs non-linearly, realistically capturing the effect of variations in the main aggregates and indicators. This translates, then, into a non-linear effect of changes in GDP, the unemployment rate or variation in the price of housing in terms of expected loss.

The Group considers that the correct measurement of the sensitivity of the expected loss must be carried out holistically, that is, at the scenario level; the strong correlation of the macroeconomic variables prevents an independent (and ceteris-paribus) treatment of them. Given this circumstance, the variation of the expected loss of the adverse scenario with respect to the base scenario is presented (comparing the two most distant scenarios considered):

- Once the parameters have been estimated under the base scenario and the adverse scenario, the expected loss of the portfolio is calculated under each one, considering a weight of 100% in each scenario.
- In addition to the risk parameters themselves (PD, LGD), the classification of exposures in stage 1 and stage 2 also changes because of the application of different PDs in determining the significant increase in risk due to changes in PD.
- Exposures in stage 3 change as LGD does under each scenario.

In this way and in accordance with the scenarios presented, the GDP presents an estimated accumulated variation of +5,35% from December 2022 to December 2025 in the base scenario compared to one of -1,36% in the adverse scenario. Regarding the unemployment rate, it is reduced by -1,20% under the base scenario between December 2022 and December 2025, while it increases by +4,92% in the adverse scenario in the same period. Under these scenarios and the assumptions used, the expected loss of the credit portfolio in the adverse scenario is 92 million euros higher than that of the base scenario (17% increase) as a result of the additional deterioration reflected, above all, in the indicators of the GDP and the unemployment rate.

The refinancing or restructuring of transactions that are not current in their payments does not interrupt their classification as non-performing, unless there is reasonable certainty that the customer will be able to meet its payment obligations within the established time frame or new effective collateral is provided, and, in both cases, unless the ordinary outstanding interest is received.

Transactions shall be deemed restructured or refinanced (forbearance measures) at least in the following circumstances:

a) When the modified transaction was classified as non-performing just before the modification or would be classified as non-performing in the absence of such modification.

b) When the modification involves partial derecognition of the exposure for reasons such as haircuts or write-offs.

c) When, simultaneously with the granting of additional financing by the Group, or at a time close to such grant, the holder has made payments of principal or interest of another operation with the Group classified as doubtful risk, or that would be classified as doubtful risk if additional funding is not granted.

d) When the Group approves the use of embedded modification clauses in relation to transactions classified as non-performing or which would be so classified without the use of those clauses. Embedded modification clauses are defined as contractual clauses which allow the schedule or amount of a transaction's cash flows to be modified without the need to enter a new contract because the original contract provided for such modifications.

Unless there is evidence to the contrary, transactions shall be deemed restructured or refinanced (forbearance measures) in the following circumstances:

a) When, without the transaction subject to modification being classified as non-performing, some or all of the payments of the transaction were past due by more than thirty days at least once in the three months preceding its modification or would be more than thirty days past due without said modification.

b) When, simultaneously or nearly simultaneously with the granting of additional financing by the Group, the borrower has paid principal or interest on another transaction with the Group, that is not classified as non-performing, on which some or all of the payments have been in arrears by more than 30 days at least once in the three months prior to the refinancing.

c) When the Group approves the use of embedded modification clauses in relation to transactions not classified as non-performing with outstanding amounts thirty days past due or that would be thirty days past due if such clauses had not been exercised.

In relation to the legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (note 16), the EBA's specific guidance, published on 2 April 2020, states that such transactions need not necessarily be deemed refinanced transactions for forbearance definition and classification purposes, so long as the following conditions are met:

i. The moratorium was launched in response to the COVID-19 pandemic.

ii. The moratorium has to be broadly applied by the banking industry.

iii. The moratorium has to apply to a broad range of obligors and does not address specific financial difficulties of specific obligors.

iv. The same moratorium offers the same conditions.

v. The moratorium changes only the schedule of payments.

vi. The moratorium does not apply to new loans granted after the launch of the moratorium.

The legal and sectoral moratoriums granted by the Group as of December 31, 2022, which are detailed in note 16 of these consolidated annual accounts, meet the conditions described, which is why they are not generally identified as refinancing operations.

Additionally, the amount of the financial assets that would have been deemed to be impaired had the conditions thereof not been restructured is not material with respect to the consolidated financial statements taken as a whole. In general, the Group's refinancing transactions do not lead to the derecognition of existing assets and the recognition of new assets, the main objective being to improve the coverage of these transactions through additional collateral. In the case of these transactions, there were no material differences between the carrying amount of the assets derecognized and the fair value of the new assets in 2022 and 2021.

Also, the aforementioned transactions do not entail a delay or reductionin the recognition of impairment losses that would have been required if they had notbeen modified, since at the date of modification, were it necessary, these transactions were already impaired, and the Group had recognized the related credit loss allowance prior to the arrangement of this type of transaction.

When there is objective evidence that the decline in fair value of debt securities included under "Financial Assets at Fair Value through Other Comprehensive Income" is due to impairment, the unrealized losses recognized directly in consolidated equity under "Accumulated Other Comprehensive Income" are recognized immediately in the consolidated statement of profit or loss. If all or part of the impairment losses are subsequently reversed, the reversed amount is recognized in the consolidated statement of profit or loss for the period in which the reversal occurs. The amount of the impairmentlosses incurred is the positive difference between acquisition cost, net of any principal repayment, and fair value.

In the case of non-performing exposures, other than purchased or originated credit- impaired exposures, the interest that is recognized in the consolidated statement of profit or loss is calculated by applying the effective interest rate to their amortized cost, adjusted by any impairment losses.

i) Foreign currency accounts

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be foreign currencybalances and transactions.

The detail of the equivalent euro value of the total foreign currency assets and liabilities held by the Group at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	2022		2021	
	Assets	Liabilities	Assets	Liabilities
US dollar	173,348	126,132	257,651	87,584
Pound sterling	1,009	4,626	11,170	6,036
Japanese yen	6,951	176	16,137	260
Swiss franc	5,393	1,006	10,011	870
Other currencies	5,153	2,607	4,189	4,293
	191,854	**134,547**	**299,158**	**99,043**

The equivalent euro value of the foreign currency assets and liabilities held by the Group at 31 December 2022 and 2021, classified by type, is as follows:

	Thousands of euros			
	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Financial assets/liabilities held for trading	28,741	28,670	15,447	16,758
Financial assets/liabilities at amortised cost	158,846	104,404	261,765	81,132
Derivatives – hedge accounting	-	-	-	-
Other	4,267	1,473	21,946	1,153
	191,854	**134,547**	**299,158**	**99,043**

Upon initial recognition, balances receivable and payable denominated in foreign currencies are translated to the functional currency using the spot exchange rate at the recognition date, which is defined as the exchange rate for immediate delivery. Subsequent to initial recognition, foreign currency balances are translated to the functional currency as follows:

1. Monetary assets and liabilities are translated at the closing rate, defined as theaverage spot exchange rate at the reporting date.

2. Non-monetary items measured at historical cost are translated at the exchange rate at the date of acquisition.

3. Non-monetary items measured at fair value are translated at the exchange rate at the date when the fair value was determined.

4. Income and expenses are translated at the exchange rate at the transaction date. However, an average exchange rate is used for all the transactions carried out in the period, unless there have been significant exchange rate fluctuations. Depreciation and amortization charges are translated at the exchange rate applied to the related asset.

The exchange differences arising on the translation of balances receivable and payable denominated in foreign currencies are generally recognized in the consolidated statement of profit or loss.

j) Recognition of income and expenses

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method (see Note 14-e). Dividends received from other entities are recognized as income when the right to receive them arises.

Fee and commission income and expenses for financial services, however denoted contractually, are classified in the following categories, which determine their recognition in the consolidated statement of profit or loss:

1. Financial fees and commissions, which are those that are an integral part of the effective yield or cost of a financial transaction, are recognized in the consolidated statement of profit or loss over the expected life of the transaction as an adjustmentto the effective yield or cost thereof. These fees and commissions are recognizedunder "Interest Income" in the consolidated statement of profit or loss. They include most notably origination fees and commissions on means of payment deferrals of liability accounts. Thefee and commission income earned in 2022 and 2021 was as follows:

	Thousands of euros	
	2022	2021
Origination fees	12,040	11,615
Means of payment deferral commissions	9,196	9,327
Other fees and commissions	5,127	4,838
	26,363	**25,780**

2. Non-financial fees and commissions, which are those deriving from the provision of services and may arise from a service provided over a period of time or from a service provided in a single act (see Notes 47 and 48). They are generally recognized in the consolidated statement of profit or loss using the following criteria:

    1. Those relating to financial assets and liabilities measured at fair value through profit or loss are recognized when collected or paid.

    2. Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.

3. Those relating to a transaction or service performed in a single act are recognized when the single act is carried out.

Non-finance income and expenses are recognized for accounting purposes on an accrual basis. Deferred collections and payments are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

k) Offsetting

Asset and liability balances are reported in the consolidated balance sheet at their net amount when they arise from transactions in which a contractual or legal right of set-off exists and the Group intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

l) Guarantees given

Guarantees given are defined as contracts whereby the Group undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees and irrevocable documentary credits issued or confirmed by the Group.

Guarantees are recognized under "Financial Liabilities at Amortized Cost - Other Financial Liabilities" in the consolidated balance sheet at their fair value which, on initial recognition and in the absence of evidence to the contrary, is the present value of the cash flows to be received, and, simultaneously, the present value of the future cash flows receivable is recognized in assets under "Financial Assets at Amortized Cost" using an interest rate similar to that of the financial assets granted by the Group with a similar term and risk. Subsequent to initial recognition, the value of the contracts recognized under "Financial Assets at Amortized Cost" is discounted and the differences are recorded as finance income in the consolidated statement of profit or loss, and the fair value of the guarantees recognized under "Financial Liabilities at Amortized Cost" is allocated to the consolidated statement of profit or loss as fee and commission income on a straight-line basis over the expected life of the guarantee.

Guarantees given are classified on the basis of the insolvency risk attributable to the customer or to the transaction and, if appropriate, the Group considers whether provisions for these guarantees should be made, using criteria similar to those describedin Note 14-h for debt instruments carried at amortized cost.

The provisions made for guarantees given are recognized under "Provisions - Commitments and Guarantees Given" on the liability side of the consolidated balance sheet (see Note 34). The additions to these provisions and the provisions reversed are recognized under "Provisions or Reversal of Provisions" in the consolidated statement of profit or loss.

If a provision is required for these guarantees given, the unearned commissions recognized under "Financial Liabilities at Amortized Cost - Other Financial Liabilities" onthe liability side of the consolidated balance sheet are reclassified to the appropriate provision.

m) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease term is the non-cancellable period of a lease, together with both:

a) Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

b) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Accounting when the Group acts as the lessor

Lease agreements are presented in the consolidated financial statements on the basis of the economic substance of the transaction, regardless of its legal form, and are classified from inception as finance or operating leases.

1. A lease is classified as a finance lease when it transfers substantially all the risks and rewards incidental to ownership of the leased asset.

   When the Group acts as the lessor of an asset, the sum of the present value of the lease payments receivable from the lessee and the guaranteed residual value (which is generally the exercise price of the lessee's purchase option at the end of the lease term) is recognized as lending to third parties and is therefore included under the appropriate heading in the consolidated balance sheet on the basis of the business model within which the assets are managed and their cash flow characteristics (as described in Note 14-e).

   The finance income arising under finance lease agreements are credited to "Interest Income", in the consolidated statement of profit or loss to reflect a constant periodic rate of return over the lease term.

2. Leases other than finance leases are classified as operating leases.

   When the Group acts as the lessor, it recognizes the acquisition cost of the leased assets under "Tangible Assets" in the consolidated balance sheet. The depreciation policy for these assets is consistent with that for similar tangible assets for own use, and income from operating leases is recognized in the consolidated statement of profit or loss on a straight-line basis.

Accounting when the Group acts as the lessee

At the commencement date of the lease, the Group recognizes a lease liability at the present value of the lease payments that are not paid at that date, which comprise:

a) Fixed payments, less any amounts receivable from the lessor. Fixed lease payments include any payments that, following an analysis of their economic substance, are concluded to be fixed payments because although they may, in form, contain variability, they are unavoidable.
b) Variable lease payments that depend on an index or a rate.
c) Amounts expected to be payable under residual value guarantees made to the lessor.
d) The exercise price of the purchase option if the Group is reasonably certain to exercise that option.
e) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The discounted present value of these lease payments is calculated using as thediscount rate the interest rate implicit in the lease; if that rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate of interestthat a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

At the commencement date of the lease, the Group recognizes a right-of-use asset, which it measures at cost, comprising:

a) The amount of the initial measurement of the lease liability, as described above.
b) Any lease payments made at or before the commencement date, less any amounts received from the lessor.

c) Any initial direct costs incurred by the lessee.
d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. These costs are recognized as part of the cost of the right-of-use asset when the Group incurs an obligation for those costs.

For presentation purposes, right-of-use assets are classified as tangible or intangible assets on the basis of the nature of the leased asset.

Subsequent to initial recognition, the lease liability is measured by:

a) Increasing the carrying amount to reflect interest on the lease liability, which is calculated by applying the interest rate used on initial measurement to the balance of the liability.
b) Reducing the carrying amount to reflect the lease payments made.
c) reflecting any subsequent reassessment of the lease liability due to revised lease payments resulting from changes in:

    i) The lease term.
    ii) The assessment of the option to purchase the leased asset.
    iii) The amounts expected to be payable under the residual value guarantee.
    iv) The future variable lease payments that depend on an index or a rate, resulting from a change in that index or rate.

Variable lease payments not included in the initial measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

Subsequent to initial recognition, the right-of-use asset is measured at cost:

a) Less any accumulated depreciation and any accumulated impairment losses.
b) Adjusted for any remeasurement of the lease liability.

Notwithstanding the foregoing, the Group elected to apply the exemption provided for in IFRS 16 and, therefore, the lease payments associated with short-term leases (taken to be leases that, at the commencement date, have a lease term of 12 months or less) are recognized as expenses. These expenses, which are charged to profit or loss on a straight-line basis over the lease term, are recognized under "Other Administrative Expenses" (see Note 57)

The leases held by the Group at 31 December 2022 and 2021 relate mainly to leases of properties used as branches and bank ATMs which meet the definition of short-term leases. Accordingly, at 31 December 2022 and 2021 there were no right-of-use assets or liabilities associated with leases.

In determining the lease term and short term rental definition, the Group considered both the length of the non- cancellable period of the lease and the possibility of terminating the lease with no more than an insignificant penalty.

n) Assets under management

The Group includes in memorandum items the fair value of funds entrusted by third parties for investment in investment companies, investment funds, pension funds, savings insurance contracts and discretionary portfolio management contracts, and it makes a distinction between the funds managed by the Group and those marketed by theGroup but managed by third parties.

These investment and pension funds managed by the consolidated companies are not presented on the face of the Group's consolidated balance sheet since the related assets are owned by third parties.

The Group also recognizes in memorandum items, at fair value or at cost if there is no reliable estimate of fair value, the assets acquired in the name of the Group for the account of third parties and the debt securities, equity instruments, derivatives and other financial instruments held on deposit, as collateral or on consignment at the Group for which it is liable to third parties.

Management fees are included under "Fee and Commission Income" in the consolidated statement of profit or loss (see Note 47). Information on third-party assets managed by the Group at 31 December 2022 and 2021 is disclosed in Note 66.

o) Staff costs and post-employment benefits

o.1) Post-employment benefits

Post-employment benefits are employee benefits that are payable after the completion of employment. Post-employment benefits are classified as defined contribution plans when the Group pays predetermined contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the separate entity cannot pay the employee benefits relating to the service renderedin the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as defined benefit plans.

Defined benefit plans

The Group recognizes under "Provisions - Pensions and Other Post-Employment Defined Benefit Obligations" on the liability side of the consolidated balance sheet (or under "Other Assets" on the asset side, based on whether the resulting difference is positive or negative) the present value of its defined benefit pension obligations, net, as explained below, of the fair value of the assets qualifying as "plan assets". If the fair value of the plan assets is higher than the present value of the obligations, the Group measures the asset recognized at the lower of the absolute value of the aforementioned difference and the present value of the cash flows available to the Group in the form of refunds from the plan or reductions in future contributions to the plan.
"Plan assets" are defined as those that are related to certain defined benefit obligations that will be used directly to settle these obligations, and that meet the following conditions: they are not owned by the consolidated entities, but by a legallyseparate third party that is not a party related to the Group; they are only available to pay or fund post-employment benefits for employees; they cannot be returned to the consolidated entities unless the assets remaining in the plan are sufficient tomeet all the benefit obligations of the plan or of the entity to current and former employees, or they are returned to reimburse employee benefits already paid by the Group; and when the assets are held by a post-employment employee benefit entity (or fund), such as a pension fund, they cannot be non-transferable financial instruments issued by the Group.

All the changes in the provision recognized (or the asset, depending on whether the aforementioned difference is positive or negative) are recognized when they occur, as follows:

1. In the consolidated statement of profit or loss: the service cost relating to employee service in the current year and that in prior years not recognized in those years, the net interest on the liability (asset), and any gain or loss on settlement.

2. In the consolidated statement of changes in equity: the remeasurements of the liability (asset) as a result of actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the liability (asset), and changes in the present value of the asset as a result of changes in the present value of the cash flows available to the Group, excluding amounts included in netinterest on the liability (asset). The amounts recognized in the consolidated statement of changes in equity are not reclassified to the consolidated statement of profit or loss in future years.

The net interest on the registered liability (or on the asset, as appropriate) is determined by multiplying the net liability (asset) by the discount rate used to estimate the present value of the benefit obligations determined at the start of the annual reportingperiod, taking account of any changes in the net liability (asset). Net interest comprises interest income on plan assets, interest cost on the obligation and interest resulting from measuring the plan assets at the present valueof the cash flows available to the Group in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit plans are recognized in the consolidated statement of profit or loss as follows:

a) Service cost is recognized in the consolidated statement of profit or loss and includes the following items:

    - Current service cost, which is the increase in the present value of the obligation resulting from employee service in the current period, is recognized under "Staff Costs".

    - Past service cost, which arises from changes to existing post-employment benefits or from the introduction of new benefits and includes the cost of curtailments, is recognized under "Provisions or Reversal of Provisions".

    - Any gain or loss on settlement of the plan is recognized under "Provisions or Reversal of Provisions".

b) Net interest on the net defined benefit liability (asset), i.e. the change during the period in the net defined benefit liability (asset) that arises from the passage of time, is recognized under "Interest Expenses" ("Interest Income" if it is income) in the consolidated statement of profit or loss.

Following is a summary, by originating entity, of the defined benefit obligations assumed by the Group. By virtue of the Parent's collective agreement in force, each group of employees from BBK, Kutxa and Caja Vital maintains the coverage regime that was in force at their original entity on this matter before this collective agreement was entered.

Obligations to employees from BBK

Under the collective agreement in force, the Group has undertaken to supplement the social security benefits accruing to employees retired at 31 July 1996 and, from that date, to the possible beneficiaries of disability benefits and of surviving spouseor surviving child benefits in the event of death of current employees.

In order to externalize its obligations in this connection, in 1990 BBK fostered the formation of employee benefit entities (EPSVs in Spanish), so that these entities would settle the employee benefit obligations in the future. EPSVs are governed by Law 25/1983, of 27 October, of the Basque Parliament, and by Decree 87/1984, of 20 February, of the Basque Government.

Obligations to employees from Kutxa

Under the collective agreement in force, the Group has a defined benefit obligation in the event of disability or death of current employees (surviving spouse and surviving child benefits), and defined benefit obligations for the employees who had retired at 18 October 1994. These obligations are covered by various EPSVs.

Obligations to employees from Caja Vital

Under the collective agreement in force, amended in matters relating to the employee benefit scheme by the agreement entered into by Caja Vital with its Works Council on 25 October 1996, the Group has undertaken to supplement the social security benefits accruing to the Group's employees who had retired or taken early retirement or pre-retirement at 25 October 1996 and, from that date, to the possible beneficiaries of disability benefits, and to those of surviving spouse or surviving child benefits in the event of death of current employees.

In order to externalize its pension obligations to current and retired employees, Caja Vital fostered the formation of four EPSVs, each with a separate group of employees.

Obligations to employees from Cajasur Banco

In October 2000 the former Cajasur offered certain employees the possibility of retiring before reaching the age stipulated in the collective agreement in force, and externalized the obligations generated.

In addition, the former Cajasur externalized its vested pension obligations to the majority of its retired employees at the end of 2000, and its vested pension obligations to certain retired employees at the end of January 2001.

These three obligations were externalized by taking out three insurance policies with Cajasur Entidad de Seguros y Reaseguros, S.A., which take the form of a defined benefit plan. Since 30 June 2011, this plan has been managed by Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.

Additional information on these obligations is disclosed in Note 34.

Defined contribution plans

The Group has an obligation vis-à-vis certain employees to make annual contributions to various defined contribution plans, implemented through various EPSVs and pension funds. The amount of these obligations is established as a percentage of certain remuneration items and/or a pre-determined fixed amount.The contributions made by the Group in each period to cover these obligations are recognised with a charge to “Staff Costs - Contributions to External Defined Contribution Plans” in the consolidated statements of profit or loss (see Note 56).

Other post-employment obligations

The Group has assumed certain obligations to its employees, relating to remuneration in kind of various types, which will be settled after the completion of their employment. These obligations are covered by internal provisions which are recognised under “Provisions - Pensions and Other Post-Employment Defined Benefit Obligations” in the accompanying consolidated balance sheet. Additional information on these obligations is disclosed in Note 34.

On May 31, 2021, the new Collective Agreement was formalized that regulates the rules by which labor relations and working conditions must be governed between the Parent Entity of the Group and its staff during the next three years. The main amendments to said agreement are those related to the obligations contracted by the Parent Entity in relation to the Medical Assistance Insurance of its employees.

Note 34 shows the reconciliation between the amount at the beginning and at the end of the 2021 and 2022 periods of the present value of the defined benefit obligations.

Obligations to employees from Kutxabank

Early retirements

On December 16, 2021, the Bank decided to make a voluntary early retirement offer aimed at active employees as of December 31, 2021, with a minimum seniority in the company of 10 years in the last 15 and who had not received no offers previously. The cost of these offers, accepted by practically all the affected employees, amounted to 40,684 thousand euros, which was recorded in the consolidated profit and loss account for the year 2021 (see Note 59).

The Group recognized the total estimated cost of these agreements, amounting to EUR 54,111 thousand, under "Provisions - Pensions and Other Post-Employment Defined Benefit Obligations", as well as of various labor agreements previously signed with the union majority that contemplated early retirement plans of similar characteristics, on the liability side of the consolidated balance sheet as at 31 December 2022 (31 December 2021: EUR 83,250 thousand) (see Note 34).

Obligations to employees from Cajasur Banco

Pre-retirements

On December 16, 2021, Cajasur Banco decided to make a voluntary early retirement offer aimed at active employees as of December 31, 2021, with a minimum seniority in the company of 10 years in the last 15 and who had not received no offer previously. The cost of these offers, accepted by practically all the affected employees, amounted to 20,613 thousand euros, which was recorded in the consolidated profit and loss account for the year 2021 (see Note 59).

The Group has recorded under the heading "Provisions - Pensions and other defined post-employment benefit obligations" of the attached consolidated balance sheet, the total estimated cost pending of the aforementioned early retirement offer, as well as various labor agreements signed in previous years with the union majority that contemplated early retirement plans of similar characteristics, amounting to 29,485 thousand euros as of December 31, 2022 (43,294 thousand euros as of December 31, 2021) – see Note 34 -.

Additionally, as of December 31, 2021, the Group had insured a portion of the contributions to the defined contribution plans of early-retired personnel by contracting or renewing an insurance policy with Caser, Seguros y Reaseguros, SA The total amount of said commitments amounted to 132 thousand euros as of December 31, 2021. To calculate the amount of said policy, the following actuarial assumptions were used: survival tables PER2020_Col_1st Order, technical interest rate of the return on the assets subject to the plan of - 0.45% and salary growth rate of 2% in policy with annual review of the CPI. As of December 31, 2022, there are no commitments with early-retired personnel insured through insurance contracts.

o.2) Other long-term employee benefits

These commitments are accounted for as applicable using the same criteria as outlined above for defined benefit commitments, except for changes in the value of the related liability, or asset, as a result of actuarial gains and losses, which are recognized in consolidated profit or loss for the year.

Below is a description of the commitments assumed by the Group as a function of the entity that originated them.

Commitments assumed with staff originating from Kutxabank

Other non-current commitments

The Group has recognised certain provisions to cover potential company benefits to current employees. Those funds are recognised under "Provisions – Provisions for other long-term employee remuneration" (note 34) in the amount of EUR 35,836 thousand on the consolidated balance sheet at 31 December 2022 (2021: EUR 44,300 thousand).

Commitments assumed with staff originating from BBK

The Group has assumed commitments under agreements that qualify for classification as other long-term benefits. As a result, it has set aside funds to cover those commitments (note 34).

Death or disability coverage

The cost of the commitments assumed by the Group to cover employee death or disability contingencies while in active employment has been quantified by an independent expert. This commitment has been externalized to savings scheme management entities and amounted to 2,497 thousand euros in 2022 (2021: 4,141 thousand euros).

Commitments assumed vis-a-vis staff originating from Kutxa

Death or disability coverage

The cost of the commitments assumed by the Group to cover employee death or disability contingencies while in active employment has been quantified by an independent expert. This commitment has been externalized to savings scheme management entities and amounted to 1,828 thousand euros in 2022 (2021: 3,183 thousand euros).

Commitments assumed vis-a-vis staff originating from Caja Vital

Commitments assumed in respect of risk of employee death or disability
The cost of the commitments assumed by the Group to cover employee death or disability contingencies while in active employment has been quantified by an independent expert. This commitment has been externalized to savings scheme management entities and amounted to 376 thousand euros in 2022 (2021: 533 thousand euros).

Obligations to employees from Cajasur Banco

Death and disability

The Group's obligations in the event of death or disability of current employees of Cajasur Banco, which are covered by insurance policies taken out with Kutxabank Seguros, are recognized in the consolidated statement of profit or loss at the amount of the related insurance policy premiums accrued in each year.

The amount accrued in connection with these insurance policies in 2022, which is recognized under "Staff Costs" in the consolidated statement of profit or loss, was EUR 230 thousand (2021: EUR 105 thousand).

Long-service bonuses

The Group recognized the present value of these obligations, amounting to EUR 6,643 thousand at 31 December 2022 (31 December 2021: 8,261 thousand), under "Provisions - Other Long-Term Employee Benefits" on the liability side of the consolidated balance sheet (see Note 34).

o.3) Termination benefits

Under current legislation, the Group is required to pay termination benefits to employees terminated without just cause. With regard to senior executive employment contracts, the amount of the agreed termination benefit is charged to the consolidated statement of profit or loss when the decision to terminate the contract is taken and notified to the person concerned. No amount was recognized in connection with termination benefits to senior executives in 2022 or 2021.

o.4) Temporary workforce restructuring at Cajasur Banco

2013 agreement:

On 27 December 2013, an agreement was entered into between Cajasur Banco and all the trade union representatives. This agreement, which affected all of the financial institution's workforce and expired on 31 December 2015, established the following measures:

Voluntary measures:

Voluntary redundancies, temporary layoffs and a 50% reduction of working hours, with the establishment of a maximum limit on the number of employees that could avail themselves of these measures (10% of the workforce) and a mandatoryacceptance rate for the Bank (5%).

The employees who participated in the voluntary redundancies would receive a termination benefit of 60 days per year worked, with a minimum amount of 12 months' salary and a maximum amount of 45 months' salary. In the case oftermination benefits of an amount more than 24 months' salary, approval by the Bank would be required. 16 employees availed themselves of this measure.

The temporary layoffs were to have a duration of two years, in which participating employees would receive a voluntary improvement in unemployment benefit equal to 30% of their gross fixed salary remuneration, to be paid in 12 payments per year. On completion of the temporary layoff period, participating employees would be entitled to return to the Bank and take up posts of a similar level to those held by them when they availed themselves of this layoff measure. Eight employees had availed themselves of this measure at the end of 2015, of whom seven did so voluntarily and one was terminated for disciplinary reasons.

The voluntary 50% reduction in working hours had a duration of two years, and participating employees received 50% of their annual gross fixed salary remuneration plus an improvement in unemployment benefit equal to 10% of this amount. Four employees availed themselves of this measure in 2013.

Universal measures:

10% collective reduction in working hours for a maximum of 1,848 employees with the corresponding 10% reduction in the annual gross fixed salary remuneration over a period of two years.

A group of 299 employees was excluded from this measure, and their working hours were not reduced, due to their specific characteristics and the importance of the functions they perform. The salary of this group of employees would be reduced over a period of two years by between 5% and 7% depending on the annual gross fixed salary of each employee, based on a sliding scale. Also, the agreement established a mechanism applicable as from 2016 permitting the recovery of salary reductions if certain conditions are met.

In 2015, 253 employees included in the reduction in working hours measure exited that measure in order to join the group of employees taking a salary reduction.

Lastly, contributions to the defined contribution retirement pension plan were suspended for the entire workforce in 2015 and 2016. As from 2018 employees would be able to recover these contributions provided that certain conditions were satisfied.

2016 agreement:

Also, on 18 March 2016, an agreement was entered into between Cajasur Banco and all the trade union representatives which, affecting all the financial institution's workforce, established the following measures:

Voluntary measures:

Voluntary redundancies, temporary layoffs and a 50% reduction of working hours, with the establishment of a maximum limit on the number of employees that could avail themselves of these measures (10% of the workforce) and a mandatoryacceptance rate for Cajasur Banco (5%).

The employees who participate in the voluntary redundancies will receive a termination benefit of 60 days per year worked, with a minimum amount of 12 months' salary and a maximum amount of 45 months' salary. In the case oftermination benefits of an amount more than 24 months' salary, approval by Cajasur Banco will be required. 13 employees have availed themselves of thismeasure.

The temporary layoffs will have a duration of two years, in which participating employees will receive a voluntary improvement in unemployment benefit equal to 30% of their gross fixed salary remuneration, to be paid in twelve payments per year. On completion of the temporary layoff period, participating employees will be entitled to return to Cajasur Banco and take up posts of a similar level to those held by them when they availed themselves of this layoff measure. 37 employees had availed themselves of this measure at the end of 2016.

The voluntary 50% reduction in working hours has a duration of two years, and participating employees receive 50% of their annual gross fixed salary remuneration plus an improvement in unemployment benefit equal to 10% of this amount. Nine employees availed themselves of this measure in 2016.

Universal measures:

Temporary layoffs for 22 working days in 2016 and 20 working days in 2017 for a maximum of 1,400 employees with the corresponding reduction in the annual gross fixed salary remuneration over a period of two years.

A group of 650 employees is excluded from this measure, and their working hours will not be reduced, due to their specific characteristics and the importance of the functions they perform. The salary of this group of employees will be reduced over a period of two years by between 3.5% and 6.5% depending on the annual gross fixed salary of each employee, based on a sliding scale.

Also, the agreement establishes a mechanism applicable as from 2016 permitting the recovery of salary reductions if certain conditions are met.

Lastly, contributions to the defined contribution retirement pension plan were suspended for the entire workforce in 2017. As from 2019 employees will be able to recover these contributions provided that certain conditions are satisfied.

o.5) Equity-instrument-based employee remuneration

The Group does not have any equity-instrument-based remuneration systems for its employees.

p) Income tax

Income tax is deemed to be an expense and is recognized under "Income Tax" in the consolidated statement of profit or loss, except when it results from a transaction recognized directly in equity, in which case the income tax is recognized directly in equity, or from a business combination, in which the deferred tax is recognized as one of its identifiable assets or liabilities.

The income tax expense is determined as the tax payable on the taxable profit for the year, after taking account of any changes in that year due to temporary differences andto tax credit and tax loss carryforwards. The taxable profit for the year may differ fromthe consolidated net profit for the year reported in the consolidated statement of profit or loss due to differences between the criteria established in tax and accounting rules.

Deferred tax assets and liabilities are taxes expected to be recoverable or payable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases. Deferred tax assets and liabilities are recognized in the consolidated balance sheet and are measured by applying to the related temporary difference or tax credit the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

A deferred tax asset, such as prepaid tax, a tax credit carryforward or a tax loss carryforward, is recognized to the extent that it is probable that the Group will obtain sufficient future taxable profit against which the deferred tax asset can be utilized. It is considered probable that the Group will obtain sufficient taxable profit in the future in the following cases, among others:

1. There are deferred tax liabilities settleable in the same year as that in which the deferred tax asset is expected to be realized, or in a subsequent year in which the existing tax loss or that arising from the deferred tax asset can be offset.

2. The tax losses resulted from identifiable causes which are unlikely to recur.

However, deferred tax assets are not recognized if they arise from the initial recognition of an asset or liability, other than in a business combination, that at the time ofrecognition affects neither accounting profit nor taxable profit (tax loss).

Deferred tax liabilities are always recognized except when they arise from the initial recognition of goodwill. Furthermore, a deferred tax liability is not recognized if it arises from the initial recognition of an asset or liability, other than in a business combination, that at the time of recognition affects neither accounting profit nor taxable profit (tax loss).

The deferred tax assets and liabilities recognized are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made.

At 31 December 2022, the Group had deferred tax assets amounting to EUR 1,622,913 thousand (31 December 2021: EUR 1,726,476 thousand) and deferred tax liabilities amounting to EUR 322,883 thousand (31 December 2021: EUR 359,037 thousand). At 2022 year-end EUR 676,185 thousand (2021-year-end: EUR 779,002 thousand) were deemed to be monetizable deferred tax assets in accordance with Royal Decree-Law 14/2013, 29 November an urgent measure in order to transpose Spanish laws to European financial institution supervision and solvency regulation, as well as it´s transposition to local regulation by the Bizkaia Regulatory Decree 7/2013, 23 December, by which it is regulated financial entities foundations.

In order to carry out the recoverability analysis of tax assets, the entity calculates the future Positive Tax Bases, the movements between temporary and permanent temporary differences, in order to estimate the payment for taxes and the compensation of Deferred Tax Assets of each year in accordance with the legislation in force at the end of the financial year. The variables on which these projections are based are the most recent multi-year financial planning approved by the Group. These variables include an increase in interest rates in the projection period, measures to improve income from services (including the sale of off-balance sheet or insurance products), cost containment measures, and adaptation of the cost of risk to credit models approved by the entity. They also consider, where appropriate, the reduction of the margins of assets and liabilities in the banking sector. The macroeconomic and financial hypotheses used in the multi-year planning exercises are contrasted with the main State projection agencies. The hypotheses also consider the medium and long-term maintenance of debt securities at levels similar to the average for the Spanish financial sector at year-end. For the years in which there is no approved planning, hypotheses of moderate growth of the main balance sheet and income statement figures have been used. These plans and projections have been updated taking into account the current economic and geopolitical situation of the outbreak of the conflict between Russia and Ukraine at the end of February 2022 and inflationary tensions in a post-pandemic context, this being the best estimate available, by the Address of the Parent Entity, at the date of formulation of these individual annual accounts.

The Group carries out this exercise of recoverability of its tax assets considering the different tax regimes and tax groups that make up the Group. In order to consider its recoverability at the Group level, the consideration of the tax regime of the parent company has been used. Deferred Tax Assets in accordance with the hypotheses indicated above would be recoverable within 7 years (10% in 2023, 13% in 2024, and between 11% and 17% per year in the 2025-2029 period). The variable with the greatest impact on the recoverability of tax assets is the evolution of interest rates. If the Euribor 12M were to increase or decrease by 50 basis points with respect to the forecast baseline scenario, the recoverability period would decrease by 0.5 years or increase by 0.5 years, respectively.

q) Tangible assets

Tangible assets for own use relate to the property, plant and equipment which are intended to be held for continuing use by the Group and the property, plant and equipment acquired under finance leases. They are measured at acquisition cost less the related accumulated depreciation and any estimated impairment losses (carrying amount higher than recoverable amount). The acquisition cost of certain unrestricted items of tangible assets for own use includes their fair value at 1 January 2004, which was determined on the basis of appraisals performed by independent experts.

Depreciation is calculated systematically using the straight-line method, applying the years of estimated useful life of the various items to the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand is deemed to have an indefinite life and, therefore, is not depreciated. The Group's period tangible asset depreciation charge is recognized in the consolidated statement of profit or loss and is calculated on the basis of the following average years of estimated useful life of the various classes of assets:

	Years of estimated useful life
Buildings	33 to 50 years
IT equipment	4 years
Furniture, fixtures and other	5 to 7 years

The Group assesses at each reporting date whether there is any internal or external indication that its tangible assets may be impaired (i.e. their carrying amount exceeds their recoverable amount). If this is the case, the Group reduces the carrying amount of the asset in question to its recoverable amount and adjusts the future depreciation charges in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated). Also, if there is an indication of a recovery in the value of a tangible asset, the Group recognizes the reversal of the impairment loss recognized in prior periods and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years. This reduction of the carrying amount of tangible assets for own use and the related reversal are recognized, if necessary, with a charge or credit, respectively, to "Impairment or Reversal of Impairment on Non-Financial Assets - Tangible Assets" in the consolidated statement of profit or loss.

The Group reviews the estimated useful lives of the tangible assets for own use at least at the end of each reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognized in the consolidated statement of profit or loss in future years on the basis of the new estimated useful lives.

During the 2021 financial year, for a certain group of assets of a real estate nature, the Group's Management proceeded to revalue their useful life, resulting in the new estimated useful life being shorter. The change in the useful life of said group of assets led to an increase in the annual "Depreciation" expense for the year 2021 of 6,518 thousand euros (watch Note 58).

Upkeep and maintenance expenses relating to the tangible assets for own use are recognized in the consolidated statement of profit or loss for the period in which they are incurred.

Tangible assets that necessarily take a period of more than twelve months to get ready for their intended use include as part of their acquisition or production cost such borrowing costs as might have been incurred before the assets are ready for theirintended use and which have been charged by the supplier or relate to loans or other types of borrowings directly attributable to their acquisition, production or construction. Capitalization of borrowing costs is suspended, if appropriate, during periods in which the development of the assets is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

Investment property under "Tangible Assets" reflects the net values of the land, buildings and other structures held by the Group either to earn rentals or for capital appreciation.

The criteria used to recognize the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognize any impairment losses thereon are consistent with those described above in relation to tangible assets for own use.

The criteria used to recognize the acquisition cost of leased-out assets, to calculate their depreciation and their respective estimated useful lives and to recognize any impairment losses thereon are consistent with those described in relation to tangible assets for own use.

Bizkaia Regulatory Decree 11/2012, of 18 December, on asset revaluation was published on 28 December 2012. This tax legislation allows companies to revalue their assets for tax purposes. Pursuant to this legislation, the Parent revalued the tax base of a portion of its assets following the approval of its adoption of this measure, granted by the General Meeting of the Parent on 27 June 2013. Accordingly, in conformity with the aforementioned regulatory decree, the Parent created the "Revaluation Reserve Bizkaia Regulatory Decree 11/2012", effective from 1 January 2013, amounting to EUR 51,685 thousand (see Note 36).

The implications of this regulatory decree are that the increase in the tax base of the revalued assets has a maximum limit of the fair value of these assets and it will be deductible in the annual periods beginning after 1 January 2015. As a result of the aforementioned revaluation, in July 2013 the Parent paid a single levy of EUR 2,720 thousand, i.e. 5% of the revalued amount, without changing the value of the non-current assets.

Note 39 to these consolidated financial statements includes additional information on the aforementioned asset revaluation.

r) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are deemed to be identifiable when they are separable from other assets because they can be sold, rented, or disposed of individually or when they arise from a contractual or other legal right. An intangible asset is recognized when, in addition to meeting the definition, the Group considers it probable that the economic benefits attributable to the asset will flow to the Group and its cost can be measured reliably.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Goodwill represents a payment made by the Group in anticipation of future economic benefits from assets of the acquired entity that are not capable of being individually identified and separately recognized and is only recognized when it has been acquired for consideration in a business combination.

Any excess of the cost of the investments in subsidiaries, joint ventures and associates over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

1. If it is attributable to specific assets and liabilities of the entities acquired, by increasing the value of the assets or reducing the value of the liabilities whose market values were higher or lower, respectively, than the carrying amounts at which they had been recognized in their balance sheets and whose accounting treatment was similar to that of the same assets or liabilities, respectively, of the Group.

2. If it is attributable to specific intangible assets, by recognizing it explicitly in the consolidated balance sheet provided that the fair value of these assets at the date of acquisition can be measured reliably.

3. The remaining not attributable amount is recognized as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is measured at acquisition cost. At the end of each reporting period, the Group reviews goodwill for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment or Reversal of Impairment on Non-Financial Assets - Intangible Assets" in the consolidated statement of profit or loss. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

Goodwill is allocated to one or more cash-generating units that are expected to benefit from the synergies of the business combinations. Cash-generating units are the smallest identifiable groups of assets that generate cash inflows for the Group that are largely independent of the cash inflows from the Group's other assets or groups of assets. Each unit to which goodwill is allocated:

- represents the lowest level within the entity at which goodwill is monitored for internal management purposes.
- is not larger than a business segment.

The cash-generating units to which goodwill has been allocated are tested for impairment (the allocated portion of goodwill is included in their carrying amount). This test is performed at least annually or whenever there is an indication of impairment.

For the purposes of performing the impairment test, the carrying amount of the cash-generating unit is compared with its recoverable amount, which is taken to be the value in use of the cash-generating unit. Recoverable amount is calculated as the sum ofa static valuation and a dynamic valuation. The static valuation quantifies the entity's value based on its equity position and existing gains and losses while the dynamic valuation quantifies the discounted value of the Group's estimated cash flow projections for a projection period of five years (until 2027) and calculates the residual value using a perpetuity growth rate. The variables on which these projections are based are takenfrom the most recent multi-year financial planning approved by the Group. These variables include an increase of interest rates in the period projected, measures to improve income from services (including the marketing of off-balance sheet products or insurance), cost containment measures, and the adaptation of the cost of risk to the credit models approved by the Group. The macroeconomic and financial assumptions used in the multi-year planning exercises are checked against data from the main State projection agencies and authorized by the Corporate Government bodies. They also consider the implementation of IRB models for the calculation of capital requirements for mortgage, corporate and consumer portfolios along the financial projection. Under the current scenario, it has been also considered a public debt acquisition. These plans and projections have been updated taking into account the current economic and geopolitical situation of the outbreak of the conflict between Russia and Ukraine at the end of February 2022 and inflationary tensions in a post-pandemic context, this being the best estimate available, by the Address of the Parent Entity, at the date of formulation of these consolidated annual accounts.

The goodwill recognized at 31 December 2022 amounted to EUR 301 million (31 December 2021: EUR 301 million) and was allocated to the Retail and Corporate Banking cash-generating unit of Cajasur Banco, S.A.U., which includes retail and business banking and excludes the property business. The main assumptions used in estimating the cash flows were as follows:

- The capital requirement for the cash-generating unit was 11,70% (2021: 11,70%), which coincides with the SREP requirement set by the European Central Bank for Kutxabank in 2022 and 2023. Since the estimation involved a calculation of value in use, this requirement took into consideration a CET1 requirement of 8% pluslayers of hybrid instruments to achieve the required level established.

- The discount rate used to discount the cash flows was the pre-tax cost of capital allocated to the cash-generating unit, standing at 9,1% for CET1 (9,1% in 2021) and was composed of a risk-free rate plus a premium that reflected the inherent risks of the business unit. The rates for the hybrid instruments stand to 8,5% for AT1 and 6,13% for T2 (5% and 1,74%, respectively in 2021) correspond to issue prices of instruments of this kindoffered to the Group at the analysis date. After considering the cost of capital for each of the instruments the discount rate stands to 7,87% in 2022 (7,05% in 2021).

- The sustainable growth rate used to extrapolate cash flows to perpetuity was around 1% (2021: 1%).

Using these assumptions, the recoverable amount of the cash-generating unit stood at EUR 1,390 million (2021: EUR 1,109 million) and, therefore, the excess of the recoverable amount over the carrying amount of the cash-generating unit (including the goodwill) would be EUR 374 million (2021: EUR 215 million).

The residual value represented 67% of the recoverable amount (2021: 75%). The methodology used to calculate the residual value was based on the normalization of the estimated cash flow for the last year of projection, which was used to calculate the terminal value as a perpetual return, based on the normalized dividend of that last year.

If the discount rate had been increased or decreased by 50 basis points, the excess of the recoverable amount over the carrying amount would have decreased or increased by EUR 94 million or EUR 108 million, respectively (2021: 89 million or EUR 105 million, respectively). If the growth rate had been increased or decreased by 50 basis points, the excess of the recoverable amount over the carrying amount would have increased or decreased by EUR 73 million or EUR 63 million, respectively (2021: EUR 75 million or EUR 64 million, respectively).

Any deficiency of the cost of investments in subsidiaries, jointly controlled entities and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

1. If it is attributable to specific assets and liabilities of the entities acquired, by increasing the value of the liabilities or reducing the value of the assets whose market values were higher or lower, respectively, than the carrying amounts at which they had been recognized in their balance sheets and whose accounting treatment was similar to that of the same liabilities or assets, respectively, of the Group.

2. The remaining not attributable amount is recognized under "Negative Goodwill Recognized in Profit or Loss" in the consolidated statement of profit or loss for the year in whichthe share capital is acquired.

Other intangible assets can have an indefinite useful life -when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group- or a finite useful life. Intangible assets with indefinite useful lives are not amortized, but rather at the end of each reporting period the Group reviews the remaining useful lives of the assets.

Regarding the estimation of the useful life of intangible assets with a defined useful life, the Entity's Management during the 2021 commissioned the preparation of an expert report on useful life with the aim of re-evaluating the assignment of useful life to the map of applications of the technology platform.

As a result of the evaluation carried out, the estimated weighted average useful life of the platform was established at 10 years, compared to the estimated average useful life of 3 years as of December 31, 2020. The extension of the average useful life of the computer applications of the Kutxabank platform has led to a reduction of approximately 19 million euros in the annual expense for "Amortization" for the year 2021 compared to the annual expense that would have resulted if the change had not occurred.

In either case the Group recognizes any impairment loss on the carrying amount of these assets with a charge to the consolidated statement of profit or loss. The criteria used to recognize the impairment losses on these assets and, where applicable, the reversal of impairment losses recognized in prior years are similar to those used for tangible assets.

s) Provisions and contingent liabilities

Provisions are present obligations of the Group arising from past events whose nature is clearly specified at the reporting date but whose amount or timing is uncertain, the settlement of which the Group expects to result in an outflow of resources embodying economic benefits. These obligations may arise from:

1. A legal or contractual requirement.

2. A constructive obligation deriving from a valid expectation created by the Group on the part of third parties that it will discharge certain responsibilities. Such expectations are created when the Group publicly accepts responsibilities or derive from a pattern of past practice or from published business policies.

3. Virtual certainty as to the future course of regulation in particular respects, especially proposed new legislation that the Group cannot avoid.

Contingent liabilities are possible obligations of the Group that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Contingent liabilitiesinclude present obligations of the Group when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Provisions and contingent liabilities are classified as probable when it is more likely than not that an outflow of resources will occur; as possible when it is more likely than not that no outflow of resources will occur; and as remote when it is extremely unlikely that an outflow of resources will occur.

The Group's consolidated financial statements include all the material provisions and contingent liabilities with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities classified as possible are not recognized in the consolidated financial statements, but rather are disclosed, if they are material, unless the possibility of an outflow of resources embodying economicbenefits is considered to be remote.

Provisions are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the endof each reporting period. Provisions are used to cater for the specific obligations for which they were recognized and they are fully or partially reversed when such obligations cease to exist or are reduced (see Note 34).

The additions to and release of provisions considered necessary pursuant to the foregoing criteria are recognized with a charge or credit, respectively, to "Provisions or (-) Reversal of Provisions" in the consolidated statement of profit or loss (see Note 59).

t) Non-current assets and disposal groups classified as held for sale and Liabilities included in disposal groups classified as held for sale

"Non-Current Assets and Disposal Groups Classified as Held for Sale" in the consolidated balance sheet includes the carrying amount of individual items, items included in disposal groups or items forming part of a business unit earmarked for disposal ("discontinued operations"), whose sale in their present condition is highly likely to be completed within one year from the reporting date. Investments in joint ventures or associates that meet the aforementioned requirements are also considered to be non-current assets anddisposal groups classified as held for sale.

Therefore, the carrying amount of these items, which can be of a financial nature or otherwise, will foreseeably be recovered through the proceeds from their disposal, rather than through their continuing use.

Also, property or other non-current assets received by the consolidated entities as total or partial settlement of their debtors' payment obligations to the Group are deemed to be "Non-Current Assets and Disposal Groups Classified as Held for Sale", unless the consolidated entities have decided to classify these assets, on the basis of their nature and intended use, as investment property. Accordingly, at consolidated level the Group recognizes the assets received in full or partial satisfaction of payment obligations uniformly under "Non-Current Assets and Disposal Groups Classified as Held for Sale" in the accompanying consolidated balance sheet.

In general, non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount calculated as at the classification date, once foreclosed assets and assets received in payment of debts have been treated as collateral, and their fair value less estimated costs to sell. Tangible and intangible assets that are depreciable and amortizable by nature are not depreciated or amortized during the time they remain classified as non-current assets and disposal groups classified as held for sale.

Following foreclosure, the reference value of foreclosed assets must be updated, and this amount will be the basis for the fair value measurement. In measuring the fair value of the asset foreclosed or received in payment of debts, the entity assesses whether it is necessary to apply a discount (haircut) to the reference value of the asset due to the specific conditions of the asset itself, such as its location or state of repair, or of the markets for similar assets, such as decreases in the volume or level of activity. In this assessment the entity will take into consideration its experience of sales and the average time similar assets have remained on the balance sheet. The Group has an internal modelfor estimating the haircuts to be applied to the valuation of foreclosed assets. This model uses the historical information available at the entity about sales of foreclosed assets, by segment, and takes into consideration, among other factors, the adjusted appraised valuerecognised, the sale price less costs to sell, the type of asset and the length of time the asset has been recorded in the entity's books.

Based on the results of the periodic retrospective analyses performed, it has beenconcluded that the haircuts estimated using the aforementioned internal model are the best estimate of the cash flows the Group expects to receive as a result of the sale of the foreclosed assets.

Additionally, the Group has carried out an analysis of the fair value of certain assets of the land type or with a period of permanence on the balance sheet of more than five years with the aim of reinforcing the impairment value corrections of said assets, which are mainly in real estate subsidiaries.

If the carrying amount of the assets exceeds their fair value less costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to "Profit or Loss from Non-Current Assets and Disposal Groups Classified as Held for Sale Not Qualifying as Discontinued Operations" in the consolidated statement of profit or loss.If the fair value of such assets subsequently increases, the Group reverses the losses previously recognized and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to that same line item in the consolidated statement of profit or loss.

However, if an asset that has been foreclosed or received in payment of debts remains on the balance sheet for longer than the period initially envisaged in the related disposal plan, this is an unequivocal indication that the Group will not be able to realize this asset at its previously estimated fair value. In this regard, where the Group has defined specific plans for the disposal of particular assets, if the sales are not completed within the planned time frame, no income may be recognized for the reversal of impairment losses on the assets concerned. In any case, regardless of the period envisaged for the disposal of specific assets, no income may be recognized for the reversal of impairment losses on assets that have remained on the balance sheet for more than three years following foreclosure. For assets that have exceeded this three-year threshold, no net income for the reversal of impairment losses recognized in prior years may be recognized in the consolidated statement of profit or loss.

Gains or losses on the sale of non-current assets and disposal groups classified as held for sale are recognized under "Profit or Loss from Non-Current Assets and Disposal Groups Classified as Held for Sale Not Qualifying as Discontinued Operations" in the consolidated statement of profit or loss.

"Liabilities Included in Disposal Groups Classified as Held for Sale" includes the balances payable associated with disposal groups and with the Group's discontinued operations. At 31 December 2022 and 2021, no amounts had been recognized under "Liabilities Included in Disposal Groups Classified as Held for Sale".

u) Inventories

Inventories are non-financial assets held for sale in the ordinary course of business, in the process of production, construction or development for such sale, or to be consumed in the production process or in the rendering of services. Consequently, inventories include the land and other property held for sale in the Group's property development activity.

In the circumstances currently affecting the real estate market, the Kutxabank Group does not intend to use these assets for property development purposes, but rather its strategy is based on selling finished products and further developing the land in order to add to its value and market it at the final stage of land development; as a result, the time frame for selling the assets will depend upon the time required to carry out such development.

Inventories are measured at the lower of cost and net realizable value. Cost comprises all the costs of purchase, costs of conversion and other direct and indirect costs incurred in bringing the inventories to their present location and condition, as well as the borrowing costs that are directly attributable to them, provided the inventories require more than one year to be sold, taking into account the criteria described above for capitalizing borrowing costs of property, plant and equipment for own use. Net realizable value is the estimated selling price of the inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories that are not ordinarily interchangeable and of goods or services produced and segregated for specific projects is determined by identifying their individual costs, and the cost of other inventories is assigned by using the weighted average cost formula.

The amount of any write-downs of inventories to net realizable value -such as those due to damage, obsolescence or reduction of the selling price- and other losses are recognized as an expense in the consolidated statement of profit or loss for the year in which the write-down or loss occurs. Subsequent reversals are recognized in the consolidatedstatement of profit or loss for the year in which they occur. Any write-downs of the carrying amount of inventories to net realizable value and any subsequent reversals of write-downs are recognized under "Impairment or Reversal of Impairment on Non-Financial Assets - Other" in the consolidated statement of profit or loss. Considering that, in terms of both their characteristics and their current use, these assets are similar to foreclosed property assets or property assets received in payment of debts, the Group, in order to determine the net realizable value of its inventories, uses methods similar to those described for such assets in Note 14-t) above.

Income from sales is recognized under "Other Operating Income" when the significant risks and rewards inherent to ownership of the asset sold have been transferred to the buyer, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the asset sold.

The carrying amount of inventories is derecognized, and recognized as an expense in the consolidated statement of profit or loss, in the year in which the income from their sale is recognized. This expense is included under "Other Operating Expenses" in the consolidated statement of profit or loss.

v) Insurance transactions

In accordance with standard accounting practice in the insurance industry, the consolidated insurance entities credit the amounts of premiums to income when the related insurance policies are issued and charge the cost of claims to income on settlement thereof. Insurance entities are therefore required to accrue at period-end the unearned revenues credited to their statements of profit or loss and the accrued costs notcharged to income.

The most significant accruals recorded by the consolidated entities in relation to direct insurance contracts arranged by them are included in the following technical provisions:

- **Provision for unearned premiums**: this provision reflects the gross premium written in a year allocable to future years, less the loading for contingencies.

- **Provision for unexpired risks**: this provision supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered in the policy period not elapsed at the reporting date.

- **Provision for claims outstanding**: this provision reflects the estimated obligations outstanding arising from claims incurred prior to the reporting date -both unsettled or unpaid claims and claims not yet reported-, less payments made on account, taking into consideration the internal and external claim settlement expenses and, where appropriate, any additional provisions required for variances in assessments ofclaims involving long handling periods.

- **Life insurance provision**: in life insurance policies whose coverage period is one year or less, the provision for unearned premiums reflects the gross premium writtenin the year which is allocable to future years. If this provision is insufficient, a supplemental provision is calculated for unexpired risks which covers the assessed risks and expenses expected to arise in the policy period not elapsed at the reportingdate.

- In life insurance policies whose coverage period is more than one year, the mathematical provision is calculated as the difference between the present actuarial value of the future obligations of the consolidated entities operating in this line of insurance and those of the policyholder or the insured, taking as a basis for calculation the "inventory" premium accrued during the year (i.e. pure premium plus a loading for administrative expenses per the technical bases).

- **Provision for life insurance policies where the investment risk is borne by the policyholder**: this provision is determined on the basis of the assets specifically assigned to determine the value of the rights.

- **Provision for bonuses and rebates:** this provision includes the amount of the bonuses accruing to policyholders, insureds or beneficiaries and the premiums to be returned to policyholders or insureds, based on the behavior of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

Elimination of accounting mismatches

In the case of insurance transactions that provide for a share of the profits generated by an associated asset portfolio, or in that of insurance transactions in which the policyholder assumes the investment risk or similar risks, the insurance companies recognized symmetrically, through equity or the consolidated statement of profit or loss, the changes in fair value of the assets classified under "Financial Assets at Fair Value through Other Comprehensive Income" and "Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss".

In addition, in life insurance transactions in which financial immunization techniques are used, when the financial instruments assigned to those transactions are measured at fair value and changes in their fair value are recognized in profit or loss, the mismatch arising from such measurement was eliminated by recognizing changes in the transactions symmetrically, i.e. also through the consolidated statement of profit or loss.

The balancing entry for such fair value changes was the provision for life insurance, where required by the private insurance regulations and other applicable legislation, and a liability item (with a positive or negative balance) for the portion not recognized as a life insurance provision.

The technical provisions for reinsurance assumed are determined using criteria similar to those applied for direct insurance and are generally calculated on the basis of the information provided by the cedants.

The technical provisions for direct insurance and reinsurance assumed are recognized in the consolidated balance sheet under "Liabilities under Insurance and Reinsurance Contracts".

The technical provisions for reinsurance ceded -which are calculated on the basis of the reinsurance contracts entered into and by applying the same criteria as those used for direct insurance- are presented in the consolidated balance sheet under "Assets under Reinsurance and Insurance Contracts".

w) Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities in which the acquirer obtains control over the other entities.

Business combinations are accounted by applying the acquisition method. Under this method, the acquirer recognizes in its financial statements, at their fair values, the identifiable assets acquired and liabilities assumed (also considering any contingent liabilities); this includes any assets or liabilities that had not previously been recognized by the acquiree. This method requires, in turn, an estimation of the cost of the business combination, which is normally the consideration transferred, defined as the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests, ifany, issued by the acquirer.

Thus, at the acquisition date the acquirer assesses any difference between a) the aggregate fair value of the consideration transferred, any non-controlling interest in the acquiree and the acquirer's previously held equity interest in the acquiree, and b) the net amount of the identifiable assets acquired and liabilities assumed, measured at their fair values.

Any excess of the aforementioned is recognized under "Intangible Assets - Goodwill" in the consolidated balance sheet, unless it can be allocated to specific assets and liabilities or identifiable intangible assets of the acquiree. By contrast, any deficiency of a) below b) is recognized under "Negative Goodwill Recognized in Profit or Loss" in the accompanying consolidated statement of profit or loss.

The non-controlling interests in the acquiree are measured at their proportionate share of the acquiree's identifiable net assets. Purchases and disposals of non-controlling interests are accounted for as equity transactions when they do not result in a change of control; no gain or loss is recognized in profit or loss, and the goodwill initially recognized is not remeasured. Any difference between the consideration transferred or received and the decrease or increase in non-controlling interests, respectively, is recognized in reserves.

The Group did not take part in any significant business combinations in 2022 or 2021.

x) Consolidated statement of changes in equity

The consolidated statement of changes in equity presented in these consolidated financial statements shows the total changes in consolidated equity in the year. This information is in turn presented in two statements: the consolidated statement of comprehensiveincome and the consolidated statement of changes in equity. The main characteristics of the information contained in the two statements are explained below:

Consolidated statement of comprehensive income

As indicated above, in accordance with the options provided for by IAS 1, the Group opted to present two separate statements, i.e. a first statement displaying the components of consolidated profit or loss ("consolidated statement of profit or loss") and a second statement which, beginning with consolidated profit or loss for the year, shows the components of other comprehensive income for the year ("consolidated statement of comprehensive income", using the name contained in Bank of Spain Circular 4/2017).

The consolidated statement of comprehensive income presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognized in the consolidated statement of profit or loss for the year and the other income and expenses recognized, in accordance with current regulations, directly in consolidated equity.

Accordingly, this statement presents:

a) Consolidated profit for the year.

b) The net amount of the income and expenses recognized directly in equity as "Items that Will Not Be Reclassified to Profit or Loss".

c) The net amount of the income and expenses recognized directly in equity as "Items that May Be Reclassified to Profit or Loss".

d) Comprehensive income for the year calculated as the sum of letters a) to c) above.

The amount of the income and expenses relating to entities accounted for using the equity method recognized directly in consolidated equity is presented in this statement, irrespective of the nature of the related items, under "Share of Other Recognized Income and Expense of Investments in Joint Ventures and Associates", distinguishing between the amounts that may be reclassified to profit or loss and those that will not.

The changes in income and expenses recognized in consolidated equity under "Accumulated Other Comprehensive Income" are broken down as follows:

a) Gains or (-) losses: includes the amount of the income, net of the expenses incurred in the year, recognized directly in consolidated equity. The amounts recognized in this line item in the year remain there, even if in the same year they are transferred to the consolidated statement of profit or loss, to the initial carrying amount of other assets or liabilities, or are reclassified to another line item.

b) Transferred to profit or loss: includes the amount of the revaluation gains and losses previously recognized in consolidated equity, albeit in the same year, which are recognized in the consolidated statement of profit or loss.

c) Transferred to initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognized in consolidated equity, albeit in the same year, which are recognized in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

The amounts of these items, except as indicated above for the share of other recognized income and expense of entities accounted for using the equity method, are presented gross and the related income tax is included in a separate line item at the end of both the items that may be reclassified to profit or loss and of those items that will not.

Consolidated statement of changes in equity

The consolidated statement of changes in equity presents all the changes in consolidated equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the consolidated equity items, and the changes are grouped together on the basis of their nature into the following items:

a) Effects of corrections of errors and of changes in accounting policies: include the changes in consolidated equity arising as a result of the retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors.

b) Total comprehensive income for the year: includes, in aggregate form, the total of the aforementioned items recognized in the consolidated statement of comprehensive income.

c) Other changes in equity: includes the remaining items recognized in consolidated equity, including, inter alia, increases and decreases in share capital, distribution of profit, transactions involving own equity instruments, equity-instrument-based payments, transfers between consolidated equity items and any other increases or decreases in consolidated equity.

y) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

1. **Cash flows:** inflows and outflows of cash and cash equivalents. Cash equivalents are deemed to be short-term, highly liquid investments that are subject to an insignificant risk of changes in value, irrespective of the portfolio in which they are classified -such as balances with central banks, short-term treasury bills and demand balances with other credit institutions-, and, only when they form an integral part of cash management, bank overdrafts repayable on demand, which will reduce the amount of cash and cash equivalents.

2. **Operating activities:** the principal revenue-producing activities of the Group and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered tobe a financing activity. Activities performed with the various financial instrument categories detailed in Notes 14-e and 14-f above are classified, for the purposes of thisstatement, as operating activities, with certain exceptions, such as those involving subordinated financial liabilities.

3. **Investing activities:** the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments in joint ventures and associates, non-current assets and disposal groups classified as held for sale and liabilities included in those disposal groups.

4. **Financing activities:** activities that result in changes in the size and composition of the consolidated equity and liabilities and which are not operating activities, such as those involving subordinated liabilities.

For the purposes of preparing the consolidated statement of cash flows, "cash and cash equivalents" were considered to be short-term, highly liquid investments that are subject to an insignificant risk of changes in value. Accordingly, the Group considers the items recognized under "Cash, Cash Balances at Central Banks and Other Demand Deposits" in the consolidated balance sheet to be cash and cash equivalents. The cash held by the Group at 31 December 2022 amounted to EUR 6,526,325 thousand (31 December 2021: EUR 5,692,988 thousand) – Note 21.

15. <u>Customer care</u>

Article 17 of Ministry of Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and the Customer Ombudsmen of Financial Institutions ("Order ECO/734/2004") requires customer care departments and services and, where appropriate, customer ombudsmen to submit to the Board of Directors or equivalent governing body, within the first quarter of each year, a report explaining the functions performed by them in the previous year.

In conformity with Article 17 of the aforementioned Order, the Annual Report of the Group's Customer Care Service ("SAC" in spanish) is being prepared, the highlights of which are summarized below:

Quantitative summary of the claims and complaints filed with the Service:

Claims and complaints submitted by customers to the Customer Service ("SAC") corresponding to the Kutxabank Group, during the 2022 financial year amounted to 13,443 (12,314 during the 2021 financial year), having been admitted for processing 12,873 (12,005 in the financial year 2021), of which 7,496 (8,021 in 2021) have been resolved in favor of the Group and 4,081 in favor of the financial user (3,956 in 2021). 1,296 files are pending resolution (28 in the financial year 2021).

After the publication and entry into force of Circular 4/2021, of November 25, of the Bank of Spain, to credit institutions and other supervised entities, on models of reserved statements regarding market conduct, transparency and protection of clientele, and regarding the registration of claims, as of July 1, 2022, the products and reasons that identify and classify the complaints and claims filed by customers and users of financial institutions are modified. Therefore, these are not directly comparable with those presented to date, which is why only the data for the 2022 financial year is presented, although the type of claims and complaints presented has been similar in both years.

The detail, by reason, of the claims and complaints filed is as follows:

	2022
Expenses and commissions.	39.23%
Information and documentation.	2.33%
Processing.	4.34%
Cross selling.	9.92%
Disagreement.	18.26%
Interest (ordinary, delay)	2.54%
Contractual modification and resolution	0.74%
Internal fraud and other	3.40%
Related to investment products, insurance and other	0.56%
Other	18.68%
	100.00%

At 31 December 2022, expenses amounting to EUR 436 thousand had been paid back through the SAC.

The above data exclude:

- The claims for mortgage land analyzed in accordance with RD Law 1/2017, which have risen to 538 in the 2022 financial year. All the claims received were admitted for processing, 176 were resolved in favor of the Entity and 356 in favor of the financial user. There are 6 pending resolution. In 2021, 373 claims were received through this channel, all claims being admitted for processing, of which 235 were resolved in favor of the Group and 138 in favor of the financial user (Note 34).

- The claims for mortgage loan formalization expenses, which have risen in the years 2022 and 2021 to 10,414 and 19,540, respectively. Admitted for processing 10,407 claims received, 1,492 have been resolved in favor of the Group and 8,847 in favor of the financial user, leaving the rest, 68, pending resolution at the closing date (Note 34).

Performance of the Service and improvement measures adopted to meet customer requirements

The Kutxabank Group's SAC is attached to the Legal Advisory Department and the Government Bodies Technical Secretary, depending from the Chairman's Office. The SAC receives, analyses, handles and responds to the complaints and claims filed by financial users, in conformity with certain procedures which comply with the requirements of Ministerial Order ECO/734/2004 and the Parent Kutxabank CustomerOmbudsman Regulations.

The SAC prepares the Annual Report using information on the complaints and claims received and on their evolution and reasons, and submits it to the competent governing bodies.

During 2022, as well as previous years, SAC resolutions have adjusted to judicial and supervisory authorities pronouncements, as well as regulatory updates.

The actions taken to improve all aspects of customer service quality are communicated tothe areas concerned and the related follow-up work is performed in conjunction with them.

16. Credit risk

Credit risk is defined as the possibility of the Kutxabank Group incurring a financial loss stemming from the failure of third parties to meet their contractual obligations to the Group due to insolvency or for other reasons.

This category includes counterparty risk, which is linked to treasury operations and isgenerally assumed vis-à-vis other financial institutions, and country risk, which refers to defaults caused by specific circumstances relating to the country and/or currency of the borrower which are beyond the borrower's control and are unrelated to its creditworthiness.

Ultimate responsibility for credit risk at the Kutxabank Group lies with its senior executive bodies, i.e. the Executive Committee and the Board of Directors, which are charged with the approval of large transactions and the policies and criteria to be applied.

These bodies receive proposals from the Risk Committee, which comprises the CEO, the Corporate Financial and Group General Manager, the Wholesale Business General Manager and the Risk Manager as permanent members.

The Retail and Wholesale Credit Risk Policies documents approved by the Board of Directors on October 29, 2020, include the basic principles to be respected when granting risk operations to customers responsibly. After considering Climate and Environmental Risk (Physical and/or Transition Risk) as a risk factor underlying Credit Risk, in the second half of 2022 Kutxabank's Retail and Wholesale Credit Risk Admission Policies have been updated and Cajasur Banco SAU They have been approved by the Boards of Directors of both entities, on December 29, 2022 in the case of Kutxabank and on January 19, 2023 in the case of Cajasur.

During the second half of 2021, both the Recovery Management Policy and the Refinancing and Restructuring Operations Policy of the Kutxabank Group were updated. This last Policy defines the refinancing and restructuring operations and includes the indicators of signs of financial difficulties of the client and its operations.

The design and implementation of the credit risk policies and procedures are the responsibility of the Risk Policy, Monitoring and Control department, which forms part of the Risk Division.

The management and control systems established to assess, mitigate and reduce credit risk are generally based on the procedures set forth below and on prudent policies relating to risk diversification, reduction of counterparty risk concentration and acceptance of guarantees.

Likewise, the Kutxabank Board of Directors approved the Kutxabank Group Counterparty Risk Policy document on November 29, 2018.

Loan analysis and approval

In order to optimize business opportunities with each customer and guarantee an adequate degree of security, responsibility for loan approval and risk monitoring is shared between thebusiness manager and the risk analyst attached to the Loan Approval departments (for large,company and retail exposures), thus permitting, through efficient communication, an integrated view of each customer's situation and a coordinated management of risk.

The Credit Risk Policies address the three basic pillars supporting the analysis in loan granting: knowledge of the client, ability to pay and quality of the guarantees.

The Policies detail the general risk admission process for our clients, through the internal scoring models implemented for individuals and internal rating models for companies. All of this is based on a set of principles, rules and limitations, both general and specific, that managers must respect when granting credit risk operations. In recent years, new versions of the mortgage admission model have been implemented, the behavioral model (proactive) on which the admission of pre-approved loans is based, and the Business Rating model, generating a new Rating Level (NICAL) for companies with a turnover of up to €100MM. All the new versions of the scoring, mortgage admission and behavior models were validated and reviewed by the independent control areas: Internal Validation and Internal Audit. They have been reviewed and approved by the corresponding bodies: Models Committee and Board of Directors.

The Kutxabank Group has defined a model of delegated powers which establishes a risk approval limit based on the type of risk, type of guarantee, purpose, and loan-to-value (LTV)ratio, and which is subject to an overall limit by customer/group. In the case of individual customers, these limits are also defined on the basis of the reports issued by the various rating (scoring) models in place. Incorporates, allocation limits are comprised by NICAL. These powers are conferred on a personal basis and maynot be delegated.

If the operations exceed the risk attributions delegated to the managers and branch directors, they are analyzed by the Central Risk Admission Area, which authorizes the operations, if applicable, based on its delegated risk attributions, or performs the corresponding approaches to the higher levels for authorization: Corporate, Financial and Group General Manager, CEO and Executive Committee/Board of Directors, previously supervised by the Risk Committee for the latter decision-making bodies.

As an essential resource in credit risk management, the Kutxabank Group seeks to ensure that loan assets acquired or arranged by the Group have collateral and other types of credit enhancement in addition to the debtor’s personal guarantee in order to proceed risk concession.

Valuation of guarantees

Effective guarantee policy and real state guarantees of Group Kutxabank were authorized by the Board of Directors the 25 June 2020. It is stated the requirements for the consideration of effective guarantees, as well as the frequency and valuation techniques por real estate appraisal.

Collateral and personal guarantees are considered to be effective guarantees provided that they are valid as risk mitigators based, inter alia, on the time required to enforce, the ability to realize, and the experience in realizing the guarantees.

The collateral received is valued on the basis of its nature. Generally, collateral in the form ofreal estate is valued at its appraisal value, calculated by independent entities in accordance with Bank of Spain regulations at the transaction date. This collateral is subject to periodic valuation in the form of complete re-appraisals, statistical revisions or indexing the value thereof to public industry indices; collateral in the form of securities listed in active marketsis valued at the quoted price of these securities, adjusted by a percentage to protect against possible fluctuations in the market value that might jeopardize the risk cover; and lastly, collateral in the form of pledged deposits is measured at the value of these deposits and, in the case of foreign currency deposits, is translated using the exchange rate at the date ofmeasurement.

When considering whether personal guarantees are effective for the approval of credit transactions, the Bank takes into account the borrower's solvency adequately supported by the relevant documentation and, in particular, any guarantees provided by guarantorsidentified as being of negligible risk or by guarantors considered by the Kutxabank Group to be significant customers. Personal guarantees considered acceptable are included in the calculation, both on an individual and collective basis, of the required allowance for non-performing transactions.

Where effective personal guarantees are received, direct debtors may be replaced byguarantors for the purpose of calculating the related allowance.

Instrumentation

Transaction instrumentation and legal support procedures are specialized so that they can respond to the various customer segments. They include a process featuring customized risk management and advisory services for large transactions, and another process, involving thepreparation and supervision of various model agreements for the arrangement of standard transactions, which is decentralized across the network.

Monitoring credit risk

The credit risk management policies also envisage the development of methodologies,procedures and criteria for the monitoring and control of credit risk, including the classification of transactions and the estimation of the required allowances.

The risk monitoring procedures enable the Group to perform both an individual control by customer, customer group or large exposure, and a general control by segment:

- Monitoring individual customers: Customers are monitored on a monthly basis usinga specific statistical model (proactive or behavioral scoring).

- Monitoring companies: Companies are monitored on a regular basis using an internalrating model, while taking into account the statistical rating model.

- Automatic alert system for all Kutxabank Group customers. Managers monitor customers' operations as part of their direct dealings with customers and their handling of their day-to-day operations; also, managers and risk analysts haveaccess to monitoring data on customers, portfolios and centers through the automatic alert system in place at the Group, where the alerts warn, among others, of low scoring and rating levels and the duration of low scoring and rating levels. Additionally, there are transition matrices that the Network can consult and review at the client level to analyze the operations whose Scoring/Rating has worsened.

- Case-by-case monitoring: The Group has a specialized unit for monitoring significant customers and for estimating on an individual basis the allowances required to cover the impairment of loans to these customers classified as under special monitoring or as non-performing. The risk analyst's individual assessment is conducted for refinancing transactions (refinancing, refinanced and restructured transactions) of more than EUR 250,000 and transactions belonging to a customer/group considered to be significant, i.e., a customer with an aggregate exposure of more than EUR 3,000,000 or which, having a standalone aggregate exposure of more than EUR 100,000, belongs to an economic group including a borrower with an aggregate exposure of more than EUR 3,000,000.

- Collective monitoring: This is a monthly monitoring of the internal models developed by the Department of Methodology and Development of Internal Models and based on quantitative methodologies based on the historical experience of observed losses, for the classification and estimation of provisions outside the scope of individualized follow-up. This implies a monthly review of the classification and allocations calculated by the collective process.

- Developer risk. The Group has a specialized unit for the monitoring of risk associated with the property industry which controls and assesses the smooth progress of the property projects it finances in order to anticipate any problems concerning their execution.

- Significant increase in risk (SIR). The Group has a system for the identification of SIRwhich is based on a series of indications that entail a change in the classification of the transactions for accounting purposes as described in Note 14-h.

- COVID-19 monitoring: As COVID-19 spread, and the economic crisis along with it, the Group reinforced its management information in order to monitor its portfolio of credit exposures. Notably, it drew up portfolio performance reports by sector, lists of exposures whose borrowers are receiving some form of unemployment benefits and the dashboard of transactions subject to COVID-19 measures of any kind (payment moratoria and state guarantees), which can be consulted daily to follow up by center/portfolio/manager, type of moratorium/guarantee, sector, management measure/priority, maturities, classification for accounting purposes, payment status; it is even feasible to drill down by individual contract.

- Indicators of financial difficulties: Tool included in Besaide and used by the Network to help identify whether a client has financial difficulties or not, by analyzing the client's ability to pay, their solvency and indebtedness levels. This allows the correct identification of a refinancing and/or restructuring measure or, on the contrary, a renegotiation and/or renewal.

Since 1 January 2018, the Kutxabank Group has developed and implemented internal(statistical) models to estimate expected credit losses and the related loss allowance on a collective basis. The parameters making up these models are based on the scores and ratings used by the Kutxabank Group for risk management purposes and have been validated by the independent Internal Validation Unit and approved by the related internal bodies. In 2020, those models' parameters were adjusted for the new macroeconomic scenarios defined by the Bank of Spain and other regulators as a result of COVID-19.

The Group has incorporated into its PD and LGD models the new macroeconomic scenarios estimated internally in September 2022. These scenarios have been approved by the Governing Bodies of the Parent Entity in September 2022, updating those that were previously approved in May 2022, and in January 2022 for use in financial and capital planning. As detailed in Note 14.h, the projections of its PD and LGD parameters in accordance with these scenarios leave aside the adjustments applied during the pandemic, having become obsolete by not responding to the current situation reflected in the latest macroeconomic scenarios.

With regard to the Group's credit exposures directly contracted with individuals and/or legal entities from the countries participating in the war between Russia and Ukraine, it should be noted that these are absolutely marginal levels.

Non-performing transactions subject to collective estimates of the allowances for which effective personal guarantees are provided by guarantors identified as being of negligible risk or with significant transactions may be subject to individual estimates of the allowances taking those guarantees into account. Also, non-performing transactions subject to collective estimates of the allowances for which effective personal guarantees other than those mentioned above are provided and ordinary transactions for which effective personal guarantees are provided may be subject to collective estimates of the allowances by attributing the guaranteed amount to the guarantor for the purposes of calculating the allowance covering the transaction.

The Model Map discloses all the expected loss models by level of criticality and materiality (TIER), which is the basis for establishing the frequency of follow-up and re-estimation. Kutxabank Group has a model risk control environment, in which the Models Committee plays a fundamental role.

The Methodology and Internal Model Development Unit is responsible for developing the approval models for individual customers and companies (scores and ratings), the monitoring models (behavioral scoring and credit rating for companies) and the parameter models to be used to estimate expected credit losses. For estimating provisions and for capital adequacy purposes. Those models are validated by an independent Internal Validation Unit and approved by the corresponding internal bodies. On the other hand, both the Internal Audit Department of the Parent Entity and the Internal Validation Department carry out a follow-up of the recommendations and suggestions detailed in the validation reports and audit reports made by said control areas. In addition, during 2022 Internal Validation has carried out recurring validations of the Rating Systems and Internal Audit has carried out different reviews on the monitoring of the Ordering Models (scorings and ratings), on the monitoring of parameters, on the classification of credit operations (staging) according to IFRS9, on the quality of the data of variables and on the governance of models.

Also, the main function of the Unproductive Asset Management Committee is to ensure appropriate management of unproductive assets in line with the Kutxabank Group's strategy from a global, transversal standpoint and, on a regular basis, monitor compliance with the objectives defined in terms of managing and reducing unproductive assets.

Loan recovery

Primary responsibility for managing pre-delinquency lies with the business lines. The powers for the resolution of transactions involving a change of the initial terms and conditions of contracts in financial difficulties lie with the Central Recovery Unit, in line with its delegated powers.

The establishment of efficient management procedures for loans outstanding facilitates the management of past-due loans by making it possible to adopt a proactive approach based on the early identification of loans with a tendency to become non-performing and the transfer thereof to recovery management specialists who determine the types of recovery proceduresthat should be applied.

Information systems provide daily information on the individual and global situation of managed risks, supported by various indicators and alerts that facilitate efficient management.

The Recovery Unit has managers who specialize in monitoring and supporting the decentralized recovery management function at branches, which includes pre-delinquency measures and support from specialized external companies and lawyers specializing in the recovery of delinquent loans through the courts.

Refinancing

Without prejudice to the above, the Kutxabank Group has been applying measures to mitigate the impact of the crisis on borrowers experiencing temporary difficulties in repaying their debts. The main principle is that debtors who are clearly willing to meet their obligations should be aided in doing so.

The basic objectives of the debt refinancing and restructuring policy are to adapt the repayment schedule to the actual capacity of the debtor and to strengthen the guarantees in the transactions handled.

The analysis and handling of these transactions are tailored to suit each type of debtor, with the powers to resolve the transactions being centralized to a high degree in the Risk and Loan Recovery areas, depending on the segment to which they belong.

The instruments used are the lengthening of terms and the introduction of cure periods in mortgage transactions, as well as the obtainment of new collateral to secure repayment of the mortgages or of other previously unsecured loans.

The Bank has also established for this portfolio a specific system to monitor it on an individual basis and classify it for accounting purposes as indicated above in the section about monitoring.

Policies and procedures relating to mortgage market activities

Regarding the Mortgage Market, and in accordance with the provisions of Royal Decree-Law 24/2021, of November 2, on covered bonds, which repeals Law 2/1981 on the Regulation of the Mortgage Market, Royal Decree 716/2009 and Bank of Spain Circular 7/2010 and as well as Law 1/2013 of May 14 on measures to strengthen the protection of mortgage debtors, debt restructuring and social rental, the Group has established in its different processes, precise controls in order to guarantee compliance with the requirements established by the regulations in the different phases of admission, instrumentation, monitoring and control of operations that have a mortgage guarantee.

Also, the new Real Estate Credit Law, which is a transposition of European Union Directive 2014/2017, came into force on 16 June 2019. This Law seeks to increase customer protection throughout the mortgage process, requiring financial institutions, inter alia, to provide customers with pre-contractual information that is clear and comprehensible and to ensure that the product is adapted to their needs, thus fostering transparency and legal certainty. The Group has made the necessary changes to adapt to the requirements of this law by the deadline.

The Bank's directors are responsible for ensuring the compliance of the policies and procedures approved in relation to the mortgage market. These procedures place particular emphasis on the following points, inter alia:

- A viability analysis must be performed of any authorized or proposed transactionsand of the related guarantees. The file for all transactions must contain the documentation and information required to support the transaction and, particularly, to assess the customer's ability to pay (evidence of recurring income for individuals and statements of profit or loss in the case of companies) and the guarantees relating to the transaction (statement of assets for individuals, financial statements for companies and up-to-date appraisals for mortgage transactions).

- The delegated risk delegation attributions take into account the relationship between the amount of the loan and the appraisal value of the mortgaged property, as well as all the additional guarantees that may exist in the operation. The policies establish, based on the types of guarantees, maximum levels to be financed based on the Loan to Value (LTV) of the operations.

The Group authorizes appraisals performed by the leading valuers within the area of operations of its branch network. The main valuers used are Servicios Vascos de Tasaciones, S.A. and Tasaciones Inmobiliarias, S.A.

COVID-19 crisis related adopted measures

In order to minimize the medium and long-term impacts of the COVID-19 pandemic, and of the measures adopted to contain it, during the 2020 and 2021 financial years the Government implemented a series of measures to support the productive and social fabric , minimize the negative impact and maintain a base on which to maximize economic activity, which include, among other issues, the establishment of legal and non-legal moratorium as well as publicly guaranteed liquidity lines.

Below is the gross amount of operations with some type of payment moratorium, whether granted under legal measures, the Sector Agreement or both, which have been formalized, as well as a breakdown of those already expired and the residual maturity of those granted and still in force as of December 31, 2022 and 2021:

		2022							
		Thousand of euros							
		Gross amount							
					Residual expiration of the moratorium				
	Customers	Total	Of which legal moratorium	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a moratorium has been requested	9,295	914,110							
Loans and advances subject to moratorium (granted)	8,324	820,671	330,944	820,671	-	-	-	-	-
Of which: households		811,473	321,745	811,473	-	-	-	-	-
Of which: guaranteed by residential properties		762,758	306,957	762,758	-	-	-	-	-
Of which: Non-financial corporations		9,199	9,199	9,199	-	-	-	-	-
Of which: PYMES		9,023	9,023	9,023	-	-	-	-	-
Of which: Secured by commercial real state		7,665	7,665	7,665	-	-	-	-	-

As of December 31, 2022, all the operations granted with some type of moratorium have expired, with the gross amount of those classified in Stage 1 amounting to 540,065 thousand euros, 242,451 thousand euros in Stage 2 and 38,155 thousand of euros classified as Stage 3.

		2021							
		Thousand of euros							
		Gross amount							
					Residual expiration of the moratorium				
	Customers	Total	Of which legal moratorium	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a moratorium has been requested	9,848	1,013,068							
Loans and advances subject to moratorium (granted)	8,810	907,287	367,983	905,378	1,909	-	-	-	-
Of which: households		896,013	356,709	894,160	1,853	-	-	-	-
Of which: guaranteed by residential properties		837,542	337,472	835,880	1,662	-	-	-	-
Of which: Non-financial corporations		11,275	11,275	11,219	56	-	-	-	-
Of which: PYMES		10,671	10,671	10,615	56	-	-	-	-
Of which: Secured by commercial real state		9,011	9,011	9,011	-	-	-	-	-

The gross amount of operations with some type of payment moratorium, whether granted under legal measures, the Sector Agreement or both, which have been formalized and had already expired as of December 31, 2021, amounted to 905.378 thousand euros, of which the gross amount of those classified as Stage 1 amounted to 584,562 thousand euros, 287,312 thousand euros in Stage 2 and 33,504 thousand euros classified in Stage 3.

The operations shown in the previous tables have been carried out following both the provisions of the regulations set forth in Royal Decrees Law 8/2020, 11/2020, 25/2020, 26/2020 and 3/2021 as well as in the guidelines and sector agreements .

Additionally, the Group has granted operations backed by public support measures for companies and the self-employed introduced in response to the COVID-19 crisis. The table below presents information as of December 31, 2022 and 2021 of said operations:

	2022			
	Thousands of euros			
	Gross amount		Maximum amount of the guarantee that can be considered	
	Total	of which: refinancings	Public guarantees received	Doubtful gross amount
New operations granted backed by public support measures	433,506	221,086	363,825	5,883
Of which: Self-employed	20,090	5,931	18,151	104
Of which: Guaranteed by residential properties	-	-	-	-
Of Which: Non-Financial corporations	413,347	215,155	345,612	5,779
Of which: SMEs	267,570	129,278	242,056	4,523
Of which: Secured by commercial real state	-	-	-	-

The outstanding gross amount as of December 31, 2022 of the operations supported by public support measures for companies and the self-employed introduced in response to the COVID-19 crisis, amounts to 433,506 thousand euros, of which the gross amount of those are classified in Stage 1 amounts to 164,374 thousand euros, 263,249 thousand euros in Stage 2 and 5,883 thousand euros classified in Stage 3.

	2021			
	Miles de Euros			
	Gross amount		Maximum amount of the guarantee that can be considered	
	Total	of which: refinancings	Public guarantees received	Doubtful gross amount
New operations granted backed by public support measures	516,841	268,163	430,377	3,744
Of which: Self-employed	26,707	7,505	24,171	56
Of which: Guaranteed by residential properties	-	-	-	-
Of Which: Non-Financial corporations	490,062	260,658	406,139	3,688
Of which: SMEs	332,175	154,151	298,308	3,688
Of which: Secured by commercial real state	-	-	-	-

The outstanding gross amount as of December 31, 2021 of the operations supported by public support measures for companies and the self-employed introduced in response to the COVID-19 crisis, amounted to 516,841 thousand euros, of which the gross amount of those 218,076 thousand euros were classified in Stage 1, 295,021 thousand euros in Stage 2 and 3,744 thousand euros classified in Stage 3.

The public support measures presented in the table above include:

a) Guarantees of the ICO Covid-19 Line, provided for in Royal Decree-Laws 8/2020, 25/2020, 34/2020, 5/2021 and in the development of the Code of Good Practices, approved on May 11, 2021 by the Agreement of the Council of Ministers and provided for in RDL 5/2021. Companies and the self-employed have access to these guarantees through their financial institutions, through the formalization of new financing operations or renewal of existing ones, with the guarantee of the ICO in a percentage that, in the case of new operations, ranges between 70% and 80%, depending on the characteristics of the affected company or self-employed person and which amounts to 60% for renewal operations. The Entity pays the ICO an annual commission on the guaranteed amounts. The number of operations granted by the Group for the self-employed, SMEs and other companies amounts to 2,728 as of December 31, 2022, with an outstanding balance as of that date of 293,214 thousand euros, and an ICO guarantee amount of 223,100 thousand euros (2,766 operations as of December 31, 2021, with an outstanding balance as of that date of 352,538 thousand euros, and an ICO guarantee amount of 266,073 thousand euros).

b) In addition, various regional governments, mainly the Basque Government and the Junta de Andalucía in what affects the Group's scope of action, have also developed extraordinary urgent measures for lines of financing through action agreements formalized with Elkargi, SGR (in the case of the Basque Government) and SGR Guarantee (in the case of the Junta de Andalucía) aimed at meeting the liquidity needs of SMEs and the self-employed that allow them to maintain economic activity. The number of operations approved by the Group for the self-employed, SMEs and other companies for this type of guarantee amounts to 2,062 as of December 31, 2022, for an amount of 140,292 thousand euros, fully guaranteed with the guarantees received. (2,125 as of December 31, 2021, with an amount of 164,304 thousand euros, fully guaranteed with the guarantees received).

The Group considers that the ICO, Elkargi, SGR and SGR Garantía form a substantial part of the guaranteed financing, since they are in any case new operations or renewals of existing credit lines with substantial modifications to the original conditions. Therefore, the accounting treatment applied to them is based on the following premises: (i) the commission paid by the Group to the ICO is included as an incremental cost in the calculation of the effective interest rate of the operation as indicated in paragraph B5 .4.1 of IFRS 9, and (ii) the flows that are expected to be obtained as a result of the possible execution of the guarantee are taken into account in the calculation of the expected loss of the operation.

Measures adopted in relation to the economic and social consequences of the war in Ukraine

Due to the rise in interest rates derived from the crisis of the war in Ukraine the Council of Ministers approved Royal Decree-Law 19/2022 of November 22 which modifies Royal Decree-Law 6/2012, of March 9 (“Code of Good Practices”), on urgent measures to protect mortgage debtors without resources.

The main modifications introduced by the aforementioned Royal Decree-Law include:

- The modification of the current Code of Good Practices that mainly affects the possibility of requesting a new restructuring, application of lower rates to operations and extension of the term up to 24 months for request a dation in payment.
- Creation of a new Code of Good Practices of a temporary and transitory nature until December 31, 2024, which includes, among others:
  - Extension of the term of the operation up to 7 years with a total term limit of 40 years.
  - Conversion of the formula for calculating interest of the initial loan, going from a formula subject to a variable rate to one at a fixed rate.

The Group has maintained its adherence to the existing one and has adhered to the new Code of Good Practices with effect from December 23, 2022.

Counterparty risk

With respect to its treasury activities, the Parent has exposure limits per counterparty which avoid a high level of concentration vis-à-vis any single financial institution. In the case of derivative instruments, the portion of the limit used is calculated on the basis of both the value of present claims (positive replacement value) and a measure of the potential risk that might arise from the favorable performance of this replacement value in the future.

The Group uses netting and collateral arrangements entered into with counterparties as a risk mitigation policy in this connection. At 31 December 2022, the deposits received and advanced as collateral amounted to EUR 2,110 thousand and EUR 365,017 thousand, respectively, and these amounts are recognized under "Financial Liabilities at Amortized Cost - Deposits - Credit Institutions" and "Financial Assets at Amortized Cost – Loans and Advances - Credit Institutions", respectively, in the consolidated balance sheet (31 December 2021: EUR 25,795 thousand and EUR 498,588 thousand, respectively) (see Notes 33-b and 25-b.1).

Risk control

The lines of action described are developments aimed at aligning the Group's risk processes with the legislation and regulations in force at any given time. Accordingly, the Group is committed to continuously improving the design and implementation of the tools and procedures for a more efficient treatment of customer credit risk in all its processes, which will guarantee certain standards in the quality of service and rigor in the criteria used, with the ultimate aim of preserving the Bank's solvency and contributing value to it.

The Risk Control Committee is responsible for systematically reviewing exposure to the main types of risk, controlling and supervising the risk management system and analyzing and evaluating proposals relating to risk management strategy and policies.

The Internal Audit Department checks effective compliance with the aforementioned management policies and procedures and assesses the adequacy and efficiency of the management and control activities of each functional and executive unit. To this end, it performs periodic audits of the centers related to credit risk, which include an analysis of loan recoverability and of the appropriate loan classification for accounting purposes. The information obtained from these audits is sent to the related executive bodies and to the Parent's Audit and Regulatory Compliance Committee.

At 31 December 2022 and 2021, almost the entire population of the outstanding loans to and receivables from customers were with counterparties resident in Spain.

The information on the guarantees and collateral associated with customer transactions is included in Note 25.

Following is a detail of the maximum level of credit risk exposure assumed by the Group at 31 December 2022 and 2021, by type of financial instrument, without deducting collateral or any other credit enhancements received to ensure the compliance of debtors with their obligations:

At 31 December 2022

	Thousands of euros							
	Asset balances							
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives – hedge accounting	Off-balance sheet exposures	Total
Loans and advances - Credit institutions	-	-	-	-	585,478	-	-	585,478
Debt securities	-	14,850	-	3,930,614	3,688,125	-	-	7,633,589
Loans and advances - Customers	-	-	-	-	46,627,332	-	-	46,627,332
Derivatives	52,042	-	-	-	-	33,874	-	85,916
Total	**52,042**	**14,850**	**-**	**3,930,614**	**50,900,935**	**33,874**	**-**	**54,932,315**
Guarantees given: Financial guarantees given	-	-	-	-	-	-	370,209	370,209
Other guarantees provided	-	-	-	-	-	-	2,299,997	2,299,997
Total guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**2,670,206**	**2,670,206**
MAXIMUM LEVEL OF CREDIT RISK EXPOSURE	**52,042**	**14,850**	**-**	**3,930,614**	**50,900,935**	**33,874**	**2,670,206**	**57,602,521**

At 31 December 2021

	Thousands of euros							
	Asset balances							
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives – hedge accounting	Off-balance sheet exposures	Total
Loans and advances - Credit institutions	-	-	-	-	501,109	-	-	501,109
Debt securities	-	21,683	-	4,435,862	2,132,909	-	-	6,590,454
Loans and advances - Customers	-	-	-	-	47,516,159	-	-	47,516,159
Derivatives	61,770	-	-	-	-	47,854	-	109,624
Total	**61,770**	**21,683**	**-**	**4,435,862**	**50,150,177**	**47,854**	**-**	**54,717,346**
Guarantees given: Financial guarantees given	-	-	-	-	-	-	421,447	421,447
Other guarantees provided	-	-	-	-	-	-	2,018,723	2,018,723
Total guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**2,440,170**	**2,440,170**
MAXIMUM LEVEL OF CREDIT RISK EXPOSURE	**61,770**	**21,683**	**-**	**4,435,862**	**50,150,177**	**47,854**	**2,440,170**	**57,157,516**

Following is a detail, for the financial instruments relating to "Customers" classified as standard risk, of the credit risk exposure covered by each of the main classes of collateral and other credit enhancements held by the Group at 31 December 2022 and 2021:

At 31 December 2022:

	Thousands of euros					
	Property mortgage guarantee (Note 25.b.2)	Secured by cash depositsand fixed-income securities (Note 25.b.2)	Other collateral (Note 25.b.2)	Guaranteed by financial institutions	Guaranteed by other entities	Total
Customers	32,644,925	31,906	119,520	320,079	870,920	33,987,350

At 31 December 2021:

	Thousands of euros					
	Property mortgage guarantee (Note 25.b.2)	Secured by cash depositsand fixed-income securities (Note 25.b.2)	Other collateral (Note 25.b.2)	Guaranteed by financial institutions	Guaranteed by other entities	Total
Customers	33,072,595	38,611	133,882	324,222	907,355	34,476,665

Also, following is a detail, for the financial instruments relating to "Customers", of the credit risk exposure covered by collateral, based on the activity sector to which they belong and on the loan-to-value (LTV) ratio calculated using the value of the Group's collateral at 31 December 2022 and 2021:

(Thousands of euros)	TOTAL	Of which: property mortgage guarantee	Of which: other collateral	Secured loans. Loan to value ratio				
				Less thanor equal to 40%	More than 40% and less than or equal to 60%.	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
2022								
Public sector	5,164,652	27,780	3,455	8,641	12,942	6,821	2,361	470
Other financial companies and individual traders	144,854	54,703	1	9,375	44,293	558	58	420
Non-financial companies and individual traders	8,620,420	1,988,143	75,500	912,045	718,927	205,850	71,555	155,266
Construction and property development	525,093	525,014	-	309,302	162,699	8,054	19,902	25,057
Civil engineering construction	334,212	11,352	315	5,690	4,010	1,280	319	368
Other purposes	7,761,115	1,451,777	75,185	597,053	552,218	196,516	51,334	129,841
Large companies	5,305,211	158,774	26,602	52,505	60,805	9,306	1,571	61,189
SMEs and individual traders	2,455,904	1,293,003	48,583	544,548	491,413	187,210	49,763	68,652
Other households	32,211,684	29,823,606	77,514	6,213,643	10,009,969	11,272,319	1,431,968	973,221
Residential	29,570,561	29,202,843	55,159	5,901,148	9,837,990	11,179,704	1,403,919	935,241
Consumer loans	1,343,733	92,487	5,853	43,625	26,375	15,441	6,530	6,369
Other purposes	1,297,390	528,276	16,502	268,870	145,604	77,174	21,519	31,611
TOTAL (*)	**46,141,610**	**31,894,232**	**156,470**	**7,143,704**	**10,786,131**	**11,485,548**	**1,505,942**	**1,129,377**
Refinancing, refinancedand restructured transactions	1,007,482	603,128	19,244	138,365	159,362	112,099	76,845	135,701

(*) Total balances excluding "Advances other than loans" for a net amount of 485,722 thousand euros (see Note 25)

(Thousands of euros)	TOTAL	Of which: property mortgage guarantee	Of which: other collateral	Secured loans. Loan to value ratio				
				Less thanor equal to 40%	More than 40% and less than or equal to 60%.	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
2021								
Public sector	4,783,485	31,125	3,547	8,205	16,702	5,093	999	3,673
Other financial companies and individual traders	146,911	49,102	12	25,917	13,881	8,782	92	442
Non-financial companies and individual traders	8,244,640	1,856,461	90,633	734,483	678,558	306,889	64,876	162,288
Construction and property development	*376,608*	*376,498*	-	*98,389*	*138,046*	*69,227*	*18,971*	*51,865*
Civil engineering construction	*318,590*	*12,982*	*858*	*6,299*	*3,268*	*2,556*	*733*	*984*
Other purposes	*7,549,442*	*1,466,981*	*89,775*	*629,795*	*537,244*	*235,106*	*45,172*	*109,439*
Large companies	*4,682,613*	*75,630*	*28,373*	*26,577*	*37,249*	*9,546*	*6,985*	*23,646*
SMEs and individual traders	*2,866,829*	*1,391,351*	*61,402*	*603,218*	*499,995*	*225,560*	*38,187*	*85,793*
Other households	33,852,722	31,567,490	94,752	5,832,795	8,725,531	13,429,495	2,427,355	1,247,066
Residential	*31,209,441*	*30,847,627*	*62,398*	*5,496,644*	*8,521,877*	*13,308,640*	*2,395,468*	*1,187,396*
Consumer loans	*1,283,728*	*109,906*	*7,850*	*47,773*	*33,333*	*20,593*	*10,170*	*5,887*
Other purposes	*1,359,553*	*609,957*	*24,504*	*288,378*	*170,321*	*100,262*	*21,717*	*53,783*
TOTAL (*)	**47,027,758**	**33,504,178**	**188,944**	**6,601,400**	**9,434,672**	**13,750,259**	**2,493,322**	**1,413,469**
Refinancing, refinancedand restructured transactions	1,226,362	708,212	19,767	141,683	196,438	158,739	85,347	145,772

(*) Total balances excluding "Advances other than loans" for a net amount of 488,401 thousand euros (see Note 25)

The Group has implemented various models and tools to support the assessment and management of the credit risk exposure to customers.

Since most of these assets relate to lending to individuals and SMEs, only a small portion of the loan portfolio has external ratings. The following table includes credit exposure, without considering valuation adjustments, broken down by ratings equivalent to those granted by approved external agencies:

	2022		2021	
	Thousands of euros	%	Thousands of euros	%
Investment grade				
AAA to AA-	1,056,180	2.19%	958,286	1.99%
A+ to a-	1,679,088	3.49%	965,757	2.01%
BBB+ to BBB-	3,842,323	7.97%	1,952,737	4.06%
Non-investment grade				
Below BBB-	612,985	1.27%	-	-
Unrated	41,000,014	85.08%	44,213,930	91.94%
Total	**48,190,590**	**100.00%**	**48,090,710**	**100.00%**

The balances with a rating in the above table relate mainly to the Very Large Companies and Corporate segments and to Institutional Banking customers.

For other segments, the Group has models to estimate expected credit losses. In particular, the Group has estimated PD parameters based on the credit rating models for individuals and companies (scores and ratings). In the case of retail exposures, the Group has proactive scoring tools (specifically, the customer monitoring model as part of behavioural scoring) for individuals and, in the case of SMEs and Microbusinesses, rating levels based on corporate ratings.

A breakdown, by PD tranche, of performing exposures in the Mortgages, Consumer and Credit Cards segments, for individuals, and in the SMEs and Microbusinesses segments, for companies, classified by stage, is provided below:

Default trance section	2022		2021	
	Stage 1 PD to 12 months	Stage 2 PD to all the life	Stage 1 PD to 12 months	Stage 2 PD to all the life
1) 0%-0.5%	78.89%	0.02%	76.98%	0.30%
2) 0.5%-1%	5.62%	0.01%	4.91%	0.02%
3) 1%-2%	5.98%	0.06%	7.00%	0.27%
4) 2%-5%	3.21%	0.29%	3.44%	0.63%
5) 5%-7.5%	0.54%	0.57%	0.55%	0.64%
6) 7.5%-10%	0.24%	0.50%	0.65%	0.78%
7) 10%-15%	0.11%	0.97%	0.08%	0.39%
8) 15%-20%	0.06%	0.72%	0.00%	0.33%
9 >20%	0.17%	2.05%	0.28%	2.75%
Total	**94.82%**	**5.18%**	**93.89%**	**6.11%**

During financial year 2022, there has been a decrease in the level of PD as a result of updating the macroeconomic scenarios and decoupling of the COVID-19 adjustments in the models (see Note 14.h).

A higher-level measure of the quality of the Bank's credit assets is its non-performing loan ratio, which the ratio of loans classified as non-performing for accounting purposes to total customer loans. In accounting terms, that ratio stood at 1,37% at 31 December 2022 (1.91% at year-end 2021).

The Group performs sensitivity analyses to estimate the effects of potential changes in the non-performing loans ratio, both on an overall basis through the study of financial asset at amortized cost segments, and on an individual basis through the study of individual economic groups or customers.

Also, following is the detail, by activity sector and geographical area, of the Group's credit risk exposure at 31 December 2022 and 2021, which comprises "Cash, Cash Balances at Central Banks and Other Demand Deposits" (excluding cash balances), "Financial Assets Held for Trading", "Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss", "Financial Assets Designated at Fair Value through Profit or Loss", "Financial Assets at Fair Value through Other Comprehensive Income", "Financial Assets at Amortised Cost", "Derivatives – Hedge Accounting", "Investments in Joint Ventures and Associates", "Financial Guarantees Given", "Other Commitments Given - Other Guarantees Given" and "Other Commitments Given - Irrevocable Documentary Credits":

(Thousands of euros)	TOTAL	Spain	Other EU countries	Americas	Rest of the world
2022					
Central banks and credit institutions	7,704,416	7,401,851	201,792	37,162	63,611
Public sector	11,723,832	10,538,447	1,185,385	-	-
Central government	*6,181,098*	*4,995,713*	*1,185,385*	-	-
Public sector - other	*5,542,734*	*5,542,734*	-	-	-
Other financial companies andindividual traders	704,817	485,375	216,960	-	2,482
Non-financial companies andindividual traders	13,118,425	12,853,304	194,736	47,812	22,573
Construction and propertydevelopment	*972,093*	*972,048*	-	-	*45*
Civil engineering construction	*518,939*	*513,609*	*5,277*	-	*53*
Others	*11,627,393*	*11,367,647*	*189,459*	*47,812*	*22,475*
Large companies	*8,726,254*	*8,574,846*	*118,090*	*15,492*	*17,826*
SMEs and individual traders	*2,901,139*	*2,792,801*	*71,369*	*32,320*	*4,649*
Other households	32,285,702	32,010,602	111,251	31,134	132,715
Residential	*29,571,591*	*29,300,483*	*109,171*	*30,301*	*131,636*
Consumer loans	*1,343,733*	*1,342,271*	*900*	*172*	*390*
Other purposes	*1,370,378*	*1,367,848*	*1,180*	*661*	*689*
TOTAL	**65,537,192**	**63,289,579**	**1,910,124**	**116,108**	**221,381**

(Thousands of euros)	TOTAL	Spain	Other EU countries	Americas	Rest of the world
2021					
Central banks and credit institutions	6,615,477	6,225,716	216,997	57,256	115,508
Public sector	10,360,131	9,365,875	994,256	-	-
Central government	*5,113,403*	*4,119,147*	*994,256*	-	-
Public sector - other	*5,246,728*	*5,246,728*	-	-	-
Other financial companies andindividual traders	777,364	375,517	399,493	-	2,354
Non-financial companies andindividual traders	12,522,158	12,215,483	230,672	49,409	26,594
Construction and propertydevelopment	*708,207*	*708,161*	-	-	*46*
Civil engineering construction	*499,680*	*495,958*	*3,722*	-	-
Others	*11,314,271*	*11,011,364*	*226,950*	*49,409*	*26,548*
Large companies	*7,995,226*	*7,805,710*	*155,269*	*12,791*	*21,456*
SMEs and individual traders	*3,319,045*	*3,205,654*	*71,681*	*36,618*	*5,092*
Other households	33,964,221	33,694,645	107,271	25,317	136,988
Residential	*31,210,056*	*30,944,285*	*105,239*	*24,619*	*135,913*
Consumer loans	*1,284,094*	*1,282,830*	*747*	*129*	*388*
Other purposes	*1,470,071*	*1,467,530*	*1,285*	*569*	*687*
TOTAL	**64,239,351**	**61,877,236**	**1,948,689**	**131,982**	**281,444**

The detail, by autonomous community, of the Group's financial instruments in the foregoing table located in Spain at 31 December 2022 and 2021 is as follows:

(Thousands of euros)		Autonomous community					
2022	TOTAL	Basque Country	Andalusia	Madrid	Catalonia	Valencia	Other
Central banks and credit institutions	7,401,851	359,259	1,487	6,519,329	222,525	-	299,251
Public sector	10,538,447	2,130,557	638,425	428,724	58,033	469,648	1,817,347
Central government	*4,995,713*	-	-	-	-	-	-
Public sector - other	*5,542,734*	*2,130,557*	*638,425*	*428,724*	*58,033*	*469,648*	*1,817,347*
Other financial companies and individual traders	485,375	205,646	70,592	206,740	2,009	70	318
Non-financial companies and individual traders	12,853,304	4,852,776	1,090,336	5,493,715	420,941	57,555	937,981
Construction and property development	*972,048*	*452,698*	*89,393*	*311,180*	*56,915*	*5,248*	*56,614*
Civil engineering construction	*513,609*	*79,430*	*26,452*	*404,782*	*167*	*1,160*	*1,618*
Others	*11,367,647*	*4,320,648*	*974,491*	*4,777,753*	*363,859*	*51,147*	*879,749*
Large companies	*8,574,846*	*2,952,262*	*193,738*	*4,475,431*	*233,932*	*16,177*	*703,306*
SMEs and individual traders	*2,792,801*	*1,368,386*	*780,753*	*302,322*	*129,927*	*34,970*	*176,443*
Other households	32,010,602	12,483,011	7,386,877	5,233,486	2,059,615	1,402,757	3,444,856
Residential	*29,300,483*	*11,107,143*	*6,540,735*	*5,040,463*	*1,991,606*	*1,333,368*	*3,287,168*
Consumer loans	*1,342,271*	*592,762*	*394,148*	*137,555*	*53,914*	*53,686*	*110,206*
Other purposes	*1,367,848*	*783,106*	*451,994*	*55,468*	*14,095*	*15,703*	*47,482*
TOTAL	**63,289,579**	**20,031,249**	**9,187,717**	**17,881,994**	**2,763,123**	**1,930,030**	**6,499,753**

(Thousands of euros)		Autonomous community					
2021	TOTAL	Basque Country	Andalusia	Madrid	Catalonia	Valencia	Other
Central banks and credit institutions	6,225,716	391,965	196	5,448,509	187,034	-	198,012
Public sector	9,365,875	2,275,347	720,121	312,737	37,320	363,381	1,537,822
Central government	*4,119,147*	-	-	-	-	-	-
Public sector - other	*5,246,728*	*2,275,347*	*720,121*	*312,737*	*37,320*	*363,381*	*1,537,822*
Other financial companies and individual traders	375,517	99,244	9,368	264,506	1,829	73	497
Non-financial companies and individual traders	12,215,483	4,903,290	1,153,259	4,984,180	272,452	55,146	847,156
Construction and property development	708,161	375,988	82,233	156,606	50,719	7,021	35,594
Civil engineering construction	*495,958*	*74,382*	*26,444*	*391,325*	*201*	*881*	*2,725*
Others	*11,011,364*	*4,452,920*	*1,044,582*	*4,436,249*	*221,532*	*47,244*	*808,837*
Large companies	*7,805,710*	*2,872,664*	*181,054*	*3,972,020*	*130,719*	*10,608*	*638,645*
SMEs and individual traders	*3,205,654*	*1,580,256*	*863,528*	*464,229*	*90,813*	*36,636*	*170,192*
Other households	33,694,645	13,301,466	7,494,897	5,631,367	2,149,125	1,474,848	3,642,942
Residential	*30,944,285*	*11,862,431*	*6,659,320*	*5,445,035*	*2,084,498*	*1,407,530*	*3,485,471*
Consumer loans	*1,282,830*	*584,885*	*364,570*	*129,377*	*49,562*	*50,257*	*104,179*
Other purposes	*1,467,530*	*854,150*	*471,007*	*56,955*	*15,065*	*17,061*	*53,292*
TOTAL	**61,877,236**	**20,971,312**	**9,377,841**	**16,641,299**	**2,647,760**	**1,893,448**	**6,226,429**

The detail at 31 December 2022 and 2021 of the Group's current refinancing and restructuring balances, classified on the basis of their accounting status, counterparty and collateral, is as follows:

	2022													
	TOTAL							Of which: NON-PERFORMING						
	Total without collateral		Total with collateral				Total accumulated impairment or accumulated fair value losses due tocredit risk	Without collateral		With collateral				Accumulated impairment or accumulated fair value losses due to credit risk
					No. of transactions							Maximum amount ofthe collateral or guarantee that can be considered		
	No. of transactions	Gross amount	No. of transactions	No. of transactions	Property mortgage guarantee	Accumulated impairment or accumulated fairvalue losses dueto credit risk		No. of transactions	Gross amount	No. of transactions	Gross amount	Property mortgage guarantee	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	7	6,357	47	8,579	8,579	-	-	-	-	-	-	-	-	-
Other financial companies and individual traders	4	43	11	1,141	1,023	-	(344)	-	-	5	498	472	-	(317)
Non-financial companies and individual traders	1,833	417,495	1,608	373,764	314,408	3,446	(150,311)	174	30,904	614	148,051	138,213	615	(100,859)
Of which: financing for construction and property development	*1*	*46*	*275*	*123,172*	*112,600*	-	*(28,341)*	*1*	*46*	*154*	*40,052*	*38,671*	-	*(13,590)*
Other households	1,400	19,846	4,550	413,346	380,611	125	(82,434)	597	5,974	1,634	145,372	129,566	39	(71,726)
Total	**3,244**	**443,741**	**6,216**	**796,830**	**704,621**	**3,571**	**(233,089)**	**771**	**36,878**	**2,253**	**293,921**	**268,251**	**654**	**(172,902)**
Financing classified as non-current assets and disposalgroups classified as held forsale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021													
	TOTAL							Of which: NON-PERFORMING						
	Total without collateral		Total with collateral				Total accumulated impairment or accumulated fair value losses due tocredit risk	Without collateral		With collateral				Accumulated impairment or accumulated fair value losses due to credit risk
					No. of transactions							Maximum amount ofthe collateral or guarantee that can be considered		
	No. of transactions	Gross amount	No. of transactions	No. of transactions	Property mortgage guarantee	Accumulated impairment or accumulated fairvalue losses dueto credit risk		No. of transactions	Gross amount	No. of transactions	Gross amount	Property mortgage guarantee	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	9	7,595	47	9,424	9,424	-	(559)	-	-	46	7,005	7,005	-	(559)
Other financial companies and individual traders	5	58	11	1,251	1,111	-	(363)	1	8	5	563	536	-	(334)
Non-financial companies and individual traders	1,913	540,813	1,946	414,208	367,448	3,593	(176,345)	183	40,303	833	182,501	168,727	713	(109,964)
Of which: financing for construction and property development	*1*	*46*	*337*	*149,192*	*138,520*	-	*(34,965)*	*1*	*46*	*206*	*53,698*	*51,624*	-	*(15,491)*
Other households	1,605	22,928	5,451	500,822	451,137	64	(93,470)	690	7,178	2,134	198,570	169,512	3	(85,938)
Total	**3,532**	**571,394**	**7,455**	**925,705**	**829,120**	**3,657**	**(270,737)**	**874**	**47,489**	**3,018**	**388,639**	**345,780**	**716**	**(196,795)**
Financing classified as non-current assets and disposalgroups classified as held forsale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The reconciliation of the carrying amount of the refinanced and restructured transactions in 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Carrying amount		
Opening balances	1,226,362	970,434
Refinancing and restructuring transactions in the period	82,425	471,474
Memorandum item: impact recognised in the statement of profit or loss for the period	*1,381*	*17,884*
Debt repayments	(261,039)	(135,741)
Foreclosures	(7,271)	(12,186)
Derecognition (reclassification as write-offs)	(21,579)	(4,919)
Other changes	(11,416)	(62,700)
Balance at end of year	**1,007,482**	**1,226,362**

Following is a detail of the refinanced and restructured transactions which, subsequent to the restructuring or refinancing, were classified as non- performing in 2022 and 2021:

	Thousands of euros	
	2022	2021
Public sector	-	-
Other legal entities and individual traders	13,557	42,632
Of which: financing for construction and property development	-	807
Other individuals	14,699	22,637
	28,256	**65,269**

At 31 December 2022, the financial assets that would have matured or become impaired had their terms and conditions not been changed or had they not been exchanged amounted to EUR 909,772 thousand (31 December 2021: EUR 1,060,971).

17. Liquidity risk

Liquidity risk, in its most significant version, structural liquidity risk, is the possibility that, because of the maturity gap between its assets and liabilities, the Group will be unable to meet its payment commitments at a reasonable cost or will not have a stable funding structure to support its business plans for the future.

The Board of Directors has ultimate responsibility for liquidity risk and delegates to the Asset-Liability Committee (ALCO), comprising executives of the Parent, as the competent decision-making body in this respect.

The Group has a Liquidity Risk Management Policies Manual, approved by the Parent's Board of Directors, which in relation to liquidity risk sets forth, inter alia, specific management policies, the internal risk governance structure, a description of the main procedures, the identification of the main functions inherent to such procedures and the allocation of responsibilities thereto, a description of the main tools usedand the management reporting structure.

Liquidity risk management involves close monitoring of maturity gaps on the Group's balance sheet, the analysis of their foreseeable future trend, the inclusion of the liquidity factor in the business decision-making process, the use of financial markets to complete a stable funding base, and the arrangement of liquidity channels that can be used immediately in unforeseen extreme scenarios.

The ALCO is responsible for assessing the Group's future liquidity needs. To this end, management of the Parent defines the three-year Financing Plan, which is used to prepare the specific annual Liquidity Plan. The annual Liquidity Plan defines the strategy for wholesale funding issues, based on the projected liquidity needs arising from the performance of the business, issue maturities and planned asset investments and disposals. The volume and type of assets in these transactions are determined based on the Group's balance sheet performance and liquidity position, and market conditions and expectations. The Board of Directors of the Parent is responsible for authorising all issues to be launched.

The ALCO monitors the liquidity budget on a fortnightly basis. Among other controls, the Parent Entity performs monthly monitoring of liquidity indicators and limits, eligible liquid assets available at the European Central Bank and the capacity to issue guaranteed bonds. The Parent also analyses on a regular basis the results of the liquidity stress exercises conducted to evaluate the adequacy ofthe liquidity position under various adverse scenarios, as well as the triggering levels for, and the situation of, the measures available as part of the Group's liquidity contingency plan.

The Treasury and Capital Markets Department is responsible for seeking stable sources of external funding for the Group in the financial markets, at a reasonable cost, to offset the disintermediation process followed by customers in their investment decisions and the growth in their demand for financing.

Also, the Group endeavors to maintain access to additional sources of funding (institutional or otherwise) to be used in extremely adverse liquidity scenarios, so that all its payment commitments can be met even in such circumstances.

The need to closely monitor the performance of financial institutions in this regard as a result of the financial crisis that erupted in 2007, which triggered a complex liquidity management scenario, gave rise to a proliferation of regulatoryreports on financial institutions' liquidity positions and the development of standardized, industry-wide indicators. For the most part, the new regulatory reports replaced the management information that had been prepared until recently, and became part of the set of liquidity risk management indicators.

In this regard, in 2010 the Basel Committee amended its principles to produce the recommendations known as Basel III, which are currently in effect. This latest improvement was driven by the recent major international crisis and, unlike its predecessors, addressed the areas of leverage and liquidity, since the financial crisis had shown that the inability to meet obligations on time and at a reasonable cost was the main trigger of numerous problems for various entities, and it had not been previously regulated. Now aware of the importance of liquidity to financial stability, European authorities began to take concrete steps, through new, binding regulatory standards, to create a more orderly and uniform liquidity management framework. Accordingly, Basel III, which was transposed at European level through Directive 2013/36/EU (CRD IV) and Regulation (EU) No 575/2013 (CRR), included for the first time on a quantitativebasis two minimum liquidity standards, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), and established compliance withthese ratios as being mandatory from 2015 and 2018, respectively, although in the second case the deadlines for entry into force were not met. Thus, and after the entry into force of CRR2, the NSFR is mandatory from June 28, 2021.

In addition, the achievement of adequate levels in the aforementioned LCR and NSFR indicators is included among the strategic liquidity objectives defining the Group's Risk Appetite Framework, in which certain thresholds are established linked to specified action guidelines.

Also, in terms of liquidity risk management, there is a set of additional liquidity indicators used to monitor changes in the various aggregates that affect the defined risk tolerance.

In addition, with the entry into force of the supervisory review and evaluation process (SREP), since 2015 the Parent has undergone an internal liquidity adequacy assessment process (ILAAP) on a yearly basis in order to evaluate its capacity to meet liquidity requirements, both in normal and adverse scenarios, in the short, medium and long term.

Based on the supervisory information, in the next figure it is represented a matrix considering the residual maturity both in 2022 and 2021, referring the not discounted contractual cash flows amounts.

	Thousands of euros							
	2022							
	At sight	Up to 1 month	1 and 3 months in between	3 and 6 months in between	6 months and 1 year in between	1 and 2 years in between	2 and 5 years in between	5 years and more
Wholesale issues	-	76,489	16,082	27,014	218,347	546,164	1,850,315	46,258
Securities market colateral financing	-	1,156	663,537	5,110,663	204,957	593,691	-	-
Of which: Central Banks	-	-	*663,537*	*5,110,663*	-	*593,691*	-	-
Credit institutions deposits	6,778	-	10	10	150	36	1,453	185
Rest of clientele deposits	45,944,690	388,061	565,398	564,473	1,341,803	19,945	3,941	447
Rest outflows	-	997,326	209,110	226,090	188,521	188,230	61,842	-
Total Outflows	**45,951,468**	**1,463,032**	**1,454,137**	**5,928,250**	**1,953,778**	**1,348,066**	**1,917,551**	**46,890**
Temporal Asset adquisitions	-	-	-	-	204,957	-	-	-
Central Bank Account Balances	5,359,382	-	-	-	-	-	-	-
Credit institutions loans	9,676	-	-	-	-	-	15,631	-
Rest of clientele loan settlements	399,871	740,701	1,242,480	1,216,758	2,612,177	4,904,255	13,044,489	35,238,373
Porfolio securitices settlement	-	11,180	132,625	999,934	1,011,905	1,220,249	2,311,427	1,274,518
Rest of inflows	-	1,000,222	208,600	226,395	194,068	191,880	73,250	-
Total inflows	**5,768,929**	**1,752,103**	**1,583,705**	**2,443,087**	**4,023,107**	**6,316,384**	**15,444,797**	**36,512,891**
Liquidity Gap	**(40,182,539)**	**289,071**	**129,568**	**(3,485,163)**	**2,069,329**	**4,968,318**	**13,527,246**	**36,466,001**

	Thousands of euros							
	2021							
	At sight	Up to 1 month	1 and 3 months in between	3 and 6 months in between	6 months and 1 year in between	1 and 2 years in between	2 and 5 years in between	5 years and more
Wholesale issues	-	3,763	205	9,800	532,088	226,021	2,346,982	64,956
Securities market collateral financing	-	434,380	-	-	-	5,569,937	561,885	-
Of which: Central Banks	-	-	-	-	-	5,569,937	561,885	-
Credit institutions deposits	5,646	-	22	325	81	169	1,688	254
Rest of clientele deposits	44,119,699	287,300	543,659	727,822	1,376,327	3,436	6,245	705
Rest outflows	-	695,642	505,635	124,956	231,901	161,534	39,442	-
Total Outflows	**44,125,345**	**1,421,085**	**1,049,521**	**862,903**	**2,140,397**	**5,961,097**	**2,956,242**	**65,915**
Temporal Asset adquisitions	-	-	-	-	-	-	-	-
Central Bank Account Balances	4,735,599	-	-	-	-	-	-	-
Credit institutions loans	40,892	-	-	-	-	-	-	-
Rest of clientele loan settlements	960,355	538,356	865,712	1,175,262	2,133,287	4,080,681	12,099,038	30,762,351
Porfolio securitices settlement	-	62,820	36,889	196,009	184,900	1,180,617	1,977,293	1,997,066
Rest of inflows	-	695,563	510,026	125,803	243,194	179,411	61,116	-
Total inflows	**5,736,846**	**1,296,739**	**1,412,627**	**1,497,074**	**2,561,381**	**5,440,709**	**14,137,447**	**32,759,417**
Liquidity Gap	**(38,388,499)**	**(124,346)**	**363,106**	**634,171**	**420,984**	**(520,388)**	**11,181,205**	**32,693,502**

The terms to maturity of the liabilities shown in the foregoing table include the maturities of the fixed-term deposits disregarding renewal assumptions. Accordingly, the table showing the analysis of the Bank´s assets and liabilities should not be interpreted as an exact reflection of the Group´s liquidity position in each of the periods included.

Note 66 contains detailed information on the Group's liquidity sources at 31 December 2022 and 2021.

18. Interest rate and foreign currency risks

In carrying out their intermediation role, banks assume the mismatch between the various contractual terms required by providers and borrowers of funds. By meeting those demands, the banks expose themselves to potential losses as a result of the impact adverse trends in market conditions could have on their exposures.

Particularly, Structural interest rate risk is one of the types of risk identified in the Kutxabank Group's corporate risk typology, as part of the financial risk category.

The scope of structural interest rate risk management is bound by the corporate definition coined for this type of risk at the Kutxabank Group. According to this definition, as established in the Internal Risk Management Governance Framework: Structural interest rate risk refers to the possibility of the Group incurring losses of economic value as a consequence of the effect of adverse changes in interest rates on its present and future capacity to earn net interest income. Positions associated with trading activities are outside the scope of this type of risk.

This type of risk is affected by four main risk factors:

- Repricing risk, due to the difference in maturity or asset and liabilities interest rate revision.

- Curve risk, due to the potential change in the slope and shape of the interest rate curve.

- Basis risk, due mainly to the imperfect correlation between the variation in the interest rates of different instruments with similar maturity and repricing characteristics.

- Options granted to third parties in certain transactions Optionality can be automatic (explicit or implicit), such as floors and ceilings on interest rates, or behavioural, generating, for example, different actual maturities that initially contemplated, depending on the trend in interest rates.

In accordance with the general risk management policies of the Internal Risk Management Governance Framework, management of the Group's global risk profile should focus on the defence of the Group's value and, therefore, on the consolidated sphere of management. The Board of Directors of the Parent has ultimate responsibility for financial risk and delegates to the Asset-Liability Committee (ALCO) as the competent decision-making body in this area. The Parent's ALCO also establishes the future interest rate forecasts and reviews the assumptions that make it possible to model customer behaviour and the scenarios against which the possible impact of fluctuations in the forecast rates must be measured.

Below are the Group’s strategic guidelines for the management of that class of risk, which translates into a range of management policies, notable among which:

- Structural interest rate risk is implicit to the banking business and its management does not imply elimination. The Group’s balance sheet exposure to this risk factor should be compatible with maintenance of a medium-to-low risk profile in this area.

- The Group needs to be able to manage its exposure to this risk factor accurately.

- That measurement is based on metrics articulated around the sensitivity of economic value and the net interest margin to adverse assumptions, using a wide and appropriate range of scenarios.

- Those measurements need to be sufficiently detailed to identify the critical aspects of earnings generation, including an understanding of how the main inputs modelled contribute, hedging strategies using interest-rate derivatives and the explicit or implicit optionality embedded into the Group’s transactions.

- The methods and models used to measure the Group’s exposure to structural interest rate risk must be adequately documented by the area responsible for those measurements.

- That information needs to be sent to the governing and decision-making bodies tasked with taking key decisions in relation to this risk factor in a timely manner and appropriate format so as to:

    - Ensure that the Group’s exposure to this risk factor is compatible with the defined risk appetite in this area

    - Ensure that the Group’s exposure to this risk factor, long or short, is consistent with its outlook for the future direction of yield curves

    - In the event those premises are not met, ensure that the scale or nature of Group’s exposure to this risk factor is modified

As for the monitoring system, the Group follows this risk stringently using a number of measurement methodologies and techniques, upholding market practices and the regulators’ recommendations:

- Static repricing gap analysis

- Duration analysis

- Inventorying of transactions with embedded optionality

- Scenario simulations: analysis of the sensitivity of the net interest margin and economic value to different interest rate scenarios, establishing certain thresholds and limits for exposure to structural interest rate risk.

Lastly, in terms of hedging and mitigation, the Group systematically assesses the advisability of hedging and/or mitigating its exposure to this risk factor and takes action from time to time, normally via hedges involving the arrangement of interest rate derivatives.

The table below shows the static gap of interest-rate sensitive items, classifiedby repricing date, which represents an initial approximation of the Group's exposure at 31 December 2022 and 2021 to the risk of changes in interestrates:

	Millions of euros								
	2022								
	On-balance sheet balances	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years	No maturity
Sensitive assets:									
Cash	7,112	6,887	-	-	200	15	-	-	11
Customers	46,627	6,349	9,106	20,385	2,285	1,806	684	6,884	(872)
Investment securities	7,634	557	319	2,903	667	330	345	1,838	674
	61,373	**13,793**	**9,425**	**23,488**	**2,952**	**2,151**	**1,029**	**8,722**	**(187)**
Sensitive liabilities:									
Bank financing	6,363	6,162	-	200	-	-	-	1	-
Borrowed funds	51,403	16,020	7,572	5,664	519	502	861	20,347	(83)
	57,766	**22,182**	**7,572**	**5,864**	**519**	**502**	**861**	**20,348**	**(83)**
Gap for the period		(8,389)	1,853	17,624	2,433	1,649	168	(11,627)	(104)
% of total assets		(12.60%)	2.78%	26.47%	3.65%	2.48%	0.25%	(17.46%)	
Cumulative gap		(8,389)	(6,537)	11,087	13,520	15,169	15,337	3,711	
% of total assets		(12.60%)	(9.82%)	16.65%	20.30%	22.78%	23.03%	5.57%	

	Millions of euros								
	2021								
	On-balance sheet balances	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years	No maturity
Sensitive assets:									
Cash	6,194	3,003	-	-	-	-	-	3,190	1
Customers	47,516	6,201	9,010	18,090	4,014	1,307	1,451	7,082	360
Investment securities	6,590	523	289	1,512	840	376	261	1,519	1,273
	60,300	**9,727**	**9,299**	**19,602**	**4,854**	**1,683**	**1,712**	**11,791**	**1,634**
Sensitive liabilities:									
Bank financing	6,593	6,588	-	3	-	1	-	1	-
Borrowed funds	50,178	5,726	6,409	5,888	153	505	2,022	29,451	26
	56,771	**12,314**	**6,409**	**5,891**	**153**	**506**	**2,022**	**29,452**	**26**
Gap for the period		(2,587)	2,890	13,711	4,701	1,177	(310)	(17,661)	1,608
% of total assets		(3.93%)	4.39%	20.84%	7.14%	1.79%	(0.47%)	(26.84%)	
Cumulative gap		(2,587)	303	14,014	18,715	19,892	19,582	1,921	
% of total assets		(3.93%)	0.46%	21.30%	28.44%	30.23%	29.76%	2,92%	

For the purpose of preparing the foregoing tables, “Cash” was deemed to include cash and loans and advances to credit institutions; “Customers” was deemed to include loans and advances to customers; and “Investment Securities” was deemed to include debt securities. In liabilities, “Bank Financing” was deemed to include deposits at central banks and deposits at credit institutions; and “Borrowed Funds” was deemed to include customer deposits and debt securities issued.

The following behavioral assumptions regarding maturity are used for assets and liabilities without contractual maturities but considered to be sensitive to structural interest rate risk:

Assets	
Balances with Bank of Spain	Less than 1 month
Balances with other Credit institutions	Less than 1 month
Credit cards-Public and private sector	Less than 1 month
Matured balances receivable and overdrafts	1 to 3 months
Other debtors	More than 4 years
Liabilities	
Deposits from credit institutions	Less than 1 month
Ordinary demand saving deposits- Private Sector	More than 4 years for the stable portion and less than 1 month for the unstable portion
Interest-bearing saving deposits-Public Sector	More than 1 month and less than 4 years according to the product nature
Ordinary demand saving deposits- Public sector	More than 4 years for the stable portion and less than 1 month for the unstable portion

At 31 December 2022 and 2021, the sensitivity of net interest income over a time horizon of one year, of valuation adjustments in equity and of the Group's economic value to instantaneous horizontal shifts in the yield curve of 100 b.p. and 50 b.p.

Sensitivity analysis at 31 December 2022:

	Thousands of euros		
	Net interest income	Impact on other comprehensive income in equity	Economic value
Variations in Euribor:			
100-basis-point increase	(1,196)	(36,481)	(292,577)
50-basis-point increase	(15,507)	(18,434)	(259,325)
50-basis-point fall	(21,965)	18,833	(904)

Sensitivity analysis at 31 December 2021:

	Thousands of euros		
	Net interest income	Impact on other comprehensive income in equity	Economic value
Variations in Euribor:			
100-basis-point increase	71,278	(56,807)	232,620
50-basis-point increase	59,068	(28,768)	217,145
50-basis-point fall	(2,155)	29,800	(274,985)

Another structural risk factor that might generate losses in relation to the Group's net interest margin and its economic value is foreign currency risk, which is defined as the potential loss arising from adverse fluctuations in the exchange rates of the various currencies in which the Group operates.

The Group has assets and liabilities in foreign currency in its consolidatedbalance sheet as a result of its commercial activity, in addition to the assets and liabilities in foreign currency that arise from the management activities conducted by it to mitigate foreign currency risk. In this connection, the Group systematically hedges its open currency positions relating to customer transactions and, therefore, its exposure to foreign currency risk is scant.

The currency positions in the balance sheet, as detailed in Notes 14-i), 22, 25 and 33, have very little relative weight in the balance sheet and do not account for 1% of assets or liabilities, i.e. much below the thresholds that are considered significant.

19. <u>Other risks</u>

19.1. Market risk

Market risk refers to the possibility of the Group incurring losses as a consequence of the effect of adverse changes in the main financial risk factors (interest rates, exchange rates, share prices, volatilities and commodity prices) on the Group's portfolios of listed securities and derivativeinstruments (held for investment and/or trading purposes).

The scope of market risk management includes all the changes in value linked to movements in stock market prices, irrespective of whether such movements relate to changes in financial risk factors or changes perceived bythe markets in relation to the credit quality of the issuers, whether private or public.

This risk is present in all the Group's portfolios, although its impact on profit or loss and equity may vary depending on the accounting treatment applicable in each case. Market risk management seeks to limit the Group's exposure to the aforementioned losses and to optimize the ratio of the levelof risk assumed to the expected return, based on the management policies established by the Bank's Board of Directors in relation to the level ofexposure to market risk and the origin and management thereof.

The ALCO is responsible for managing market risk within the framework of the aforementioned general policies.

Close control of market risk requires the implementation of procedures in keeping with the regulatory trends arising from the New Capital Accord and with the best practices generally accepted by the market. These procedures, approved by the ALCO, include matters such as segregation of functions, information control, definition of objectives, operating limits and other security-related matters.

The Group's market risk control function, which is integrated within the Financial Area, is independent of the business lines and its main activities include: controlling and monitoring positions bearing market risk and counterparty lines; calculating the performance of the various portfolios on a daily basis; making independent valuations of positions; reporting to top management on market risk on a regular basis; and lastly, controlling the valuation procedures and criteria and the risks of the models used and the review of the limits structure.

In addition to procedural matters, market risk control is supported by quantitative tools that provide standardized risk measures. The model used is based on value at risk (VaR), which is calculated using historical simulation and parametric methodologies derived from the variance-covariance matrix.

The reference VaR is calculated with a historical simulation model, although VaR is also calculated with a parametric model for comparison purposes. The VaR model used is intended to estimate, with a confidence interval of 99% for the trading portfolio and 97.5% for the global portfolio, the maximum potential loss that can arise from a portfolio or group of portfolios over a given time horizon. The time horizon is one day for trading operations and ten days for the global portfolio.

The validation, or backtesting, of the VaR model employed consists of comparing the percentage of actual exceptions with the confidence interval used. An exception arises when the actual loss on a portfolio for a given time horizon exceeds the VaR calculated at the beginning of that time horizon. The time horizons used for the validation, or backtesting, are one and ten days. The Bank has performed the required analyses and backtests on a regular basis, and has drawn the same conclusions which confirm the reliability of the model.

The methodology described above is supplemented with stress tests which simulate the behavior of the aforementioned portfolios in extremely adverse scenarios. The systematic stress scenarios used are in line with the recommendations of the Derivatives Policy Group Committee made in 1995 in the "Framework for Voluntary Oversight" working paper. This document introduces a series of recommendations which make it possible to forecast the behavior of the value of a portfolio in the event of certain extreme behaviors grouped by risk factor. In addition to using these recommended scenarios, stress testing exercises are also performed based on historical scenarios with exceptionally unfavorable trends for the portfolios being analyzed.

In order to manage market risk the Group has tools that ensure effective control of market risk at all times, in line with best market practices.

The 2022 financial year has been conditioned at all levels by the geopolitical and warlike conflict between Ukraine and Russia that has spread to the rest of the European continent as well as the rest of the world. This instability has affected the economy, making hope of a post-covid economic recovery disappear. In addition, inflationary tensions and the movements of the various central banks in terms of economic policy have generated tensions in the markets and increased their volatility.

The Group has no net market risk positions of a structural nature in derivatives held for trading, since it closes out all its positions in derivatives with customers, either through bank counterparties or through opposite- direction derivatives arranged in organized markets. However, under certain circumstances small net market risk positions in derivatives held for trading are taken for which a special risk analysis is performed.

In 2022 the average daily VaR of the financial assets held for trading,calculated using the parametric model, based on a one-day time horizon and with a confidence level of 99%, amounted to EUR 59 thousand (2021: EUR 23 thousand).

The Group's exposure to structural equity price risk derives mainly from investments in industrial and financial companies with medium- to long-term investment horizons. The exposure to market risk (measured as the fair value of the equity instruments held by the Group) amounted to EUR 1.240.414 thousand at 31 December 2022 (31 December 2021: EUR 1.220.595 thousand).

To calculate the global VaR, the Historical Simulation model is used, based on which the average 10-day VaR, with a confidence level of 97.5%, of the investment portfolio has amounted to 220.562 thousand euros (296.392 thousand euros in 2021). The results of the calculation of this variable based on the parametric method used for contrast purposes do not differ significantly from those obtained by the simulation method.

19.2. Operational risk

Operational risk is defined by the Group as the risk of incurring a loss of economic value resulting from failed, erroneous, insufficient or inadequate internal processes, people and systems or as a result of external events. Strategic risk isspecifically excluded from this definition.

As for methodology and IT tools developed specifically for managing operational risk, the Group has personnel devoted exclusively to thistask, the Operational Risk Unit, as well as a broad network of professionals responsible for managing this risk throughout the organization. This entire system is developed and supervised by the Operational Risk Committee, which comprises representatives from most areas of the Parent.

The operational risk management system consists essentially of the following processes:

1. Qualitative self-assessment process.

2. Loss recognition and risk indicator data collection process.

3. Mitigation action analysis and proposal process.

Since the beginning of the COVID-19 pandemic the Group has undertaken several actions in order to be able to keep up the key operative activities both in Banking central services as well as it´s filiates. As a result, no significant impact on the Group´s economic value has been perceived.

During 2022, the Group has continued to apply the aforementioned mitigation measures, adapting at all times to the circumstances associated with the evolution of the pandemic.

The operational risk regulatory capital requirements for the Kutxabank Group at 31 December 2022 were EUR 185,804 thousand (31 December 2021: EUR 177,127 thousand).

19.3. Risk under insurance contracts

The Group's insurance business is conducted through Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U. and Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U., which are mainly distributed through the Kutxabank Group's branches.

The object of Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U. is to engage in all manner of life and capitalization insurance and other preparatory and complementary transactions, including management of group pension funds. Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U.'s object is to engage in non-life insurance transactions and it is expressly authorized to operate in the accident, fire andacts of nature, other property damage, general third-party liability, legal expenses and death insurance lines.

Life underwriting risk

Life underwriting risk refers to the risk of adverse change in the value of life insurance liabilities resulting from a more-adverse-than-anticipated performance of the related risk factors. This risk comprises mainly the following risk sub-modules:

- **Mortality risk:** The risk of loss resulting from a higher-than-expected increase in the mortality rate.

- **Disability risk:** The risk of loss resulting from higher-than-anticipated changes in the level, trend or volatility of morbidity and disability rates.

- **Catastrophe risk:** The risk of loss resulting from the occurrence of extreme or irregular events which are not sufficiently covered in the other life risk sub-modules.

- **Shortfall risk:** The risk of loss resulting from a higher-than- expected change in the exercise rate of options by the life insurance policyholders.

- **Longevity risk:** The risk of loss resulting from a higher-than-expected longevity rate that leads to an increase in the value of the insurance obligations assumed.

As an integral part of its risk management system, the Group has an underwriting and reserves policy in place which lays down the rules, procedures and guidelines in terms of selection, underwriting, insurable value, age, detection of accumulations, etc., in order to avoid risks related to inadequate underwriting and provisioning assumptions by the entity. The life insurance underwriting policy and the commercial strategy seek to adapt the supply of products to customer needs with the aim, among others, of minimizing shortfall risk.

Also, in order to mitigate underwriting risk, and mortality, disability and catastrophe risks in particular, the Group has a reinsurance policy in place establishing risk mitigating guidelines.

In the area of longevity risk, the underwriting policy allows reactive offering, which translates into low underwriting levels in individual annuities involving a minimum longevity risk and, with respect to the obligations assumed in prior years, the Group performs biometric studies of the insured policygroups on a regular basis to adapt the evaluation of the technical provisions. Also, in order to ensure compliance with existing obligations and mitigate future risks, the Group has an asset-liability management policy in place to adapt the flows from the investment portfolio to the expected flows from the insurance contracts.

Non-life underwriting risk

The non-life business is also exposed to underwriting risk, which refers to the risk of loss or adverse change in the value of non-life insurance liabilities, because the performance of the related risk factors is more adverse than anticipated in the assumptions used for calculating premiums and provisions. The risk sub-modules considered are as follows:

- **Premium and reserve risk:** Premium and reserve risk refers to the risk of loss arising from unexpected changes in relation to thetiming, frequency and severity of the insured events. This risk includes (i) the risk of premium provisions not being sufficient to meet claims or requiring an increase, (ii) the risk arising from volatility of the expenses and (iii) the risk arising from fluctuations inrelation to the timing and amount of claim settlements.

- **Catastrophe risk**: The risk of loss resulting from the occurrence of extreme or irregular events which are not sufficiently covered in the other non-life risk sub-modules.

- **Shortfall risk:** A decline in value of net assets resulting from unexpected changes in the exercise rate of options by the insureds (termination, renewal, etc.).

The Group also has a non-life underwriting and reserves policy in place as an integral part of the risk management system, which lays down the rules, procedures and guidelines in order to avoid risks related to inadequate underwriting and provisioning assumptions.

Also, in order to mitigate underwriting risk, the Group has a reinsurance policy which establishes risk mitigating guidelines for any reinsurance contract and lays the groundwork for defining the reinsurance strategy to be followed each year. For both the life and non-life business, reinsurance forms part, in turn, of the counterparty risk arising from the risk of default on the amounts recoverable from the reinsurers. To mitigate this risk, the Group only operates with reinsurers with recognized market prestige having a rating of at least BBB and whose loss coverage capacity is at least 60% of ceded reinsurance, while avoiding an excessive concentration in a single reinsurer.

Risk-mitigating governance system

Also, a number of internal controls and procedures have been established to mitigate the risk assumed under the insurance contracts underwritten, including:

- The value of the technical provisions is calculated by the technical area on a monthly basis, for both accounting and Solvency II purposes, and it is subsequently validated by the key actuarialfunction, which directly reports to the boards of directors of the insurance companies. Accordingly, the calculation and validation procedures are performed independently, with a view to ensuring an appropriate segregation of tasks.

- Life and non-life underwriting risks are measured on a monthly basis using the standard Solvency II formula. The results are reported on a regular basis by the actuarial function to the risk committees and the boards of directors of the insurance companies.

Prospective exercise

Lastly, a prospective, internal assessment process of risks and solvency (ORSA) is performed on an annual basis to evaluate the global Solvency requirements of the two insurance companies for the coming years according to the business plan, taking into account their specific risk profiles. This prospective exercise is performed to check that the capital requirements are met at all times and to measure whether the risk profile deviates from the assumptions used to determine the solvency capital requirement calculated by means of the standard formula.

Also, stress and reverse tests are performed and the various scenarios to which the companies could be exposed are considered by the Group.

Notes 35 and 55 provide further details about the assets and liabilities and the income and expenses relating to assets and liabilities under insurance and reinsurance contracts, respectively.

20. Risk concentration

The Group closely monitors its risk concentration for each possible category: counterparty, sector, product, geographical area, etc.

At 31 December 2022, around 70% of the Group's credit risk arose from the individuals business (31 December 2021: 72%), which guarantees a high degree of capillarity in its portfolio.

The risk exposure to financial institutions is subject to very strict limits established by the Risk Area, compliance with which is checked on an ongoing basis by the Financial Area. Additionally, there are netting and collateral agreements with the most significant counterparties (see Note 16) and, therefore, credit risks arising from the Parent's treasury operations are limited to a minimum.

At 31 December 2022, 69% of the loans and advances to customers were secured by collateral, mostly residential properties (31 December 2021: 72%). The mortgages securing these loans and the criteria used to grant them help mitigate credit risk concentration (see Note 25).

In accordance with the requirements of Bank of Spain Circular 5/2011 in relation to information on transparency, Note 66 includes a detail of the information relating to financing granted to the construction and property development industries, financing granted for home purchases, assets acquired to settle debts and financing requirements and strategies.

21. Cash, cash balances at central banks and otherdemand deposits

The detail of "Cash, Cash Balances at Central Banks and Other Demand Deposits" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Cash	243,343	275,115
Balances with the Bank of Spain (Note 6)	6,091,480	5,201,829
Reciprocal accounts	2,737	16,729
Demand accounts	187,839	199,497
Valuation adjustments	926	(182)
	6,526,325	**5,692,988**

The balance held in current accounts at the Bank of Spain is earmarked for compliance with the minimum reserve ratio, in accordance with current regulations. Additionally, of this balance, at December 31, 2022, 243,875 thousand euros are part of the coverage set of the guaranteed bond program issued by the Group (Notes 33.c and 42).

The average annual interest rate on "Balances with the Bank of Spain" was -0,310% in 2022 (during the year 2021: - 0.147%.

22. Financial assets and liabilities held for trading

The Group classifies under "Financial Assets Held for Trading" and "Financial Liabilities Held for Trading" financial assets and liabilities that have been acquired for the purpose of selling or repurchasing them in the near term, financial assets and liabilities which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives not designated as hedging instruments. The breakdown of "Financial Assets Held for Trading" and "Financial Liabilities Held for Trading" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Financial assets held for trading		Financial liabilities held for trading	
	2022	2021	2022	2021
Derivatives	52,042	61,770	54,976	65,578
	52,042	**61,770**	**54,976**	**65,578**

The effect of the changes in the fair value of the financial assets and liabilities held for trading on the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows (see Note 50):

	Thousands of euros	
	2022	2021
Debt securities	140	57
Equity instruments	(8)	91
Derivatives	6,500	2,636
Net gain/(loss)	**6,632**	**2,784**
Securities whose fair value is estimated based on their market price	692	293
Securities whose fair value is estimated based on valuation techniques	5,940	2,491
Net gain/(loss)	**6,632**	**2,784**

The detail, by currency and maturity, of the financial assets and liabilities held for trading on the asset and liability sides of the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Financial assets held for trading		Financial liabilities held for trading	
	2022	2021	2022	2021
By currency:				
Euro	23,301	46,323	26,306	48,820
US dollar	27,631	14,895	27,683	16,379
Other currencies	1,110	552	987	379
	52,042	**61,770**	**54,976**	**65,578**
By maturity:				
Less than 1 month	5,314	2,510	5,094	3,147
1 to 3 months	5,164	3,198	5,934	3,733
3 months to 1 year	12,835	6,725	13,615	7,098
1 to 5 years	9,180	3,801	10,538	3,395
More than 5 years	19,549	45,536	19,795	48,205
	52,042	**61,770**	**54,976**	**65,578**

a) Credit risk

The details of the risk classifications in "Financial Assets Held for Trading", by geographical location, counterparty and type of instrument, showing the corresponding carrying amounts at 31 December 2022 and 2021, is asfollows:

	2022		2021	
	Thousands of euros	%	Thousands of euros	%
By geographical location:				
Spain	43,014	82.65%	56,981	92.25%
Other European Union countries	9,028	17.35%	4,789	7.75%
	52,042	**100%**	**61,770**	**100%**
By counterparty:				
Credit institutions	24,531	47.14%	10,399	16.84%
Other resident sectors	27,511	52.86%	51,371	83.16%
	52,042	**100%**	**61,770**	**100%**
By type of instrument:				
OTC derivatives	52,042	100%	61,770	100%
	52,042	**100%**	**61,770**	**100%**

The detail, by credit ratings assigned by external rating agencies, of "Financial Assets Held for Trading" is as follows:

	2022		2021	
	Thousands of euros	Thousands of euros	Thousands of euros	%
A+	-	-	-	-
A	5,172	9.94%	914	1.48%
A-	8,855	17.02%	4,638	7.51%
BBB+	1,464	2.81%	56	0.09%
BBB	-	-	-	-
BBB-	12	0.02%	1	0.00%
Unrated	36,539	70.21%	56,161	90.92%
	52,042	**100%**	**61,770**	**100%**

b) Derivatives

The detail of "Derivatives" on the asset and liability sides of the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	2022				2021			
	Assets		Liabilities		Assets		Liabilities	
	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount
Unmatured foreign								
Currency purchases and sales								
Purchase of foreign currencies against euros	13.033	316.202	10.298	571.253	12.904	417.943	1.657	428.332
Sales of foreign currencies against euros	12.173	656.813	14.962	253.433	2.043	443.948	14.593	457.871
Purchase of foreign currencies against foreign currencies	867	5.434	693	2.988	-	-	-	-
Securities options:								
Bought	-	-	-	-				
Written	-	-	1.175	963.003	-	-	1.389	1.167.699
Onterest rate options								
Bought	2.813	67.589	-	-	290	52.488	-	-
Written	-	-	2.666	67.331	-	-	273	52.477
Foreign currency options:								
Bought	2.668	185.288	-	-	499	181.635	-	-
Written	-	-	2.716	185.288	-	-	508	181.635
Other transactions:								
Interest rate swaps (IRSs)	20.488	625.123	22.465	759.866	46.034	253.298	47.158	252.840
	52.042	**1.856.449**	**54.975**	**2.803.162**	**61.770**	**1.349.312**	**65.578**	**2.540.854**

The guarantees granted by the Group to certain investment funds and pension funds are recognised as securities options written, which are detailed at the Group´s Balance. The nominal value of these transactions amounts to 948,245 thousand euros and their fair value is 204 thousand euros as of December 31, 2022 (1,152,942 thousand euros and 418 thousand euros as of December 31, 2021, respectively).

The effect of considering both counterparty risk and own risk in the valuation of derivatives has led to the recording in the Group's Balance Sheet of a reduction in value amounting to 705 thousand euros and an increase in value amounting to 1,283 thousand euros in 2022 (3,251 and 16 thousand euros as of December 31, 2021, respectively).

As of 2016, the Group carries out the operation of certain OTC derivatives through the Eurex Clearing clearinghouse. Said clearinghouse settles the value of derivatives on a daily basis, therefore the net fair value of all the positions held through said clearinghouse impacts the Group's liquidity position, as the daily settlement is carried out in the Treasury account of the Bank of Spain. As of December 31, 2022, the total amount settled with respect to the derivative instruments designated as held for trading is negative 3,768 thousand euros, with a notional value of 867,426 thousand euros (597 and 43,371 thousand euros as of December 31,2021, respectively).

The notional and/or contractual amounts of the derivative contracts are not a quantification of the risk assumed by the Group, since its net position is the result of offsetting and/or combining these instruments.

The differences between the value of the derivatives sold to and purchased from customers and the derivatives purchased from and sold to counterparties, in which there is a margin for the Group, are not material.

The market value of the derivatives embedded in structured deposits marketed by the Group at 31 December 2022 and 2021 was nul.

23. Non-trading financial assets mandatorily at fairvalue through profit or loss

"Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss" includes financial assets that do not meet the requirements for classification in the "Financial Assets at Amortized Cost" and "Financial Assets at Fair Value through Other Comprehensive Income" portfolios.

The detail of "Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Debt securities:		
Credit institutions	14,842	21,675
Other fixed-income securities	8	8
	14,850	**21,683**
Equity instruments:		
Unlisted shares	87	10,702
Investment fund and other units/shares	23,793	24,406
	23,880	**35,108**
Loans and advances:		
Customers	-	-
	-	**-**
	38,730	**56,792**

During 2022, results have been obtained from the sale or reimbursement of Equity Instruments classified in this portfolio for an amount of 11,545 thousand euros (353 thousand euros in 2021) (Note 51).

On August 28, 2022, the Parent Entity of the Group has signed a private contract with Ayesa Euskadi, SL for the sale of all the shares of Ibermática, SA. On the transaction date, the Group held 44,233 shares of Ibermática SA valued at a total amount of 10,385 thousand euros. Given that the sale of these shares to Ayesa Euskadi, SL required the approval of the National Competition Market Commission and the Council of Ministers, it was not until December 29, 2022 when it was finally executed and elevated. public said operation. The amount for which the Group has sold 100% of the shares has been 21,621 thousand euros, resulting in a profit of 11,237 thousand euros (See Note 51).

	Miles de Euros	
	2022	2021
By currency:		
Euros	38,730	56,791
	38,730	**56,791**
By maturity:		
Until 3 months	-	-
More than 5 years	14,850	21,683
Undetermined expiration	23,880	35,108
	38,730	**56,791**
By listing status:		
Listed-		
Debt securities	2	2
Equity instruments	18,225	16,953
	18,227	**16,955**
Non-listed -		
Debt securities	14,848	21,681
Equity instruments	5,655	18,155
Loans and advances	-	-
	20,503	**39,836**
	38,730	**56,791**

a) Credit risk

In 2022 negative valuation adjustments were recognized for a net amount of EUR 663 thousand (2021: EUR 2,601 thousand) (see Note 51).

The debt securities classified in this portfolio at 31 December 2022 relate to counterparties who do not have credit ratings awarded by external credit rating agencies.

Geographical risk classification in the portfolio held states as flows:

	2022		2021	
	Thousand of Euros	%	Thousand of Euros	%
State	8	0.06%	8	0.04%
Rest of European Union Countries	293	1.97%	598	2.76%
Rest of the word	14,549	97.97%	21,077	97.20%
	14,850	**100%**	**21,683**	**100%**

24. Financial assets at fair value through other comprehensive income

"Financial Assets at Fair Value through Other Comprehensive Income" includes financial assets whose contractual terms give rise to cash flows that are solely payments of principal and interest, but which are managed by the Group within a model whose objective is achieved by both collecting the contractual cash flows and selling the instruments. Also, this portfolio includes those equity instruments for which the Group made an irrevocable election at initial recognition, as envisaged in the standard, to recognize subsequent changes in fair value under "Accumulated Other Comprehensive Income" since at the timeof their classification no divestment process was under way for these investments, nor were the instruments expected to be held for a specific period. The detail of "Financial Assets at Fair Value through Other Comprehensive Income" in the consolidated balance sheets as at 31 December 2022 and 2021 isas follows:

	Thousands of euros	
	2022	2021
Debt securities:		
Public sector - Spain	3,362,764	3,544,709
Public sector - foreign countries	67,841	292,556
Credit institutions	111,468	117,817
Other fixed-income securities	388,541	480,780
	3,930,614	4,435,862
Equity instruments:		
Listed shares		
Unlisted shares	1,222,189	1,203,642
Investment fund and other units/shares	258,264	255,787
	1,480,453	1,459,429
	5,411,067	**5,895,291**

At 31 December 2022 and 2021, the Group had not recognized any debtsecurities as non-performing assets.

For equity instruments included in "Financial Assets at Fair Value through Other Comprehensive Income", IFRS 9 does not envisage the recognition of valuation adjustments with a charge to profit or loss, and any change in their fair value is recognized under "Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income", as described in Note 14-e.

The detail, by currency, maturity and listing status, of "Financial Assets at Fair Value through Other Comprehensive Income" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By currency:		
Euro	5,411,067	5,895,291
	5,411,067	**5,895,291**
By maturity:		
Less than 3 months	149,234	55,152
3 months to 1 year	859,709	332,039
1 to 5 years	2,205,805	2,639,839
More than 5 years	715,866	1,408,832
Undetermined maturity	1,480,453	1,459,429
	5,411,067	**5,895,291**
By listing status:		
Listed-		
Debt securities	3,930,060	4,434,919
Equity instruments	1,222,189	1,203,642
	5,152,249	5,638,561
Unlisted-		
Debt securities	554	943
Equity instruments	258,264	255,787
	258,818	256,730
	5,411,067	**5,895,291**

In 2022 dividend income of EUR 54,738 thousand (2021: EUR 52,557 thousand) from equity instruments in the "Financial Assets at Fair Value through Other Comprehensive Income" portfolio was recognised under "Dividend Income" in the consolidated statement of profit or loss for the year (see Note 46), none of which correspond to investments sold on the year 2022. (6,612 thousands on the year 2021).

Note 37 includes a detail of the balance of "Accumulated Other Comprehensive Income" in consolidated equity at 31 December 2022 and 2021 arising from changes in the fair value of the items included in "Financial Assets at Fair Value through Other Comprehensive Income".

The amount which, as a result of sales of debt securities, was derecognized from "Accumulated Other Comprehensive Income" in consolidated equity in the year ended 31 December 2022 and recognized as a gain in the consolidated statement of profit or loss was EUR 1,101 thousand (2021: a gain of EUR 34 thousand), before taking into account the related tax effect (see Note 37). These gains are recognized under "Gains or Losses on Derecognition of Financial Assets and Liabilities Not Measured at Fair Value through Profit or Loss, Net" in the consolidated statement of profit or loss (see Note 49).

Also, in 2022 the Group sold equity instruments recognized under this line item amounting to EUR 350 thousand (2021: EUR 391,865 thousand), giving rise to a cumulative loss of EUR 356 thousand (2021: gain of EUR 55,971 thousand). The part of these accumulated losses attributable to the owners of the Parent Entity, net of its tax effect, has been transferred during the 2022 financial year for an amount of 249 thousand euros (67,332 thousand of euros of retained earnings during the 2021 financial year), as a result of the sale, from "Accumulated Other Comprehensive Income - Items that Will Not Be Reclassified to Profit or Loss - Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income" to the heading "Other Reserves" of the Net Equity of the consolidated balance sheet.

In relation to the previous financial year, on March 28, 2021, Kaixo Telecom, SAU (a company of the MASMOVIL Group) presented a Voluntary Public Offer for the Acquisition of shares all the shares representing the equity of Euskaltel, SA which the Kutxabank Group held at the time of presentation of the same a participation of 19.88% classified under the heading "Financial assets at fair value with changes in other comprehensive income".

The Offer presented was addressed to the entire share capital of Euskaltel, SA represented by 178,645,360 shares with a par value of 3 euros each, including 35,518,041 shares owned by Kutxabank, SA.

On June 17, 2021, the Parent Entity, Kutxabank, SA, received a complementary dividend of 6,038 thousand euros for its stake in Euskaltel, SA. Additionally, on August 5, 2021, the shares were sold, with an effective amount received by the Parent Entity of 390,698 thousand euros. The aforementioned shares were derecognized from the balance sheet and the accumulated net gains were recorded under the balance sheet heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – "Fair value changes of equity instruments measured at fair value through other comprehensive income" transferred to the heading "Other reserves" of the consolidated balance sheet, with the net impact of 107,083 thousand euros.

Additionally, on May 26, 2021, the Shareholders' Meeting of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, SA, with the objective of restoring the Company's equity balance, approved the total reduction of its share capital to compensate losses and the increase in capital due to the conversion of convertible bonds.

In this sense, the shares of this company owned by the Parent Entity, which were fully impaired, with capital losses net of the tax effect of 39,589 thousand euros recorded under the heading of the balance sheet "Other accumulated comprehensive income - Items that will not be reclassified to results – Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income" were derecognized from the balance sheet, and the accumulated losses in "Other accumulated comprehensive income" were transferred to the heading "Other reserves" of the consolidated balance sheet.

The average annual interest rate on debt securities was 4.28% in 2022 (2021: 1.09%).

At 31 December 2022, the Group had pledged fixed-income securities amounting to EUR 441,619 thousand classified in the "Financial Assets at Fair Value through Other Comprehensive Income" portfolio in order to qualify for European Central Bank financing (31 December 2021: EUR 525,256 thousand) (see Note 42).

The detail of the fair value of "Financial Assets at Fair Value through Other Comprehensive Income" is included in Note 40.

a) Credit risk

The detail of the risk classification, by geographical location, of "Financial Assets at Fair Value through Other Comprehensive Income - Debt Securities" is as follows:

	2022		2021	
	Thousands of euros	Thousands of euros	Thousands of euros	%
Spain	3,510,488	89.31%	3,704,225	83.51%
Other European Union countries	362,410	9.22%	666,234	15.02%
Rest of the world	57,716	1.47%	65,403	1.47%
	3,930,614	**100%**	**4,435,862**	**100%**

The detail, by credit rating assigned by external rating agencies, at the end of 2022 and 2021 is as follows:

	2022		2021	
	Thousands of euros	%	Thousands of euros	%
AAA	22,310	0.57%	24,836	0.56%
AA+	14,316	0.36%	15,041	0.34%
AA	2,020	0.05%	2,941	0.07%
AA-	92,473	2.35%	99,767	2.25%
A+	56,872	1.45%	58,056	1.31%
A	3,289,951	83.70%	3,013,353	67.93%
A-	53,005	1.35%	547,931	12.35%
BBB+	179,884	4.58%	139,743	3.15%
BBB	147,528	3.75%	414,054	9.33%
BBB-	56,155	1.43%	56,597	1.28%
Lower than BBB-	34	-	34	-
Unrated	16,066	0.41%	63,509	1.43%
	3,930,614	**100%**	**4,435,862**	**100%**

b) Impairment losses

The detail of the balance of "Impairment or Reversal of Impairment on Financial Assets not Measured at Fair Value through Profit or Loss andModification Gains or Losses, Net" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 relating to financial assets at fair value through other comprehensive income is as follows (see Note 60):

	Thousands of euros	
	2022	2021
Debt securities	159	(606)
	159	**(606)**
Impairment losses charged to income		
Collectively assessed	159	(606)
Individually assessed	-	-
	159	**(606)**

In 2022 and 2021 the Group measured the impairment losses of the debt securities classified under "Financial Assets at Fair Value through Other Comprehensive Income" at an amount equal to 12-month expected credit losses, since it did not identify any financial assets the credit risk on which had increased significantly since initial recognition. Accordingly, in 2022 and 2021 the Group did not recognize expected credit losses of a significant amount in relation to debt securities classified under this line item.

25. Financial assets at amortised cost

The detail of "Financial Assets at Amortised Cost" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Debt securities	3,688,125	2,132,909
Loans and advances		
Credit institutions	585,478	501,109
Customers	46,627,332	47,516,159
	50,900,935	**50,150,177**

At 31 December 2022, the Group had debt instruments loaned or advanced as collateral amounting to EUR 10,568,111 thousand (31 December 2021: EUR 5,273,659 thousand) (see Note 42).

The detail, by currency, of "Financial Assets at Amortized Cost" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Debt securities		
By currency:		
Euro	3,688,125	2,132,909
Loans and advances		
By currency:		
Euro	47,053,964	47,755,503
US dollar	142,356	222,819
Pound sterling	377	10,340
Japanese yen	6,809	16,030
Swiss franc	4,990	9,449
Other currencies	4,314	3,127
	50,900,935	**50,150,177**

The fair value of "Financial Assets at Amortized Cost" is included in Note 40.

a) Debt securities

The detail of "Debt Securities" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Debt securities:		
By counterparty:		
Issued by public sector- Spain	1,943,720	938,222
Issued by public sector - foreign countries	1,108,926	695,857
Issued by credit institutions	617,296	480,427
Foreign non-financial companies	18,183	18,403
	3,688,125	**2,132,909**

At 31 December 2022, the heading "Debt Securities - Issued by Credit Institutions" in the foregoing table included EUR 27,642 thousand relating to changes in the fair value of certain securities attributable to interest rate risk (2021: EUR 43,375), for which a fair value hedge had been arranged as described in Note 26.

During 2022, sales of debt securities were made for a nominal amount of 100 million euros, classified in the "Financial assets at amortized cost" portfolio, which generated a profit of 6,828 thousand euros, which was It is recorded under the heading "Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" (see Note 49). This operation is within the limits established for sales for the Business Model under which this portfolio of assets is managed.

All the instruments included in this heading correspond to assets classified in Stage 1, for which during the year 2022 impairment losses have been recognized for an amount of 36 thousand euros recorded in the heading. "Impairment in the value or reversal of the impairment in the value of financial assets not measured at fair value through profit or loss and net gains or losses due to modification – Financial assets at amortized cost" (Note 60). During the 2021 financial year, losses of 9 thousand euros were recognized for this concept.

Information concerned fair value of the instruments held at this category is disclosed in Note 40.

The average annual interest rate on debt securities was 3.58% in 2022 (2021: 0.89%).

The break down by credit rating assigned by external rating agencies, at the end of 2022 and 2021 is as follows

	2022		2021	
	Thousands of euros	%	Thousands of euros	%
Risk classified as AAA	662	0.02%	671	0.03%
Risk classified as AA+	87,138	2.36%	50,699	2.38%
Risk classified as AA	70,199	1.90%	-	-
Risk classified as AA-	223	0.01%	232	0.01%
Risk classified as A+	61,400	1.66%	7,391	0.35%
Risk classified as A	2,071,188	56.16%	1,066,019	49.98%
Risk classified as A-	117,035	3.17%	44,559	2.09%
Risk classified as BBB+	177,044	4.80%	362,050	16.97%
Risk classified as BBB	1,102,934	29.91%	519,895	24.37%
Risk classified as BBB-	302	0.01%	81,393	3.82%
	3,688,125	**100%**	**2,132,909**	**100%**

b) Loans and advances

The detail of "Loans and Advances" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Loans and advances:		
Credit institutions	585,478	501,109
Customers	46,627,332	47,516,159
	47,212,810	**48,017,268**

b.1) Loans and advances - Credit institutions

The detail, by type of instrument, of "Loans and Advances - Credit Institutions" in the consolidated balance sheet is as follows:

	Thousands of euros	
	2022	2021
Time deposits and other accounts (Note 16)	584,635	501,354
Valuation adjustments		
Other	843	(245)
	585,478	**501,109**

The annual interest rate on "Loans and Advances - Credit Institutions" was approximately 0.03% in 2022 (2021: approximately -0.51%).

b.2) Loans and advances - Customers

The detail of "Financial Assets at Amortized Cost - Loans and Advances - Customers" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By type:		
Commercial credit	761,027	513,571
Mortgage loans	32,644,925	33,072,595
Loans with other collateral	151,426	172,493
Other term loans	12,343,956	11,824,928
Finance leases	115,969	111,056
Receivable on demand and other	545,458	562,638
Credit Card Loans	480,251	425,565
Non-performing assets	661,249	918,750
Advances that are not loans		
Fees and commissions for guarantees given	2,985	3,427
Other items	483,344	485,687
	48,190,590	48,090,710
Valuation adjustments:		
Impairment losses	(675,085)	(718,248)
Other valuation adjustments	(888,173)	143,697
	(1,563,258)	(574,551)
	46,627,332	**47,516,159**
By geographical area:		
Spain	46,200,780	46,953,834
Other European Union countries	250,640	390,792
Rest of the world	175,912	171,533
	46,627,332	**47,516,159**
By interest rate:		
Fixed rate	18,340,707	16,915,694
Floating rate tied to Euribor	27,123,689	28,202,143
Floating rate tied to the mortgage benchmark rate (IRPH)	453,448	527,672
Other	709,488	1,870,650
	46,627,332	**47,516,159**

The heading Valuation adjustments in the table above includes the value adjustments due to impairment of assets, accrued interest, commissions pending accrual and adjustments for micro-hedging operations, if applicable. This heading includes negative 1,109,694 thousand euros as of 31 December, 2022 (2021: EUR 3,517 thousand negative euros), which correspond to variations in the fair value of certain loans to clients, which are attributable to interest risk, which they have been hedged as described in Note 26.

The average effective interest rate on the debt instruments classified as loans and advances to customers at 31 December 2022 was 1.18% (31 December 2021: 1.02%).

The Group has performed various securitization transactions and other transfers of assets, the detail at 31 December 2022 and 2021 being as follows:

	Thousands of euros	
	2022	2021
Assets derecognized in full:		
Mortgage assets securitized through mortgage participationcertificates	-	-
Other securitized assets	-	-
	-	**-**
Memorandum item: derecognized before 1 January 2004	-	-
Assets retained in full on the face of the consolidated balance sheet:		
Mortgage assets securitized through mortgage transfer certificates	1,600,170	1,872,837
Mortgage assets securitized through mortgage participationcertificates	-	-
	1,600,170	**1,872,837**
	1,600,170	**1,872,837**

From 2004 to 2009, the Group launched several mortgage loan securitization programs through the issuance of mortgage transfer certificates and mortgage participation certificates. These asset transfers do not meet the requirements for derecognition of the related assets because the Group has retained the risks and rewards associated with ownership of the assets, as it has granted to the SPVs subordinated financing which absorbs substantially all the expected losses on the securitized assets.

The principal amounts and outstanding balances of the mortgage transfer certificates, mortgage participation certificates and subordinated loans relating to each of the mortgage loan securitization programs are as follows:

					Thousands of euros				
	Principal amount		Average term to maturity (in years)		Outstanding balance		Subordinated loans/credits		
Ejercicio	2022	2021	2022	2021	2022	2021	2022	2021	Fund that underwrites the issue
2005	1,000,000	1,000,000	9,92	10,86	150,669	180,288	24,000	24,000	AyT Hipotecario BBK I FTA
2006	1,000,000	1,000,000	11,01	11,90	192,461	227,885	10,800	10,800	AyT Hipotecario BBK II FTA
2007	1,500,000	1,500,000	13,67	14,56	441,514	512,686	54,600	54,600	AyT Colaterales Global Hipotecario BBK I FTA
2008	1,000,000	1,000,000	12,45	13,25	233,286	273,596	39,700	39,700	AyT Colaterales Global Hipotecario BBK II FTA
2006	750,000	750,000	12,44	13,30	139,828	163,952	6,750	6,928	AyT Kutxa Hipotecario I, Fondo de Titulización de Activos
2007	1,200,000	1,200,000	14,79	15,62	302,132	351,792	13,800	15,505	AyT Kutxa Hipotecario II, Fondo de Titulización de Activos
2006	200,000	200,000	10,22	10,98	29,158	35,572	3,605	1,346	TDA 27, Fondo de Titulización de Activos
2007	199,900	199,900	16,09	17,01	67,728	77,041	3,138	3,138	AyT Colaterales Global Hipotecario Vital I FTA
2009	155,000	155,000	16,15	16,87	43,393	50,025	4,717	5,324	AyT ICO-FTVPO Caja Vital Kutxa, Fondo de Titulización de Activos
	7,004,900	**7,004,900**	**-**	**-**	**1,600,170**	**1,872,837**	**161,111**	**161,341**	

The Group has retained a portion of the asset-backed securities relating to the above-mentioned issues and, therefore, the detail of the amount recognized under "Financial Liabilities at Amortized Cost" in the accompanying consolidated balance sheet is as follows (see Note 33-c):

	Thousands of euros	
	2022	2021
Funds received	1,586,890	1,855,392
Classified as debt securities issued (Note 33-d)	(95,034)	(116,970)
Retained bonds and subordinated loans	(1,466,840)	(1,706,669)
	25,016	**31,753**

Of the 1,498,212 thousand euros of nominal amount of securitization bonds retained by the Group, 1,054,148 thousand euros, as of December 31, 2022, are subject to a credit agreement with pledge with the Bank of Spain (1,267,411 thousand euros as of December 31, 2021) – Note 42 –.

Finance lease contracts

At 31 December 2022 and 2021, the Group had finance lease contracts with customers for tangible assets including buildings, furniture, vehicles and IT equipment, which are recognized as discussed in Note 14-m. The residual value of these lease contracts, which is the amount of the last lease payment, is secured by the leased asset.

At 31 December 2022 and 2021, the reconciliation of the gross investment in leases classified as performing to the present value of the minimum lease payments receivable, broken down by the terms shown, was as follows:

	Thousands of euros					
	2022			2021		
	Within 1 year	Between 1 to 5 years	More than 5 years	Within 1 year	Between 1 to 5 years	More than 5 years
Lease payments receivable	29,703	62,240	15,034	30,061	64,921	5,768
Residual value	1,743	6,362	887	1,896	7,320	1,090
Unaccrued future interest	2,248	4,323	942	1,165	2,005	201
Unaccrued future VAT	7,063	15,306	2,289	6,929	15,535	1,482
Gross investment	**40,757**	**88,231**	**19,152**	**40,051**	**89,781**	**8,541**

At 31 December 2022 and 2021, the accumulated impairment losses covering bad debts relating to the minimum finance lease payments receivable were not material.

The most significant finance lease contracts involving the Group relate to financing transactions granted to customers to acquire assets needed by them to carry on their ordinary business activities.

c) *Impairment losses*

The detail of the impairment losses on "Financial Assets at Amortized Cost - Loans and Advances - Customers", which are recognized mainly under "Impairment or Reversal of Impairment on Financial Assets not Measured at Fair Value through Profit or Loss and Modification Gains or Losses, Net - Financial Assets at Amortized Cost" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021, is as follows (see Note 60):

	Thousands of euros	
	2022	2021
Net impairment losses charged to income - Financialassets at amortised cost	(261,278)	(241,162)
Prior years' impairment losses reversed with a credit toincome	189,448	169,429
Recovery of written-off assets	12,781	22,888
Direct write-offs	(3,703)	(21,836)
	(62,752)	**(70,681)**

The detail, by credit quality, of "Financial Assets at Amortized Cost - Loans and Advances - Customers" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Gross amount		
Stage 1	44,526,192	44,754,435
Stage 2	2,114,976	2,561,222
Stage 3	661,249	918,750
	47,302,417	**48,234,407**
Impairment losses		
Stage 1	(175,573)	(83,437)
Stage 2	(164,576)	(223,277)
Stage 3	(334,936)	(411,534)
	(675,085)	**(718,248)**
Impairment losses		
Collectively assessed	(534,026)	(532,701)
Individually assessed	(141,059)	(185,547)
	(675,085)	**(718,248)**
Carrying amount		
Stage 1	44,350,619	44,670,998
Stage 2	1,950,400	2,337,945
Stage 3	326,313	507,216
	46,627,332	**47,516,159**

The detailed 2022 and 2021 movement of the gross amount of the "Financial Assets at amortized Cost- Loans and advances- Clientele" considering credit quality states as follows:

	Thousand of euros			
	To Stage 1	To Stage 2	To Stage 3	Total
Balance at the beginning 2022	**44,754,435**	**2,561,222**	**918,750**	**48,234,407**
Transfer				
From Stage 1	(516,586)	502,053	14,533	-
From Stage 2	590,836	(649,921)	59,085	-
From Stage 3	25	50,931	(50,956)	-
New Financial Assets	6,333,356	75,188	4,765	6,413,309
Financial Asset withdrawals (Other than failed)	(2,645,481)	(230,365)	(207,110)	(3,082,956)
Bad loans	-	-	(29,029)	(29,029)
Risk variance	(3,990,393)	(194,132)	(48,789)	(4,233,314)
Balance at the end 2022	**44,526,192**	**2,114,976**	**661,249**	**47,302,417**

On June 24, 2022, the Group formalized an assignment transaction to a third party of loans classified in the "Financial assets at amortized cost" portfolio, most of which were in doubtful or failed status, as part of its strategy management of the portfolio of non-performing assets.

The public sale of the signed purchase contract was made on July 27, 2022 and the formalization of the effective transmission on July 28, 2022, which meant the cancellation of the affected operations, for a gross amount of 227,288 thousand euros and a sale price of 111,691 thousand euros. The portfolio subject to the transfer included doubtful operations for a net book value of 88,581 thousand euros and a sale price of 87,807 thousand euros and operations classified as failed assets not recorded in the consolidated balance sheet for a value of 52,140 thousand euros and a sale price of 23,514 thousand euros.

The impact on the consolidated income statement for the year 2022 as a result of derecognition of the transferred assets once the costs associated with the sale have been discounted has led to a profit of 20,093 thousand euros, which is recorded under the heading "Profits or losses when derecognizing financial assets and liabilities not valued at fair value through profit or loss, net" (see Note 49).

	Thousand of euros			
	To Stage 1	To Stage 2	To Stage 3	Total
Balance at the beginning 2021	**41,725,442**	**2,185,762**	**1,073,356**	**44,984,560**
Transfer				
From Stage 1	(1,213,504)	1,197,155	16,349	-
From Stage 2	527,796	(588,954)	61,158	-
From Stage 3	22	50,340	(50,362)	-
New Financial Assets	8,582,004	74,336	21,165	8,677,505
Financial Asset withdrawals (Other than failed)	(2,588,569)	(121,680)	(79,973)	(2,790,222)
Bad loans	-	-	(73,632)	(73,632)
Risk variance	(2,278,756)	(235,737)	(49,311)	(2,563,804)
Balance at the end 2021	**44,754,435**	**2,561,222**	**918,750**	**48,234,407**

The breakdown of the recoverable value of collateral received based on credit quality as of December 31, 2022 and 2021 is as follows:

	Thousand of euros	
	2022	2021
Value of collateral		
Stage 1	49,852,523	48,958,643
Stage 2	2,362,550	2,689,300
Stage 3	670,220	837,997
	52,885,293	**52,485,940**
Value of other guarantees		
Stage 1	406,587	431,938
Stage 2	235,211	259,342
Stage 3	7,639	7,264
	649,437	**698,544**
Total value of guarantees received	**53,534,730**	**53,184,484**

Non-performing exposures - Stage 3

The detail of "Customers - Non-Performing Exposures" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By geographical location:		
Spain	654,028	911,516
Other	7,221	7,234
	661,249	**918,750**
By counterparty:		
Public sector	14	7,023
Other resident sectors	654,014	904,493
Other non-resident sectors	7,221	7,234
	661,249	**918,750**
By type:		
Commercial credit	11,616	15,022
Mortgage loans	532,415	765,067
Loans with other collateral	34,755	39,781
Other term loans	65,801	78,215
Finance leases	1,129	1,769
Receivable on demand and other	7,001	9,854
Credit Card Debts	3,746	3,853
Advances that are not loans	4,786	5,189
	661,249	**918,750**

The detail of "Loans and Advances - Impairment Losses" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By geographical area:		
Spain	(671,879)	(710,159)
Rest of the world	(3,206)	(8,089)
	(675,085)	**(718,248)**
By type of asset covered:		
Loans	(669,705)	(712,343)
Advances that are not loans	(5,380)	(5,905)
	(675,085)	**(718,248)**
By counterparty:		
Other resident sectors	(671.879)	(710,159)
Other non-resident sectors	(3.206)	(8,089)
	(675,085)	**(718,248)**

The changes in 2022 and 2021 in “Loans and Advances - Impairment Losses” were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	**(718,248)**	**(725,555)**
Net impairment losses charged to income	(261,278)	(241,162)
Reversal of impairment losses recognised in prior years	189,448	169,429
Assets written off against allowances	25,326	51,797
Sold assets derecognised against allowances	80,008	12,506
Transfers to/from provisions (Note 34)	-	(565)
Transfers from commitments and guarantees given (Note 34)	(2,987)	(3,753)
Transfers to non-current assets held for sale - Foreclosed assets (Note 32)	9,244	10,068
Other	3,402	8,987
Balance at end of year	**(675,085)**	**(718,248)**

The following table shows how the changes in financial instruments contributed to changes in the impairment losses recognized in 2022 and 2021:

	Thousands of euros			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**(83,437)**	**(223,277)**	**(411,534)**	**(718,248)**
Increases due to origination and acquisition	(24,281)	(238)	(1,093)	(25,612)
Decreases due to derecognition	10,409	6,674	90,541	107,624
Changes due to change in credit risk (net)	(78,239)	52,875	(39,433)	(64,797)
Changes due to modifications without derecognition (net)	46	(614)	1,505	937
Changes due to update of the entity’s calculation method (net)	-	-	-	-
Decrease in allowance account due towrite-offs	-	1	25,325	25,326
Other adjustments	(71)	3	(247)	(315)
Balance at end of 2022	**(175,573)**	**(164,576)**	**(334,936)**	**(675,085)**

	Thousands of euros			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**(93,246)**	**(175,638)**	**(456,671)**	**(725,555)**
Increases due to origination and acquisition	(28,718)	(1,085)	(2,372)	(32,175)
Decreases due to derecognition	11,232	4,101	33,373	48,706
Changes due to change in credit risk (net)	27,310	(48,005)	(27,155)	(47,850)
Changes due to modifications without derecognition (net)	52	(2,651)	(10,317)	(12,916)
Changes due to update of the entity’s calculation method (net)	-	-	-	-
Decrease in allowance account due towrite-offs	-	-	51,797	51,797
Other adjustments	(67)	1	(189)	(255)
Balance at end of 2021	**(83,437)**	**(223,277)**	**(411,534)**	**(718,248)**

At 31 December 2022, the Group recognized EUR 3,703 thousand relating to bad debts written off (31 December 2021: EUR 21,836 thousand), and this amount was recognized under "Impairment or Reversal of Impairment on Financial Assets not Measured at Fair Value through Profit or Loss and Modification Gains or Losses, Net - Financial Assets at Amortized Cost" in the consolidated statement of profit or loss (see Note 60).

The cumulative finance income not recognized in the consolidated statement of profit or loss relating to impaired financial assets amounted to EUR 199,231 thousand at 31 December 2022 (31 December 2021: EUR 284,088 thousand).

The detail of the non-performing assets, by age of the amounts classified as non-performing, without deducting the impairment losses, and of the value of the collateral received is as follows:

	Thousands of euros					
	2022					
	≤90 days	>90 days ≤180 days	>180 days ≤1 year	>1 year	Total	Collateral received
By counterparty:						
Public sector	14	-	-	-	14	14
Credit institutions	-	-	-	-	-	-
Other financial corporations	129	-	-	35	164	73
Non-financial corporations	81,305	7,284	18,428	122,295	229,312	80,870
Of which: secured by commercial real estate	*55,095*	*3,680*	*15,119*	*94,860*	*168,754*	*80,831*
Households	80,133	28,285	37,819	285,522	431,759	220,903
Of which: secured by residential real estate	*68,701*	*24,444*	*32,451*	*229,512*	*355,108*	*200,592*
	161,581	**35,569**	**56,247**	**407,852**	**661,249**	**301,860**

	Thousands of euros					
	2021					
	≤90 days	>90 days ≤180 days	>180 days ≤1 year	>1 year	Total	Collateral received
By counterparty:						
Public sector	7,023	-	-	-	7,023	6,464
Credit institutions	-	-	-	-	-	-
Other financial corporations	33	-	9	184	226	109
Non-financial corporations	105,798	15,454	4,670	170,257	296,179	122,450
Of which: secured by commercial real estate	*64,233*	*14,633*	*2,454*	*133,207*	*214,527*	*122,287*
Households	90,076	29,028	35,923	460,295	615,322	348,421
Of which: secured by residential real estate	*76,729*	*25,502*	*30,294*	*388,272*	*520,797*	*308,978*
	202,930	**44,482**	**40,602**	**630,736**	**918,750**	**477,444**

The detail of the carrying amount of unimpaired past-due financial assets is as follows:

	Thousands of euros			
	2022			
	≤30 days	>30 days ≤90 days	>90 days	Total
By counterparty:				
Public sector	19,505	-	-	19,505
Credit institutions	80	2	-	82
Other financial corporations	17	44	-	61
Non-financial corporations	79,049	10,789	-	89,838
Households	287,486	76,565	-	364,051
	386,137	**87,400**	**-**	**473,537**
By type of instrument:				
On demand and short notice	4.276	306	-	4.582
Credit card debt	522	181	-	703
Trade receivables	15.888	1.419	-	17.307
Finance leases	721	1	-	722
Other term loans	364.619	85.463	-	450.082
Advances that are not loans	111	30	-	141
	386.137	**87.400**	**-**	**473.537**

	Thousands of euros			
	2021			
	≤30 days	>30 days ≤90 days	>90 days	Total
By counterparty:				
Public sector	202	-	-	202
Credit institutions	-	-	-	-
Other financial corporations	196	52	-	248
Non-financial corporations	108,376	10,584	-	118,960
Households	292,267	80,000	-	372,267
	401,041	**90,636**	**-**	**491,677**
By type of instrument:				
On demand and short notice	41,818	396	-	42,214
Credit card debt	744	190	-	934
Trade receivables	13,368	2,896	-	16,264
Finance leases	270	409	-	679
Other term loans	344,744	86,725	-	431,469
Advances that are not loans	97	20	-	117
	401,041	**90,636**	**-**	**491,677**

The amount of the balances under the heading “ Financial Assets at amortized Cost- Loans and advances-Customers” removed from the Group´s consolidated balance sheet, as their recovery is considered remote, amounts to EUR 3,634,858 thousand in 2022 (31 December 2021: EUR 3,744,151 thousand).

The changes in impaired financial assets derecognized because their recovery in 2022 and 2021 was considered to be remote were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	**3,744,151**	**3,697,401**
Additions due to remote recovery:		
Charged to asset impairment losses	25,326	51,797
Direct write-offs	3,703	21,835
Charged to uncollected past-dues	91,353	74,634
	120,382	148,266
Recoveries:		
Due to cash collection	(10,576)	(14,488)
Due to foreclosure	(3,559)	(27,464)
Due to collections from assignees in sales	(24,060)	(713)
	(38,195)	(42,665)
Write-offs:		
Due to forgiveness	(22,837)	(27,283)
Due to sales	(162,731)	(29,022)
Due to other causes	(5,912)	(2,546)
	(191,480)	(58,851)
Balance at end of year	**3,634,858**	**3,744,151**

26. Derivatives - asset and liability hedge accounting

"Derivatives – Hedge Accounting" includes the financial derivatives acquired or issued by the Group which qualify for hedge accounting. The breakdown of "Derivatives – Hedge Accounting" on the asset and liability sides of the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2022	2021	2022	2021
Micro-hedges				
Fair value hedges	33,874	44,940	184,971	321,287
Cash flow hedges	-	2,914	178,729	124,574
	33,874	**47,854**	**363,700**	**445,861**

The detail, by currency and maturity, of "Derivatives – Hedge Accounting" on the asset and liability sides of the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2022	2021	2022	2021
By currency:				
Euro	33,874	47,854	363,700	445,861
	33,874	**47,854**	**363,700**	**445,861**
By maturity:				
Less than 1 year	392	25,229	38,005	10,946
1 to 5 years	18,080	22,625	250,200	190,327
More than 5 years	15,402	-	75,495	244,588
	33,874	**47,854**	**363,700**	**445,861**

Fair value hedges

The detail of "Derivatives - Hedge Accounting - Fair Value Hedges" on the asset and liability sides of the consolidated balance sheets as at 31 December 2022 and 2021 and of the hedged items is as follows:

Fair value hedges	Thousands of euros					
	2022			2021		
	Carrying amount (*)	Cumulative changes in fair value included in the carrying amount	Changes in Value used to determine the effectiveness in the period	Carrying amount (*)	Cumulative changes in fair value included in the carrying amount	Changes in value used to estimate effectiveness in the period
Hedging intem						
Interest rate risk						
Assets						
Financial assets at fair value through other comprehensive income – Debt securities	1,808,127	(97,055)	(307,612)	2,030,578	158,242	95,964
Financial assets at amortised cost - Loans and advances	3,922,123	(1,109,694)	(1,106,178)	3,768,015	(3,517)	(100,713)
Financial assets at amortised cost - Debt securities	246,625	(27,642)	(68,743)	256,594	43,375	16,943
	5,976,875	(1,234,391)	(1,482,533)	6,055,187	198,100	12,194
Liabilities						
Financial liabilities at amortised cost - Mortgage-backed bonds	1,073,928	(82,638)	(196,295)	1,695,234	57,869	(52,524)
	1,073,928	(82,638)	(196,295)	1,695,234	57,869	(52,524)
Other risks						
Assets						
Financial assets at fair value through other comprehensive income - Equity instruments	218.600	-	-	-	-	-
	218.600	-	-	-	-	-

(*) The carrying amounts included under each heading relate solely to the hedged portionof each type of financial instrument.

In the interest rate risk section of the foregoing detail of hedged instruments, "Financial Assets at Amortised Cost - Loans and Advances" includes the hedging of two fixed-rate mortgage loan portfolios, 65.73% of which are hedged, on average, using an interest rate swap.

Fair value hedges	Thousands of euros					
	2022			2021		
	Notional amount	Carrying amount	Changes in value used to estimate effectiveness in the period	Notional amount	Carrying amount	Changes in value used to estimate effectiveness in the period
Hedging instrument						
Interest rate risk						
Assets						
Derivatives – Hedges accounting-Other transactions	5,694,752	30,224	172,957	3,579,402	44,940	(9,321)
	5,694,752	30,224	172,957	3,579,402	44,940	(9,321)
Liabilities						
Derivatives- Hedges accounting-Other transactions	2,325,000	180,509	(1,113,281)	3,703,719	321,287	55,397
	2,325,000	180,509	(1,113,281)	3,703,719	321,287	55,397
Other risks						
Assets						
Derivatives - hedge accounting - Other Transactions	140.000	3.650	-	-	-	-
	140.000	3.650	-	-	-	-
Liabilities						
Derivatives - hedge accounting - Other Transactions	270.408	4.462	-	-	-	-
	270.408	4.462	-	-	-	-

As of 2016, the Group carries out the operation of certain OTC derivatives through the Eurex Clearing clearinghouse. The market value of OTC derivatives is settled daily by differences by the clearing house against the Bank's Treasury account at BdE. As of December 31, 2022, the total amount settled with respect to the outstanding hedging instruments amounts to 1,002,775 thousand euros in positive (29,373 thousand euros in positive as of December 31, 2021).

The notional amount of certain types of financial instruments provides a basis for comparison with instruments recognized on the face of the consolidated balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, it does not reflect the Group's exposure to credit risk or price risk. Derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of the fluctuations, with respect to the terms of the derivatives, in market interest rates or exchange rates.

The amounts recognized on the hedging instruments and the hedged item attributable to the hedged risk under "Gains or Losses from Hedge Accounting, Net" in the accompanying consolidated statement of profit or loss in 2022 were an income of EUR 1,286,238 thousand and an expense of EUR 1,286,238 thousand, respectively (2021: an income of EUR 64,718 thousand and also an income of the same amount of EUR 64,718 thousand).

Cash flow hedges

The detail of "Derivatives - Hedge Accounting - Cash Flow Hedges" on the asset and liability sides of the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	2022		2021	
Coberturas de flujos de efectivo	Carrying amount	Balance of the adjustment for cash flow hedges in equity	Carrying amount	Balance of the adjustment for cash flow hedges in equity
Covered instrument				
Interest rate risk				
Assets				
Financial assets at fair value through other comprehensiveincome - Debt securities	238,384	(6,396)	361,409	(25,940)
Financial assets at amortized cost - Debt securities	622,799	(5,818)	546,689	(29,187)
	861,183	(12,214)	908,098	(55,127)
Liabilities				
Financial liabilities at amortized cost - Deposits - Credit institutions	-	-	-	-
	-	-	-	-
Other risks				
Assets				
Financial Assets at fair value through other comprensive income- Equity instruments	-	-	208,200	1,771
	-	-	208,200	1,771

Cash flow hedges	Thousands of euros			
	2022		2021	
	Face value	Book Value	Face value	Book Value
Covered instrument				
Interest rate risk				
Liabilities				
Derivatives – Hedging accountance- Other operations	700,750	178,729	800,750	124,119
	700,750	178,729	800,750	124,119
Other risks				
Assets				
Derivatives – Hedging accountance- Other operations	-	-	164,752	2,914
	-	-	164,752	2,914
Liabilities				
Derivatives – Hedging accountance- Other operations	-	-	264,192	455
	-	-	264,192	455

As of December 31, 2022 and 2021, there are cash flow hedges corresponding to interest rate swaps on certain fixed-income securities recorded under the headings "Financial assets at fair value with changes in other comprehensive income - Debt securities" (see Note 24) and "Financial assets at amortized cost – Debt securities" (see Note 25). Likewise, as of December 31, 2021, cash flow hedges were recorded corresponding to interest rate swaps contracted in order to cover the exposure to the variation of cash flows with periodic maturity that derived from certain liabilities or contractual obligations held by the Group on that date (see Note 33.b).

The amount recognised, net of its tax effect, under the heading "Accumulated other comprehensive income" of the Consolidated Equity as of December 31, 2022 amounts to 12,214 thousand euros negative (negative 53,356 thousand euros as of December 31, 2021) – Note 37. During the 2022 financial year, an amount of 74,696 thousand euros of gross losses has been trespassed to the consolidated profit and loss (during the financial year of 2021, an income of 13,697 thousand euros).

The notional amount of certain types of financial instruments provides a basis for comparison with instruments recognized on the face of the consolidated balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, it does not reflect the Group's exposure to credit risk or price risk.

Derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of the fluctuations, with respect to the terms of the derivatives, in market interest rates or exchange rates. The aggregate fair values of derivative financial assets and liabilities may fluctuate significantly.

The detail of the estimated terms, from 31 December 2022 and 2021, within which it is expected that the amounts recognized under "Accumulated Other Comprehensive Income - Hedging Derivatives. Cash Flow Hedges" in consolidated equity at that date will be recognized in future consolidated statements of profit or loss is as follows:

	Thousands of euros			
	2022			
	Less than1 year	1 to 3years	3 to 5years	More than 5
Debit balances (losses) (*)	5,817	61,016	42,576	-
Credit balances (gains) (*)	92,151	3,845	1,199	-

	Thousands of euros			
	2021			
	Less than 1	1 to 3years	3 to 5 years	More than 5
Debit balances (losses) (*)	12,629	59,481	44	28,802
Credit balances (gains) (*)	17,070	26,128	4,388	14

(*) Considering the related tax effect

Also, set forth below is an estimate at 31 December 2022 and 2021 of the notional amounts and average interest rates of the future collections and payments hedged in cash flow hedges, classified by the term, starting from the aforementioned date, within which the collections and payments are expected tobe made:

	Thousands of euros			
	2022			
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5
Nominal amount	700.750	500.750	200.750	-
Average annual interest rate of the collections (%)	6.24%	1.03%	2.27%	-
Average annual interest rate of the payments (%)	12.39%	1.22%	0.87%	-

	Thousands of euros			
	2021			
	Less than 1 year	1 to 3 years	3 to 5years	More than 5
Nominal amount	800.750	700.750	200.750	200.750
Average annual interest rate of the collections (%)	1.01%	0.85%	2.27%	0.76%
Average annual interest rate of the payments (%)	1.17%	1.38%	0.77%	0.26%

The Group periodically measures the effectiveness of its hedges by verifying that the results of the prospective and retrospective tests are within the range established by the standard (80%-125%). At 31 December 2022 and 2021, on the basis of the tests performed, as indicated in Note 14-e, no ineffectiveness was detected in the hedges. Accordingly, at 31 December 2022 and 2021, the Group did not recognize any amount in this connection in the consolidated statements of profit or loss.

As of December 31, 2022, the effect of considering own risk in the valuation of cash flow hedge derivatives has not led to any increase in their net value in the Group's consolidated balance sheet.

27. Investments in joint ventures and associates

The detail of "Investments in Joint Ventures and Associates" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Associates:		
Listed	-	-
Unlisted	147,356	169,425
Joint ventures	-	-
	147,356	**169,425**

The changes in 2022 and 2021 in "Investments in Joint Ventures and Associates" were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	169,425	174,714
Capital increases and shareholder contributions	10	65
Share of results (Note 36)	12,980	5,561
Share of revaluation gains/losses (Note 37)	32	(36)
Impairment losses	1,200	(532)
Sales and other reductions (Note 1.3)	(32,245)	(4,226)
Dividends received	(4,055)	(6,121)
Effect of dilution (Note 1.3)	9	-
Saldo al final del ejercicio	**147,356**	**169,425**

The most significant changes in the scope of consolidation in 2022 and 2021 are explained in Note 1.3.

In compliance with Article 155 of the Spanish Limited Liability Companies Law and Article 125 of Legislative Royal Decree 4/2015, of 23 October, on the Securities Market, following is a detail of the acquisitions and disposals of investments in jointly controlled entities and associates:

Investee	Line of business	% of ownership		Date of notification/ transaction
		Acquired/ sold in the year	Percentage at year-end	
Acquisitions in 2022:				
-	-	-	-	-
Disposals in 2022:				
San Mamés Barria, S.L. (*)	Real estate	0.01%	22.21%	23/02/2022
Zierbena Bizkaia 2002, S.L. (**)	Rental of logistics warehouses	36.84%	-	21/06/2022
Inversiones Zubiatzu, S.A.	Activities of holding companies	15.27%	5.00%	18/07/2022

(*) During the 2022 financial year, a capital increase was carried out that the group has not subscribed.

(**) During the financial year 2022, the sale of Logística Binaria SLU was formalized, which simultaneously entailed the sale of the 36.84% stake it held in Zierbena Bizkaia 2002, SL.

In addition, other changes took place in the scope of consolidation relating to subsidiaries which are described in Note 1.3.

Other disclosures on associates

The financial data on the most significant investments in associates, per their carrying amounts at 31 December 2022, are as follows:

	Torre Iberdrola, A.I.E.	San Mamés Barria,S.L.	Ekarpen, Private Equity, S.A.
Condensed financial data (*)			
Total assets	166,790	179,523	66,388
Of which: current assets	12,120	4,158	22,397
Total liabilities	3,285	768	88
Of which: current liabilities	1,589	767	88
Profit (loss) from ordinary operations	4,212	(2,887)	806
Profit (loss) before tax from continuing operations	4,212	(2,887)	830
Profit (loss) after tax from continuing operations - Parent	4,212	(2,887)	738
Carrying amount at 31 December 2022	50,308	39,068	27,319
Dividends received by the Group in 2022	3,240	-	-

(*) Data taken from the separate or consolidated financial statements of the investees as at 31 December 2022, disregarding consolidation adjustments.

The foregoing table and Appendix II show the latest published financial information on the investees at 31 December 2021. However, the investees' latest available accounting close, which is closer to 31 December 2022, was used to calculate their carrying amounts at that date. As part of the process of accounting for these companies by the equity method, certain adjustments are made to the associates' financial statements; these adjustments do not have a material effect.

Appendix II includes the remaining information on the investments in associates at 31 December 2022 and 2021.

28. Tangible assets

The detail of "Tangible Assets" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Property, plant and equipment		
For own use:		
IT equipment and related fixtures	12,418	10,598
Furniture, vehicles and other fixtures	22,476	26,053
Buildings	590,325	624,794
Assets under construction	23,899	13,333
Other	4,974	1,775
Impairment losses on property, plant and equipment for own use	(9,616)	(9,729)
	644,476	666,824
Leased out under an operating lease	-	-
Investment property:		
Buildings	181,746	192,489
Rural land, land lots and buildable land	39,906	40,894
Impairment losses on investment property	(103,623)	(104,137)
	118,029	129,246
	762,505	**796,070**

The changes in 2022 and 2021 in “Tangible Assets” were as follows:

	Thousands of euros			
	For own use	Leased out under an operating lease	Investment property	Total
Gross				
Balance at 31 December 2020	1,792,959	-	304,525	2,097,484
Additions	23,879	-	2,189	26,068
Disposals	(10,624)	-	(15,512)	(26,136)
Transfers	(17,609)	-	17,609	-
Transfers - non-current assets held for sale (Note 32)	-	-	(4,815)	(4,815)
Other changes	(2)	-	(2)	(4)
Balance at 31 December 2021	1,788,603	-	303,994	2,092,597
Additions	33,942	-	472	34,414
Disposals	(32,786)	-	(29,441)	(62,227)
Transfers	(38,188)	-	38,188	-
Transfers - non-current assets held for sale (Note 32)	213	-	(3,500)	(3,287)
	(105)	-	(22,560)	(22,665)
Other changes	-	-	-	-
Balance at 31 December 2022	1,751,679	-	287,153	2,038,832
Accumulated depreciation				
Balance at 31 December 2020	(1,094,488)	-	(65,138)	(1,159,626)
Charge for the year (Note 14.q y Note 58)	(30,661)	-	(4,286)	(34,947)
Disposals	8,046	-	3,473	11,519
Transfers	5,044	-	(5,044)	-
Transfers - non-current assets held for sale (Note 32)	-	-	352	352
Other changes	9	-	32	41
Balance at 31 December 2021	(1,112,050)	-	(70,611)	(1,182,661)
Charge for the year (Note 14.q y Note 58)	(24,636)	-	(2,902)	(27,538)
Disposals	27,204	-	7,525	34,729
Transfers	11,776	-	(11,776)	-
Transfers - non-current assets held for sale (Note 32)	-	-	421	421
	105	-	11,725	11,830
Other changes	14	-	117	131
Balance at 31 December 2022	(1,097,587)	-	(65,501)	(1,163,088)
Impairment losses				
Balance at 31 December 2020	(9,687)	-	(102,886)	(112,573)
Charge for the year (Note 61)	(275)	-	(8,883)	(9,158)
Disposals	287	-	5,932	6,219
Transfers	(54)	-	54	-
Transfers - non-current assets held for sale (Note 32)	-	-	1,644	1,644
Transfers- other Provisions (Note 34)	-	-	-	-
Other changes	-	-	2	2
Balance at 31 December 2021	(9,729)	-	(104,137)	(113,866)
Charge for the year (Note 61)	(2,269)	-	(13,501)	(15,770)
Disposals	2,268	-	11,869	14,137
Transfers	113	-	(113)	-
Transfers - non-current assets held for sale (Note 32)	-	-	1,184	1,184
Transfers- other Provisions (Note 34)	-	-	-	-
	-	-	1,072	1,072
Other changes	1	-	3	4
Balance at 31 December 2022	(9,616)	-	(103,623)	(113,239)
Net:				
Balance at 31 December 2021	**666,824**	**-**	**129,246**	**796,070**
Balance at 31 December 2022	**644,476**	**-**	**118,029**	**762,505**

The disposals in 2022 gave rise to a gain on disposal of tangible assets of EUR 9,452 thousand (2021: EUR 4,610 thousand) (see Note 62).

The detail of "Property, Plant and Equipment - For Own Use" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Gross	Accumulated depreciation	Impairment losses	Net
At 31 December 2022				
IT equipment and related fixtures	372,021	(359,603)	-	12,418
Furniture, vehicles and other fixtures	427,840	(405,364)	-	22,476
Buildings	922,015	(331,690)	(9,616)	580,709
Assets under construction	23,899	-	-	23,899
Other	5,904	(930)	-	4,974
	1,751,679	**(1,097,587)**	**(9,616)**	**644,476**
At 31 December 2021				
IT equipment and related fixtures	365,236	(354,638)	-	10,598
Furniture, vehicles and other fixtures	446,840	(420,787)	-	26,053
Buildings	960,412	(335,618)	(9,729)	615,065
Assets under construction	13,333	-	-	13,333
Other	2,782	(1,007)	-	1,775
	1,788,603	**(1,112,050)**	**(9,729)**	**666,824**

In 1996 BBK, Kutxa and Caja Vital revalued their properties, except for those arising from loan foreclosures, pursuant to the respective Araba, Bizkaia and Gipuzkoa Regulations, and applied the maximum coefficients authorised by the aforementioned Regulations, up to the limit of their market value, which was calculated on the basis of available appraisals. The net surplus arising on the revaluation of the non-current assets amounted to EUR 81,851 thousand.

Bizkaia Regulatory Decree 11/2012, of 18 December, on asset revaluation was published on 28 December 2012. Under this tax legislation, companies may revalue their assets for tax purposes. Pursuant to this legislation, the Parent revalued the tax base of a portion of its assets following the approval of its adoption of this measure by the General Meeting of the Parent on 27 June 2013 (see Note 39).

The fair value of property, plant and equipment for own use is included in Note 40.

The gross amount of fully depreciated property, plant and equipment in use at 31 December 2022 was approximately EUR 818,211 thousand (31 December 2021: EUR 826,850 thousand).

The detail of "Investment Property" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Gross	Accumulated depreciation	Impairment losses	Net
At 31 December 2022				
Buildings	247,247	(65,501)	(103,623)	78,123
Rural land, land lots and buildable land	39,906	-	-	39,906
	287,153	**(65,501)**	**(103,623)**	**118,029**
At 31 December 2021				
Buildings	263,100	(70,611)	(104,137)	88,352
Rural land, land lots and buildable land	40,894	-	-	40,894
	303,994	**(70,611)**	**(104,137)**	**129,246**

Rent income resulting from real state investments during 2022 amounted EUR 8,731 thousand (2021: EUR 10,032 thousand)- Note 53. The operating expenses for all the concepts of the Group´s real state investments during 2022 amounted EUR 4,342 thousand (2021: EUR 4,846 thousand)- Note 54.

In the years 2022 and 2021 there have been no sales of tangible assets to Associated Entities.

At 31 December 2022 and 2021, the Group did not have any significant commitments relating to its tangible assets. The Group does not have any tangible assets of a material amount with restrictions on use or title, which are not in service or which have been pledged as security for liabilities.

Similarly, no compensation or indemnity payments were received or receivable from third parties for impairment on or loss of assets.

The fair value of investment property is included in Note 40.

29. Intangible assets

The detail of "Intangible Assets" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Goodwill (Note 14-r)	301,457	301,457
Other intangible assets	131,452	100,090
	432,909	**401,547**

The detail of "Other Intangible Assets" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
With finite useful life		
Computer software in progress	9,288	17,909
Completed computer software	279,163	227,311
Other intangible assets	50,686	50,686
Total gross amount	339,137	295,906
Accumulated amortisation	(205,694)	(193,825)
Impairment losses	(1,991)	(1,991)
Total carrying amount	**131,452**	**100,090**

The changes in “Other Intangible Assets” in 2022 and 2021 were as follows:

	Thousands of euros
Gross:	
Balance at 31 December 2020	263,838
Additions	32,672
Disposals	(604)
Balance at 31 December 2021	295,906
Additions	43,231
Disposals	-
Balance at 31 December 2022	339,137
Accumulated amortization:	
Balance at 31 December 2020	(185,538)
Charge for the year (Note 14.r y Note 58)	(8,885)
Disposals	598
Balance at 31 December 2021	(193,825)
Charge for the year (Note 14.r y Note 58)	(11,870)
Disposals	1
Balance at 31 December 2022	(205,694)
Impairment losses:	
Balance at 31 December 2020	(1,991)
Charge for the year (Note 61)	-
Disposals	-
Balance at 31 December 2021	(1,991)
Charge for the year (Note 61)	-
Disposals	-
Balance at 31 December 2022	(1,991)
Net:	
Balance at 31 December 2021	**100,090**
Balance at 31 December 2022	**131,452**

The Group has entered into long-term agreements with professional service providers in the field of information technology, to respond to IT development and infrastructure needs in the normal course of the Group's activities.

The gross amount of fully amortized intangible assets at 31 December 2022 was EUR 126,514 thousand (31 December 2021: EUR 126,424 thousand).

30. Tax assets and liabilities

The detail of “Tax Assets” and “Tax Liabilities” in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2022	2021	2022	2021
Current taxes	**23,244**	**18,046**	**18,852**	**20,327**
Deferred taxes				
Tax credit carryforwards	252,140	255,539	-	-
Tax loss carryforwards	489,061	490,754	-	-
DTAs arising from the conversion of tax loss carryforwards	429,827	532,194	-	-
DTAs arising from temporary differences	412,252	412,894	144,861	138,246
Financial instrument valuation adjustments	39,633	35,095	178,022	220,791
	1,622,913	**1,726,476**	**322,883**	**359,037**
	1,646,157	**1,744,522**	**341,735**	**379,364**

The changes in the balances at 31 December 2022 relating to deferred tax assets, compared to the balances at 31 December 2021, arise from the difference between the estimated income tax and the definitive income tax settlement for 2021 and the calculation of the income tax estimate for 2022.

Pursuant to Final Provision Two of Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation in relation to the supervision and capital adequacy of financial institutions, and its transposition to provincial legislation in Bizkaia Regulatory Decree 7/2013, of 23 December, regulating the regime for banking foundations, the Group, through the tax groups, has certain deferred tax assets convertible into credits receivable from the tax authorities, which amounted to approximately EUR 676 million at 31 December 2022 (31 December 2021: EUR 779 million).

In both 2022 and 2021 certain differences arose as a result of the different recognition criteria for accounting and tax purposes. These differences were recognized as deferred tax assets and liabilities in calculating and recognizing the related income tax.

The changes in 2022 and 2021 in the balances of deferred tax assets and liabilities were as follows:

	Thousands of euros			
	Assets		Liabilities	
	2022	2021	2022	2021
Balance at beginning of year	**1,726,476**	**1,765,417**	**359,037**	**398,311**
Tax credit carryforwards	(3,399)	(2,685)	-	-
Tax loss carryforwards	(1,693)	4,391	-	-
DTAs arising from the conversion of tax loss carryforwards	(102,367)	(29,367)	-	-
DTAs arising from temporary differences	(642)	(28,200)	6,615	(113,782)
Financial instrument valuation adjustments	4,538	16,920	(42,769)	74,508
Balance at end of year	**1,622,913**	**1,726,476**	**322,883**	**359,037**

As a result of the transfer en bloc of assets and liabilities described in Note 1.2, deferred tax assets and liabilities were recognized for the tax effect of updating the fair values of the assets and liabilities acquired. These and other deferred tax assets arising in subsequent years were recognized in the consolidated balance sheet because the Parent's Board of Directors considered that, based ontheir best estimate of the Group's future earnings, it is probable that theseassets will be recovered.

Tax credit carryforwards

- **Tax deductions generated pending application**

The Kutxabank Tax Group (Note 39), the Cajasur Tax Group (Note 39), as well as the rest of the entities that are taxed under the general Corporate Tax regime, have the following deductions pending application as of December 31, 2022:

	Thousands of euros			
	Unused - 2021	Generated(*)	Used	2022
Dividend double taxation	155,274	40	-	155,314
Tax credits with a limit	103,844	1,043	-	104,887
Total	**259,118**	**1,083**	**-**	**260,201**

(*) Part of the increase in the balance is due to the recognition of a higher than expected amount in the 2021 income tax return filed by the Group.

The detail of the unused tax credits, by the year in which they arose, at 31 December 2022 is as follows:

	Thousands of euros
	Kutxabank tax group
Tax credits arising prior to 2014	237,725
Tax credits arising in 2014	1,539
Tax credits arising in 2015	1,983
Tax credits arising in 2016	84
Tax credits arising in 2017	237
Tax credits arising in 2018	1,344
Tax credits arising in 2019	82
Tax credits arising in 2020	514
Tax credits arising in 2021	579
Tax credits arising in 2022 (*)	91
Total	**244,178**

(*) The amount of the "Deductions generated in 2022 is an estimated amount that in no case is definitive until the presentation of the Corporation Tax for the 2022 financial year.

The term of application of the deductions is 30 years for the Kutxabank Fiscal Group (beginning to compute on January 1, 2014 for the deductions generated prior to that year).

	Thousands of euros				
	R&D tax credits	Tax credits for donations	Tax credits without a limit	Other tax credits	Total - Cajasur tax group
Tax credits arising from 2001 to 2008	227	333	-	374	934
Tax credits arising in 2009	639	-	-	214	853
Tax credits arising in 2010	332	-	-	113	445
Tax credits arising in 2011	15	1,820	-	9	1,844
Tax credits arising in 2012	13	1,245	-	64	1,322
Tax credits arising in 2013	8	252	4,482	113	4,855
Tax credits arising in 2014	-	282	1,122	126	1,530
Tax credits arising in 2015	-	331	617	-	948
Tax credits arising in 2016	-	-	523	-	523
Tax credits arising in 2017	-	-	90	-	90
Tax credits arising in 2018	-	-	688	-	688
Tax credits arising in 2019	-	-	672	-	672
Tax credits arising in 2020	-	-	311	-	311
Tax credits arising in 2021	-	-	581	-	581
Tax credits arising in 2022(*)	-	-	427	-	427
Total	**1,234**	**4,263**	**9,513**	**1,013**	**16,023**

(*) The amount of tax credits arising in 2022 is an estimate that under no circumstancesshould be construed as definitive until the tax group's income tax return for 2022 is filed.

For the Cajasur Tax Group, although the deductions for double taxation do not have a time limit of application, the term of application of the deductions for R&D&I activities is 18 years from their generation. Likewise, the deductions pending to be applied for donations regulated in Law 49/2002, of December 23, on the tax regime of non-profit entities and tax incentives for patronage have an application term of 10 years from their generation. Regarding the rest of the deductions, the aforementioned period is 15 years.

- **Capitalized tax deductions pending application.**

Of the amount of deductions pending application of the Kutxabank Tax Group (Note 39), the Cajasur Tax Group (Note 39), as well as the rest of the entities that are taxed under the general Corporate Tax regime are recorded those are estimated to be recoverable within a reasonable period of time, in accordance with current tax regulations and in accordance with the best estimate of the future results of the Companies that are part of the Tax Groups.

Thus, the detail of the activated deductions corresponding to December 31, 2022 is as follows:

	Miles de Euros			
	Unused -2021	Generated(*)	Used (**)	2022
Dividend double taxation	154,623	40	-	154,663
Tax credits with a limit	100,916	1,043	(4,482)	97,477
TOTAL	**255,539**	**1,083**	**(4,482)**	**252,140**

(*) Part of the increase in the balance is due to the additional accreditation in the 2021 Corporate Tax return finally submitted by the group.

(**) Additionally, in 2022, deductions amounting to 4,482 thousand euros have been cancelled.

Of the above amount of deductions, as of December 31, 2022, 241,553 thousand euros have been activated at the headquarters of the Kutxabank Fiscal Group (240,916 thousand euros as of December 31, 2021) (see note 39).

For their part, the tax credits for deductions that have been activated at the headquarters of the Cajasur Tax Group amount to 10,587 thousand euros as of December 31, 2022 (14,623 thousand euros as of December 31, 2021) (see Note 39).

Tax loss carryforwards

Within the framework of the consolidated accounting group, the Kutxabank tax group, the Cajasur tax group and the other entities that file tax returns under the general income tax regime had the following tax loss carryforwards at 31 December 2022:

	Thousands of euros		
	Kutxabank tax group	Cajasur tax group	Total
Tax losses arising prior to 2014	326,293	1,190,612	1,516,905
Tax losses arising in 2014	115,290	197,164	312,454
Tax losses arising in 2015	-	109,229	109,229
Tax losses arising in 2016	252,143	141,886	394,029
Tax losses arising in 2017	8,365	434,306	442,671
Tax losses arising in 2018	-	-	-
Tax losses arising in 2019	-	9,532	9,532
Tax losses arising in 2020	-	80,705	80,705
Tax losses arising in 2021	-	25,871	25,871
Tax losses arising in 2022(*)	-	-	-
Total	**702,091**	**2,189,305**	**2,891,396**

*The amount of the "Negative tax bases generated during 2022" is an estimated amount which, in any case, is final until the presentation of the Corporate Tax for the year 2022.

Of the foregoing amount, at 31 December 2022 the Kutxabank Group had recognized tax loss carryforwards amounting to EUR 548,114 thousand at a tax rate of 28% (31 December 2021: EUR 548,546 thousand) (see Note 39). Similarly, at 31 December 2022 there were tax loss carryforwards amounting to EUR 1,118,630 thousand which had been recognized at the Cajasur tax group at a tax rate of 30% (31 December 2021: EUR 1,123,890 thousand).

As regards the Kutxabank tax group, it should be noted that for tax periods beginning in or after 2018, the entry into force of Bizkaia Income Tax Regulation 11/2013, of 5 December ("BITR"), established a 30-year time limit from the year in which they arose for using any tax loss and tax credit carryforwards. For those available for use at the beginning of 2014, the 30-year time limit will be calculated from 1 January 2014. In addition, for the tax periods beginning on or after 1 January 2018 a quantitative limit on the offset of tax losses of 50% of the taxable profit before offset of tax losses has been established.

As regards the Cajasur tax group, it should be noted that there is no time limit for offsetting tax losses, although Royal Decree-Law 3/2016, of 2 December, adopting various tax measures aimed at consolidating public finances and other urgent social measures, introduced Additional Provision Fifteen of Spanish Income Tax Law 27/2014, of 27 November ("the Spanish Income Tax Law"), which establishes that in the tax periods beginning on or after 1 January 2016, the following special feature will apply to the offset of prior years' tax losses of taxpayers whose revenue is at least EUR 20 million in the twelve months prior tothe date on which the tax period commences:

- The offset of tax losses will be limited to 25% of the taxable profit prior to the capitalization reserve establishedin Article 25 of the Spanish Income Tax Law, and prior to such offset, when in those twelve months revenue is at least EUR 60 million.

Also, effective for tax periods beginning on or after 1 January 2016, the aforementioned Additional Provision Fifteen limits the use of tax credits for the avoidance of double taxation for taxpayers whose revenue is at least EUR 20 million in the twelve months prior to the commencement of the tax period to a joint amount of 50% of the taxpayer's gross tax payable.

Note 39 includes details on the tax matters affecting the Group.

31. Other assets and liabilities

The detail of "Other Assets" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Inventories:		
Amortised cost	430,290	447,386
Write-downs	(347,457)	(354,667)
	82,833	92,719
Other:		
Accrued revenues	71,639	87,517
Transactions in transit	30,522	31,180
Other items	1,443	2,892
	103,604	121,589
	186,437	**214,308**

At 31 December 2022 and 2021, the inventories in the foregoing table comprised mainly property developments.

The fair value of inventories is included in Note 40.

The changes in 2022 and 2021 in the write-downs on inventories, excluding value adjustments for impairment, were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	447,386	473,217
Additions	(2,463)	2,832
Disposals	(14,633)	(30,081)
Transfers - non-current assets held for sale (Note 32)	-	1,418
Balance at end of year	**430,290**	**447,386**

The changes in 2022 and 2021 in the write-downs on inventories impairment value adjustments, were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	(354,667)	(371,002)
Write-downs (recognized)/reversed with a (charge)/credit to income (Note 61)	(3,952)	(9,786)
Disposals	10,399	25,122
Maintenance expenses (servicing and other expenses)	763	999
Other changes	-	-
Balance at end of year	**(347,457)**	**(354,667)**

During 2022, inventories were sold for a net book value of EUR 4,234 thousand (2021: EUR 4,959 thousand) generating a positive net result for the Group amounting to 2,084 thousand euros (31 December,2021: EUR 1,042 thousand).

The detail of "Other Liabilities" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Accrued expenses and deferred income (Note 11)	209,319	199,983
Accrued revenues	18,831	25,453
Other liabilities	22,453	21,733
	250,603	**247,169**

Disclosures on the periods of payment to suppliers. Additional Provision Three. Disclosure obligation provided for in Law 15/2010, of 5 July

At 31 December 2022 and 2021, the Group did not have any significant amounts payable to creditors that had not been paid within the statutory payment period stipulated by Law 3/2004, of 29 December:

	Días	
	2022	2021
Average period of payment to suppliers	13.94	14.38
Ratio of operations paid	14.52	14.37
Ratio of operations pending payment	13.94	16.23

	Amount (Thousand Euros)	Receipts (Number)	Amount (Thousand Euros)	Receipts (Number)
Total payments made	283,774	72,188	289,278	76,191
Total payments made within the legal term	*273,181*	*70,031*	281,984	73,675
Percentage of total payments made	*96.27%*	*97.01%*	*97.48%*	*96.70%*
Total payments paid	3,593		*2,258*	

The figures shown in the foregoing table in relation to payments to suppliers relate to suppliers that, because of their nature, are trade creditors for thesupply of goods and services.

"Average Period of Payment to Suppliers" is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction. This "Average Period of Payment to Suppliers" is calculated as the quotient whose numerator is the sum of the ratio of transactions settled multiplied by the total amount of payments made and the ratio of transactions not yet settled multiplied by the total amount of payments outstanding and whose denominator is the total amount of payments made and payments outstanding.

The ratio of transactions settled is calculated as the quotient whose numerator is the sum of the products of multiplying the amounts paid by the number of days of payment (calendar days between the date on which calculation of the period begins and effective payment of the transaction) and whose denominator is the total amount of payments made.

Also, the ratio of transactions not yet settled corresponds to the quotient whose numerator is the sum of the products of multiplying the amounts not yet paid by the number of days of outstanding payment (the number of calendar days between the date on which calculation of the period begins and the reporting date) and whose denominator is the total amount of payments outstanding.

To calculate both the number of days of payment and the number of days of outstanding payment, the company begins to calculate the period from the date of receipt of the goods or provision of the services or, in the absence thereof, the date of receipt of the invoice.

The maximum payment period applicable to the Group under Law 11/2013, of 26 July, on measures to support entrepreneurs and to foster business growth and the creation of employment is 30 days, unless the conditions established therein enabling the maximum payment period to be increased to 60 days are met.

32. Non-current assets and disposal groups classified as held for sale and Liabilities included in disposal groups classified as held for sale

The breakdown of "Non-Current Assets and Disposal Groups Classified as Held for Sale" and "Liabilities Included in Disposal Groups Classified as Held for Sale" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Tangible assets		
Foreclosed assets		
Residential property	221,691	265,805
Commercial property, rural property and other	146,597	176,190
Buildable urban land and land approved for development	721,939	755,633
	1,090,227	1,197,628
Impairment losses		
Foreclosed assets	(671,668)	(651,588)
	(671,668)	(651,588)
	418,559	**546,040**

At 31 December 2022 and 2021, the Group did not have any liabilities associated with non-current assets and disposal groups classified as held for sale.

At 31 December 2022 and 2021, all non-current assets and disposal groups classified as held for sale were measured at the lower of their carrying amountat the classification date and their fair value less estimated costs to sell.

The fair value of the non-current assets held for sale is included in Note 40.

The changes in 2022 and 2021 in "Non-Current Assets and Disposal Groups Classified as Held for Sale", disregarding impairment losses, were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	1,197,628	1,451,761
Additions	33,126	67,709
Transfers from financial assets at amortized cost to non-current assets held for sale - Foreclosed (Note 25)	(9,244)	(10,068)
Transfers from/(to) tangible assets to/(from) non-current assets held for sale - Foreclosed (Note 28)	2,790	4,462
Transfer to other assets (Note 31)	-	(1,418)
Disposals and other withdrawals from adjudgments	(133,075)	(196,714)
Disposals of other non-current assets for sale	-	(98,975)
Other	(998)	(19,129)
Balance at end of year	**1,090,227**	**1,197,628**

The changes in 2022 and 2021 in "Non-Current Assets and Disposal Groups Classified as Held for Sale - Impairment Losses" were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	(651,588)	(673,468)
Net impairment losses charged to income (Note 63)	(94,355)	(89,448)
Transfers from/to tangible assets (Note 28)	(1,108)	(1,644)
Disposal and other write-offs	56,846	77,730
Maintenance expenses (servicing and other expenses)	18,467	35,472
Other changes	70	(230)
Balance at end of year	**(671,668)**	**(651,588)**

During the 2022 financial year, sales of assets from foreclosures were made whose net book value amounted to 74,915 thousand euros (117,013 thousand euros during the 2021 financial year), and which have generated a net profit of 17,653 and 18,760 thousand euros, in the years 2022 and 2021, respectively.

Additionally, during the year 2021 the sale of other assets classified at the beginning of said year as "Non-current assets and disposal groups of elements that have been classified as held for sale" took place:

Specifically, on June 3, 2021 The sale and transmission of 39 trains was formalized with a net book value of 91,634 thousand euros, which had been assigned up to that moment under an operating lease when the existing purchase option was exercised, at the same time that the termination took place of previous lease and assignment contracts. The price of the purchase option was set at 110,175 thousand euros plus the corresponding VAT, generating a net result for the sale operation of 7,719 thousand euros, after reducing the expenses originated by the operation and the rents accrued pending collection from the date of sale.

On the other hand, on April 16, 2021, a property was sold whose net book value at the time of the sale amounted to 7,154 thousand euros, while the price stipulated in the sale amounted to 23,063 thousand euros. The generated capital gain, after deducting the expenses associated with the operation, was recognized to the extent of the degree of progress of the sales associated with the real estate development project approved on the property, being in the year 2021, the profit generated by the sale recorded under the heading "Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as uninterrupted operations" of 10,329 thousand euros.

Any financing eventually provided by the Kutxabank Group to the purchasers of non- current assets and disposal groups classified as held for sale disposed of by the Group is always conducted as a separate transaction from the sale, in market conditions, following a specific analysis of the suitability of the credit risk. Of all the sales of non-current assets and disposal groups classified as held for sale, approximately 10% were financed by the Group in 2022 (approximately 20% of transactions in 2021). The average percentage financed in those transactions was approximately 85% in 2022 (under 89% in 2021).

Likewise, although the Group's intention is to dispose of these assets in the shortest possible time, in any case less than one year (see Note 14.t), the difficulties of the market cause a longer stay than intended, so that the average term that the "Non-current assets and disposal groups classified as held for sale" that actually remain in this category amounts to approximately 8 years as of December 31, 2022 (7 years as of December 31, 2021).

33. Financial liabilities at amortized cost

The detail of "Financial Liabilities at Amortized Cost" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Deposits - Central banks	6,153,014	6,181,399
Deposits - Credit institutions	210,340	411,610
Deposits - Customers	49,293,488	47,945,203
Debt securities issued	2,109,029	2,232,749
Other financial liabilities	634,581	492,450
	58,400,452	**57,263,411**

The detail, by currency, of "Financial Liabilities at Amortized Cost" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By currency:		
Euro	58,296,048	57,182,279
US dollar	96,506	70,100
Pound sterling	4,622	6,035
Japanese yen	175	260
Swiss franc	1,007	870
Other	2,094	3,867
	58,400,452	**57,263,411**

The fair value of "Financial Liabilities at Amortized Cost" is included in Note 40.

a) Deposits - Central banks

The detail of "Deposits - Central Banks" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Deposits taken (Note 42)	6,274,900	6,274,900
Valuation adjustments	(121,886)	(93,501)
	6,153,014	**6,181,399**

At 31 December 2022 and 2021, the Group had pledged fixed-income securities, other issued securities and receivables in order to qualify for European Central Bank financing (see Note 42).

On March 25, 2020, June 24, 2020 and March 24, 2021, the Group decided to resort to the new financing operation offered and promoted by the European Central Bank under the TLTRO III modality (whose acronym in English means Targeted Long Term Refinanced Operations) for a total amount of 660, 5,045 and 570 million euros, respectively, whose cost ranged until June 23, 2022 between minus 0.5% and minus 1% depending on the degree of compliance with the objectives of granting loans to companies and consumers set by the Monetary Authority. On October 27, 2022, the European Central Bank recalibrated its financing operations. In this sense, it established that from June 24, 2022 to November 22, 2022, the applicable interest rate would be the result of the average deposit facility throughout the life of the operation considering the rates established by the European Central Bank until the date indicated. As of November 23, 2022, the interest rate applicable to outstanding TLTRO III operations will be indexed to the deposit facility rate of the European Central Bank at all times.

The Group has recognized interest in the amount of 28,384 thousand euros in 2022 (62,329 thousand euros in 2021), recorded under the heading "Financial income from liabilities - Interest income" in the profit and loss account (see Note 44), for the admissible net financing obtained under the TLTRO III modality. The accrued interest rate has been minus 1% based on the expected degree of compliance with the targets for granting the reference net financing up to June 23. As of said date, the Group has recalibrated the interest rate of the TLTRO III operation in accordance with the provisions of the monetary authority in its resolution on October 27, 2022.

The average annual interest rate during 2022 of "Central Banks" has been -0.45% (2021: -1.01%).

b) Deposits - Credit institutions

The detail of "Deposits - Credit Institutions" in the accompanyingconsolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Time deposits and other accounts (Note 16)	10,278	36,321
Repurchase agreements (Note 42)	199,890	375,403
Valuation adjustments	172	(114)
	210,340	**411,610**

The average annual interest rate on "Credit Institutions" was 0.02% in 2022 (2021: -0.66%).

c) Deposits - Customers

The detail of "Deposits - Customers" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Public sector:		
Demand deposits	4,590,324	3,989,880
Time deposits	485,584	22,957
Repurchase agreements (Note 43)	-	58,000
Valuation adjustments	3,034	2
	5,078,942	4,070,839
Other private sectors:		
Demand deposits	40,276,889	37,506,280
Time deposits	3,784,715	6,316,063
Repurchase agreements (Note 43)	136,107	1,213
Valuation adjustments	16,835	50,808
	44,214,546	43,874,364
	49,293,488	**47,945,203**

The detail, by product, of the average annual interest rates on "Deposits - Customers" in 2022 and 2021 is as follows:

	Average interest rate (%)	
	2022	2021
Ordinary deposits	-	-
Interest-bearing demand deposits	0.10	0.02
Short-term deposits	0.03	0.00
Special deposits	0.28	0.20
Long-term deposits	0.53	0.02
Tax-related and plans	0.36	0.04
Structured term	-	-

The Group has issued various unique mortgage bonds, which are governed by Royal Decree-Law 24/2021, of November 2, on covered bonds, which include, among other categories, mortgage bonds. As of December 31, 2021, in accordance with the legislation in force on that date, issuances of covered bonds must be backed by a sufficient amount of assets, which meet the legally established requirements to serve as coverage thereof. As of the entry into force on July 8, 2022 of RDL 24/2021 that establishes the new legal framework for guaranteed bonds, these issues are guaranteed at all times by a set of coverage made up of primary assets, liquid assets and substitution, if applicable, with a level of guarantee at least equal to the amount of the aggregate principal of the guaranteed bonds in force pending maturity and, where appropriate, the overcollateralization required by law, voluntary or contractually, in accordance with the provisions of the Issuer Program authorized by the Bank of Spain. As of December 31, 2022, the two issuing Entities of the Group authorized by the Bank of Spain to issue Secured Bonds, Kutxabank, SA and Cajasur Banco, SA, respectively had a total balance of the set of coverage of 2,078,833 thousand euros -of which 1,938,394 thousand euros corresponded to primary assets and 140,439 thousand euros to liquid assets- and 2,760,980 thousand euros -of which 2,657,544 thousand euros corresponded to primary assets and 103,436 thousand euros to liquid assets- (Note 42).

At 31 December 2022, "Deposits - Customers - Other Private Sectors - Time Deposits" included several issues of single mortgage-backed bonds totaling EUR 303,846 thousand (31 December 2021: EUR 777,105 thousand) issued by the Group. These issues were subscribed by securitization SPVs. The main characteristics of these issues are as follows:

Subscriber	Final redemption	Interest rate	Thousands of euros	
			2022	2021
AyT Cédulas Cajas Global- Series III	2022/21/21	3.75%	-	174,445
AyT Cédulas Cajas Global- Series X	2023/10/23	4.25%	150,000	150,000
AyT Cédulas Cajas X (Tranche B)	2025/06/28	3.75%	153,846	153,846
F.T.A. PITCH	2022/07/20	5.14%	-	298,814
Total			**303,846**	**777,105**

During the 2022 financial year, issue refunds have been made for an amount of 473,259 thousand euros. These issues had been subject to accounting hedges for an amount of 455,556 thousand euros at December 31, 2021 (see Note 26). During the 2021 financial year, no refunds were made.

Although there are no replacement assets or derivatives related to these issues, hedge accounting was applied to certain of them, with a principal amount of EUR 153,846 thousand at both 31 December 2022 (2021: EUR 609,402 thousand), (see Note 26).

At 31 December 2022, "Deposits - Customers - Other Private Sectors - Valuation Adjustments" included EUR 2,254 thousand (31 December 2021: EUR 38,081 thousand) relating to changes in the fair value of mortgage-backed bonds attributable to interest rate risk to which fair value hedge accounting was applied as described in Note 26.

The detail, by currency, of "Deposits - Customers" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By currency:		
Euro	49,190,636	47,865,263
US dollar	95,281	69,488
Pound sterling	4,488	5,869
Japanese yen	174	186
Swiss franc	964	853
Other	1,945	3,544
	49,293,488	**47,945,203**

d) Debt securities issued

The detail of "Debt Securities Issued" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Mortgage-backed securities	2,687,929	2,709,865
Other non-convertible securities	1,395,460	1,395,460
Own securities	(2,096,709)	(1,900,000)
Valuation adjustments	(74,360)	27,424
	2,109,029	**2,232,749**

The changes in 2022 and 2021 in "Debt Securities Issued" were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	2,232,749	2,832,773
Issues	-	500,000
Redemptions	(21,936)	(1,050,000)
Other changes	(101,784)	(50,024)
Balance at end of year	**2,109,029**	**2,232,749**

The interest accrued on the Group's debt securities issued amounted to EUR 24,438 thousand in 2022 (31 December 2021: EUR 29,003 thousand) (see Note 45).

I. Debt securities issued - Mortgage-backed securities

At 31 December 2022 and 2021, "Mortgage-Backed Securities" included the amount relating to the following issues which were listed on the AIAF market and whose principal characteristics are summarized below:

Issue	No. of securities	Unit face value	Final redemption (*)	Interest rate	Thousands of euros			
					Mortgage-backed securities		Own Securites	
					2022	2021	2022	2021
Cédulas Hipotecarias Kutxabank, S.A. Mayo 2013	1,000	100,000	2026/12/21	3.68%	99,595	99,595	-	-
Cédulas Hipotecarias Kutxabank, S.A. 22 de Septiembre 2015 (1)	10,000	100,000	2025/09/22	1.25%	993,300	993,300	-	-
Cédulas Hipotecarias Cajasur 11 de marzo 2027	15,000	100,000	2027/03/11	(2)	1,500,000	1,500,000	1,500,000	1,500,000
Total	**26,000**				**2,592,895**	**2,592,895**	**1,500,000**	**1,500,000**

(*) The Group may redeem early, at par, through a reduction in the face value, the amount, if any, by which the issue exceeds the mortgage-backed bond issue limits established at any time by the applicable legislation.

(1) Social bond for the acquisition and construction of state-sponsored housing units.
(2) 12-month Euribor plus a 25-basis points spread.

On 22 September 2015, the Group's Parent issued its first social bond through the launch of a mortgage-backed bond for a principal amount of EUR 1,000 thousand, the purpose of which was to finance lending to low-income individuals and families and facilitate their access to adequate housing. In this regard, the funds obtained from the transaction were used to finance the existing portfolio of loans for the acquisition of state-sponsored housing units (VPOs) in the Basque Country and, additionally, to grant new loans for VPO construction projects in the same geographical region over the life of the bond.

To this end, the Parent Entity drew up a conceptual framework for the Social Bond, where the "eligible" projects and their selection criteria were established, the management that the Bank would perform with the funds received from the issue and its reporting commitments in relation to the allocation end of them. The Sustainable Rating Agency Sustainalytics, in its role as an independent third party, provided an opinion on the Social Bond and on the Bank with regard to social responsibility in the development of its activity.

Below it can be seen the destination of the funds obtained in the issuance of the Cédula Hipotecaria Social from the concession until December 31, 2022 and 2021, which includes the concession of new loans for the acquisition and construction of VPO:

Type of transaction	31/12/2022			
	Total no. of transactions	No. of end beneficiaries	Total granted (thousandsof euros)	Average balance (thousands of euros)
Acquisition of VPOs	3,530	4,716	407,142	115
Construction of VPOs	25	29	127,471	5,099
Total financing	**3,555**	**4,745**	**534,613**	**150**

Type of transaction	31/12/2021			
	Total no. of transactions	No. of end beneficiaries	Total granted (thousandsof euros)	Average balance (thousands of euros)
Acquisition of VPOs	3,090	4,154	351,923	114
Construction of VPOs	22	26	123,319	5,605
Total financing	**3,112**	**4,180**	**475,242**	**153**

Additionally, on March 11, 2020, the Entity issued a mortgage bond, which is currently governed by Royal Decree-Law 24/2021, of November 2, on covered bonds, which repeals the Law 2/1981, of March 25, regulating the mortgage market, for a nominal amount of 1,500,000 thousand euros and an expiration date of March 11, 2027.

These mortgage bonds were acquired by the Group and are registered in the heading "Own securities" with a debit balance, less the amount of issued bonds. As of December 31, 2022, 1,102,200 thousand euros of said issue (1,500,000 thousand euros as of December 31, 2021) is attached to a credit agreement with a pledge with the Bank of Spain (Note 42).

During the 2022 financial year, no redemptions were made for maturities of mortgage bond issues (1,050,000 nominal euros in 2021), only partial redemptions of securitization bonds issued for an amount of 21,936 thousand euros.

There are no substitution assets or derivatives linked to these issues, although some of them have been subject to fair value accounting hedges (see Note 26), for a nominal amount of 500,000 thousand euros as of December 31, 2022 and 2021. Additionally , as described in Note 25, within the section "Debt securities issued - Mortgage securities" the Group's net position in securitization bonds subscribed by third parties has been recorded, for amounts of 95,034 and 116,970 thousand euros at 31 December 2022 and 2021, respectively.
The Group during the financial year 2022 has recognized a positive result of 616 thousand euros under the heading "Gains or losses on derecognising financial assets and liabilities not measured at fair value through profit or loss, net - Financial liabilities at amortized cost ” (Note 49) as a result of having repurchased securitization bonds issued and subscribed by third parties at a lower cost than the value for which they were issued and were recorded (25 thousand euros of positive result for this concept in 2021).

II. Debt securities issued - Other non-convertible securities

As of December 31, 2022 and 2021, this heading includes the amount corresponding to the following issues of non-convertible securities, the main characteristics of which are summarized below:

Issue	No. of securities	Unit face value	Final redemption (*)	Interest rate	Thousands of euros		Issue	
					Non-convertible securities		Own securities	
					2022	2021	2022	2021
Senior preferred debt 01/2018	4,000	100,000	2033/01/04	2.75%	400,000	400,000	400,000	400,000
Senior non-preferred debt 09/2019	5,000	100,000	2024/09/25	0.50%	497,105	497,105	-	-
Senior non-preferred debt 10/2022 (1)	5,000	100,000	2027/10/14 (2)	0.50%	498,355	498,355	-	-
Total	**14,000**				**1,395,460**	**1,395,460**	**400,000**	**400,000**

(1) Green bonds

(2) The issuer has the possibility of early redemption on October 14, 2026.

On 4 January 2018, the Group's Parent launched an issue of non-convertible bonds consisting of 4,000 securities with a unit facevalue of EUR 100,000, maturing on 4 January 2033, and bearing interest at a fixed annual rate of 2.75%. This issue was held by the Group at 31 December 2022 and 2021 and was recognized under "Own Securities" with a debit balance as a reduction of the amount of the issue.

Subsequently, within the financial plans aimed at complying with the funds Minimum Required Eligible Liabilities (MREL) established by the Single Resolution Board (SRB), the Entity The Group's parent company has made two new debt issues.

On 25 September 2019, the Bank issued ordinary non-preferred debt with a principal amount of EUR 500,000 thousand and an effective amount received of EUR 497,105 thousand as a result of applying the issue price to the principal amount, whose expiration date is September 25, 2024.

Additionally, on October 14, 2021, the Bank carried out its inaugural issue of green bonds with a range also of non-preferred and unsecured ordinary loans for a nominal amount of 500,000 thousand euros and 498,355 thousand euros of cash value received, with a final maturity date of October 14, 2027 and an optional early redemption date by the issuer of October 14, 2026. This issue has been hedged for fair value accounting (see Note 26) for a total nominal amount of 500,000 thousand euros as of December 31, 2021. This bond issue with debt reduction capacity has been referenced to the Green Bond Framework established by the Bank in August 2021, and with which the Bank intends to give response to its strategic sustainability commitments by channeling the liquidity obtained in the capital markets towards loans and projects with a positive environmental impact. Said impact, as well as the allocation of the funds obtained from the issue to the different eligible green projects, will be monitored and controlled by the Bank's Green Bond Committee, and both aspects will also be verified by an independent third party.

Both debt issues accrue a fixed annual interest of 0.50%.

III. Debt securities issued – Promissory Notes

Notes As of December 31, 2022, this heading includes the amount corresponding to the following promissory note issue, admitted to trading on the AIAF Organized Secondary Market and whose characteristics are summarized below:

Issue	Number of values	Unit Nominal	Interest rate	Total emission capacity	2022 (Miles de euros)	
					Pagarés	Valores propios
Programa de pagarés (CNMV V 11-10-2022) Kutxabank Empréstitos, S.A.	200,000	1,000	2.17%	2,000,000	196,709	196,709
Total	**200,000**				**196,709**	**196,709**

The promissory notes issued are held by the Group as of December 31, 2022 and registered under the heading "Own Securities" with a debit balance lessening the amount of the issue.

IV. Debt securities issued - Valuation adjustments

At 31 December 2022, “Debt Securities Issued - Valuation Adjustments” included EUR 84,893 thousand (31 December 2021: EUR 19,787 thousand) relating to changes in the fair value of mortgage-backed bonds and ordinary non-preferred debt attributable to interest rate risk to which hedge accounting was applied as described in Note 26.

e) Other financial liabilities

The detail, by type of financial instrument, of “Other Financial Liabilities” is as follows:

	Thousands of euros	
	2022	2021
Trade payables	15,761	4,445
Factoring accounts payable	2,750	833
Guarantees received	1,316	1,636
Tax collection accounts	110,263	77,935
Payment orders and travellers’ cheques	367,493	283,698
Unsettled stock exchange or organised market transactions	-	-
Balances with clearing houses	91,573	33,270
Liabilities due to financial guarantees given	3,048	3,577
Deposit Guarantee Fund (Note 11)	-	9,152
Other	42,377	77,904
	634,581	**492,450**

f) Mortgage-market securities

As an issuer of mortgage-backed bonds, the Group presents below certain relevant information on all the mortgage-backed bond issues mentionedearlier in this Note, the disclosure of which in the consolidated financial statements is obligatory under current mortgage-market legislation:

1. Information on the coverage and privileges for the holders of the mortgage-backed securities issued by the Group.

   The Parent and the wholly-owned subsidiary Cajasur Banco are the only Group companies that issue mortgage-backed bonds.

These mortgage bonds are securities whose principal and interest are specially guaranteed, without the need for registration, by mortgage. As of December 31, 2021, in accordance with the legislation applicable to said date, all the mortgages that were registered in favor of said companies were part of this guarantee, without prejudice to their universal patrimonial responsibility. As of December 31, 2022, after the entry into force on July 8, 2022 of RDL 24/2021 of guaranteed bonds, these issues are guaranteed at all times by a set of coverage made up of primary assets, liquid assets and replacement assets. , if applicable, designated by the issuer.

The bonds incorporate the credit right of its holder against said companies, guaranteed in the manner indicated in the previous paragraphs and are accompanied by execution to claim payment from the issuer, after its expiration. The holders of the aforementioned titles have the character of creditors with special preference indicated in number 8 of article 1,922 and number 6 of article 1,923 of the Civil Code compared to any other creditors, in relation to the assets included in the coverage as a whole. . All holders of bonds, regardless of their issuance date, have the same priority over the loans and credits that guarantee them.

The holders of these mortgage-backed bonds would enjoy, in case of bankruptcy of the issuer, certain special privileges. In these circumstances, the payment to the holders of the same would be made in accordance with the considerations that are regulated in Royal Legislative Decree 1/2020, of May 5, which approves the consolidated text of the Bankruptcy Law.

2. Information on issues of mortgage-market securities

   The value of the mortgage-market securities issued by the Group and outstanding at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Mortgage-backed bonds not issued in a public offering		
Term to maturity of less than 3 years	303,846	624,445
Term to maturity of between 3 and 5 years	1,500,000	153,846
Term to maturity of between 5 and 10 years	-	1,500,000
Term to maturity of more than 10 years	-	-
	1,803,846	**2,278,291**
Mortgage-backed bonds issued in a public offering		
Term to maturity of less than 3 years	1,000,000	-
Term to maturity of between 3 and 5 years	100,000	1,100,000
Term to maturity of between 5 and 10 years	-	-
Term to maturity of more than 10 years	-	-
	1,100,000	**1,100,000**
	2,903,846	**3,378,291**

   As detailed in Note 17, the Group has policies and procedures in place for the management of its liquidity, and specifically in relation to its mortgage-market activities.

3. Information relating to the issue of mortgage-backed bonds (*"cédulas hipotecarias")*

   The face value of all the Group's mortgage loans and credits, as well as that of those eligible in accordance with applicable legislation for the purpose of calculating the mortgage-backed bond issue limit, are as follows:

	Thousands of euros	
	2022	2021
Face value of the outstanding mortgage loans and credits	31,649,463	32,038,870
Nominal value of the mortgage loans or credits pending amortization that would be eligible without considering the limits to their computation established in article 12 of RD 716/2009 of April 24	28,964,145	29,199,919
Value of the amount of all the mortgage loans or credits pending amortization that are eligible, in accordance with the criteria established in article 12 of RD 716/2009 of April 24	28,908,608	29,135,785

As indicated in Note 33.c), on July 8, 2022, Royal Decree-Law 24/2021, of November 2, on covered bonds, entered into force, therefore the criteria applied for determine the eligibility of the mortgage loan portfolio as of December 31, 2022 are those defined by this royal decree.

In addition, set forth below is certain information on all the outstanding mortgage loans and credits and on those that are eligible disregarding the limits for their calculation established by Article 12 of Royal Decree 716/2009, of 24 April:

	Thousands of euros			
	2022		2021	
	Total loan and credit portfolio	Total loan and credit portfolio	Total loan and credit portfolio	Total eligible loan and credit portfolio
By currency:				
Euro	31,636,679	28,953,187	32,011,870	29,174,550
Other	12,784	10,958	27,000	25,369
	31,649,463	**28,964,145**	**32,038,870**	**29,199,919**
By payment status:				
Performing	31,110,389	28,778,559	31,279,210	28,941,393
Non-performing	539,074	185,586	759,660	258,526
	31,649,463	**28,964,145**	**32,038,870**	**29,199,919**
By average term to maturity:				
Up to 10 years	2,984,023	2,462,473	3,066,283	2,568,092
10 to 20 years	10,748,564	9,920,899	10,477,025	9,538,854
20 to 30 years	17,553,574	16,533,793	17,967,391	16,713,141
More than 30 years	363,302	46,980	528,171	379,832
	31,649,463	**28,964,145**	**32,038,870**	**29,199,919**
By interest rate formula:				
Fixed	10,235,283	9,710,689	9,075,650	8,481,486
Floating	19,735,908	17,757,678	21,567,825	19,540,479
Hybrid	1,678,272	1,495,778	1,395,395	1,177,954
	31,649,463	**28,964,145**	**32,038,870**	**29,199,919**
By purpose of transactions:				
Business activity - Property development	660,245	319,259	528,350	203,730
Business activity - Other	1,643,642	1,054,732	1,672,889	1,143,280
Household financing	29,345,576	27,590,154	29,837,631	27,852,909
	31,649,463	**28,964,145**	**32,038,870**	**29,199,919**
By guarantee of transactions:				
Completed buildings-residential (*)	29,429,769	27,626,151	29,791,154	27,841,137
Completed buildings-commercial	822,323	446,239	783,174	514,012
Completed buildings-other	554,424	395,206	591,340	378,635
Buildings under construction-housing units (*)	354,689	189,502	340,642	189,257
Buildings under construction-commercial	17,865	12,817	18,285	12,369
Buildings under construction-other	6,995	6,309	9,339	7,205
Land-developed land	217,909	141,128	240,367	99,180
Land-other	245,488	146,793	264,569	158,124
	31,649,462	**28,964,145**	**32,038,870**	**29,199,919**

(*) Of which EUR 1,822,554 thousand and EUR 1,723,320 thousand of the total mortgage loans and credits and loans and credits that are eligible for the purposes of Royal Decree 716/2009, respectively, were collateralized by state- sponsored housing units at 31 December 2022 (31 December 2021: EUR 1,938,315 thousand and EUR 1,813,616 thousand, respectively).

The face value is broken down of all the outstanding mortgage loans and credits that are ineligible, stating those that do not comply with the limits established in Article 5.1 of Royal Decree 716/2009, but which meet the other requirements for eligible loans set forth in Article 4 of the aforementioned Royal Decree:

	Thousands of euros	
	2022	2021
Not Elegible: Other Criteria	1,714,282	1,591,689
No Elegible: For LTV	971,036	1,247,262
Total	**2,685,318**	**2,838,951**

The available amounts (undrawn committed amounts) of the entire portfolio of loans and mortgage credits pending amortization as of 31 December, 2022 and 31 December, 2021 are as follows:

	Thousands of euros	
	2022	2021
Potentially eligible	504,660	510,123
Other	658,561	623,409
Total	**1,163,221**	**1,133,532**

The detail of the eligible mortgage loans and eligible mortgage loans at 31 December 2022 and 2021, based on the LTV ratio (outstanding principal of the loans and credits divided by the latest fair value of the guarantees securing them), is as follows:

	Thousands of euros	
	2022	2021
Home mortgages:		
Transactions with LTV of less than 40%	5,311,135	5,030,362
Transactions with LTV of between 40% and 60%	8,234,667	7,871,822
Transactions with LTV of between 60% and 80%	12,703,619	13,025,913
Transactions with LTV of more than 80%	1,566,232	2,102,297
	27,815,653	**28,030,394**
Other assets received as collateral:		
Transactions with LTV of less than 40%	511,444	593,672
Transactions with LTV of between 40% and 60%	509,203	409,389
Transactions with LTV of more than 60%	127,845	166,464
	1,148,492	**1,169,525**
	28,964,145	**29,199,919**

The detail of the eligible and non-eligible mortgage loans and credits eliminated from the portfolio in 2022 and 2021, with an indication of the percentages relating to the eliminations due to repayment at maturity, early total repayment, creditor subrogation or other circumstances, is as follows:

	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
2022	Amount	%	Amount	%
Repayment at maturity	692	0.06%	8,131	0.21%
Early total repayment	128,339	10.29%	1,179,476	30.45%
Other circumstances	1,117,712	89.65%	2,686,408	69.34%
	1,246,743	**100%**	**3,874,015**	**100%**

2021	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
	Amount	%	Amount	%
Repayment at maturity	2,078	0.17%	8,144	0.26%
Early total repayment	141,206	11.33%	850,797	27.37%
Other circumstances	1,102,845	88.50%	2,249,383	72.37%
	1,246,129	**100.00%**	**3,108,324**	**100.00%**

The detail of the eligible and non-eligible mortgage loans and credits added to the portfolio in 2022 and 2021, with an indication of the percentages relating to the additions due to originated transactions, creditor subrogation or other circumstances, is as follows:

2022	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
	Amount	Percentage	Amount	Percentage
Originated transactions	730,372	66.82%	3,279,254	90.13%
Subrogations from other entities	500	0.05%	153,368	4.22%
Other circumstances	362,238	33.14%	205,619	5.65%
	1,093,110	**100%**	**3,638,241**	**100%**

2021	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
	Amount	Percentage	Amount	Percentage
Originated transactions	732,126	86.19%	4,335,184	93.84%
Subrogations from other entities	1,090	0.13%	107,483	2.33%
Other circumstances	116,194	13.68%	176,860	3.83%
	849,410	**100%**	**4,619,527**	**100%**

4. Information relating to mortgage participation certificates and mortgage transfer certificates

   At 31 December 2022 and 2021, the only mortgage participation certificates or mortgage transfercertificates held by the Group were those issued by Kutxabank relating to the securitization programs described in Note 25 to these consolidated financial statements.

   Further information relating to the mortgage participation certificates and mortgage transfer certificates is presented below:

	Principal amount (thousands of euros)	
	2022	2021
Mortgage participation certificates issued	**-**	**-**
Of which: retained on the balance sheet	-	-
Of which: not issued in a public offering	-	-
Mortgage transfer certificates issued	**1,586,846**	**1,855,267**
Of which: retained on the balance sheet	*1,586,846*	*1,855,267*
Of which: not issued in a public offering	*1,586,846*	*1,855,267*

	Average term to maturity (years)	
	2022	2021
Mortgage participation certificates issued, retained on the balance sheet	-	-
Mortgage transfer certificates issued	12.83	13.67

34. Provisions

The detail of "Provisions" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Pensions and other post-employment defined benefit obligations:		
Provisions for pensions under Royal Decree 1588/1999	40,145	55,099
Other provisions for pensions	116,658	170,504
	156,803	225,603
Other long-term employee benefits (Note 14-o)	42,813	52,886
Pending legal issues and tax litigation	-	-
Commitments and guarantees given:		
Provisions for guarantees given (see notes 42 and 43)	33,724	36,148
Provisions for contingent commitments given (Note 41)	3,994	4,257
	37,718	40,405
Other provisions	164,747	153,039
	402,081	**471,933**

The changes in "Provisions" in 2022 and 2021 were as follows:

	Thousands of euros				
	Pensions and other benefits	Provisions for taxes and other legal contingencies	Commitments and guarantees given	Other provisions	Total
Balance at 1 January 2021	**328,888**	**609**	**40,192**	**111,730**	**481,419**
Additions charged to income-					
Staff costs	3,002	-	-	-	3,002
Interest expenses (Note 45)	335	-	-	-	335
Net period provisions (Note 59)	41,261	-	3,801	53,395	98,457
Amounts used-					
Pension payments	(45,953)	-	-	-	(45,953)
Payments for pre-retirements	(10,200)	-	-	(55,504)	(65,704)
Other payments	-	-	(3,753)	(565)	(4,318)
Transfers to/from financial assets at amortised cost (Note 25)	-	-	-	-	-
Transfers to tangible assets (Note 28)	(33,454)	(609)	-	34,063	-
Other changes	(5,390)	-	165	9,920	4,695
Balance at 31 December 2021	**278,489**	**-**	**40,405**	**153,039**	**471,933**
Additions charged to income-					
Staff costs	3,093	-	-	-	3,093
Interest expenses (Note 45)	1,816	-	-	-	1,816
Net period provisions (Note 59)	(11,027)	-	140	67,647	56,760
Amounts used-					
Payments for pre-retirements	(44,191)	-	-	-	(44,191)
Other payments	(10,601)	-	-	(53,806)	(64,407)
Transfers to/from financial assets at amortised cost (Note 25)	-	-	(2,987)	-	(2,987)
Transfers to tangible assets (Note 28)	-	-	-	-	-
Internal transfers	-	-	-	-	-
Other changes	(17,963)	-	160	(2,133)	(19,936)
Balance at 31 December 2022	**199,616**	**-**	**37,718**	**164,747**	**402,081**

The balance of "Provisions - Pensions and Other Post-Employment Defined Benefit Obligations" includes the present value of the obligations to employees.

The line "Other movements" under the heading "Pensions and Other remuneration" whose amount amounts to minus 17,955 thousand euros as of December 31, 2022 (negative 5,390 as of December 31, 2021) mainly reflects the impact of losses and Actuarial gains recognized in each of the years. This 2022 impact corresponds mainly to the actuarial gains derived from the change in the technical interest rate used in the calculation of the present value of the commitment. The impact of 2021 corresponded mainly to the actuarial gains recognized in the year derived from the actual evolution of the group with respect to the hypotheses used in the estimation.

a) *Provisions - Pensions and other post-employment defined benefit obligations*

The detail of “Provisions - Pensions and Other Post-Employment Defined Benefit Obligations” in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Post-employment benefit obligations:		
Vested	65,657	87,554
Current and pre-retired employees	7,396	11,110
	73,053	**98,664**
Early retirement benefit obligations	83,750	126,939
	156,803	**225,603**

Post-employment benefit obligations

Defined benefit plans

Following is a detail, at 31 December 2022 and 2021, of the present value of the Group's post-employment benefit obligations for each of the plans, showing the funding status of these obligations, the fair value of the plan andnon-plan assets funding them and the present value of the obligations not recognized in the consolidated balance sheet as at those dates pursuant to IAS 19, based on the consolidated balance sheet headings under which they are recognized, where appropriate, at those dates:

	Thousands of euros		
2022	Kutxabank	Cajasur Banco	Total Group
Obligations:			
To current employees and early retirees	12,707	-	12,707
To retired employees	249,374	63,686	313,060
	262,081	**63,686**	**325,767**
Funding:			
Internal provisions (Note 14.o)	15,521	57,532	73,053
Assets assigned to the funding of obligations	341,152	6,563	347,715
	356,673	**64,095**	**420,768**

2021	Thousands of euros		
	Kutxabank	Cajasur Banco	Total Group
Obligations:			
To current employees and early retirees	19,126	-	19,126
To retired employees	326,290	84,367	410,657
	345,416	**84,367**	**429,783**
Funding:			
Internal provisions (Note 14.o)	22,986	75,727	98,713
Assets assigned to the funding of obligations	411,490	9,157	420,647
	434,476	**84,884**	**519,360**

In order to determine the pension obligations for each of the defined benefit plans described in this Note, the Group used a discount rate based on the yield curves of high quality European corporate bonds (IBoxx Corporates AA), adapting the maturities on these curves to those of the obligations.

At 31 December 2022 and 2021, actuarial studies on the funding of post-employment benefit obligations were performed using the projected unitcredit method and considering that the estimated retirement age of each employee is the earliest at which the employee is entitled to retire. The main actuarial assumptions used in the calculations were as follows:

	2022	2021
Discount rate	3.00%	0.60%
Mortality tables	PER 2020_Col_1er	PER 2020_Col_1er
Corrected disability tables		
Annual pension increase rate	EVKM/F 90	EVKM/F 90
Annual salary increase rate (*)	6.5% for the period 2022, 5.0% for 2023, 3.0% for 2024 and 2.0% for 2025 onwards	6.7% for 2021, 2.1% for the period 2022-2024, y 2% for 2025 onwards

The detail of the fair value of the assets assigned to the funding of post-employment benefits at 31 December 2022 and 2021 is as follows:

2022	Miles de Euros		
	Kutxabank	Cajasur Banco	Total Group
Assets of EPSVs	341,152	-	341,152
Assets assigned to the funding ofobligations	-	6,563	6,563
Total	**341,152**	**6,563**	**347,715**

2021	Miles de Euros		
	Kutxabank	Cajasur Banco	Total Group
Assets of EPSVs	411,490	-	411,490
Assets assigned to the funding ofobligations	-	9,157	9,157
Total	**411,490**	**9,157**	**420,647**

Following is a detail of the fair value of the main types of assets composing the plan assets included in the foregoing table at 31 December 2022 and 2021:

2022	Thousands of euros		
	Kutxabank	Cajasur Banco	Total Group
Shares	1,815	-	1,815
Debt instruments	353,113	-	353,113
Derivatives	(13,435)	-	(13,435)
Other assets	(341)	6,563	6,222
Total	**341,152**	**6,563**	**347,715**

2021	Thousands of euros		
	Kutxabank	Cajasur Banco	Total Group
Shares	2,453	-	2,453
Debt instruments	421,836	-	421,836
Derivatives	(12,322)	-	(12,322)
Other assets	(477)	9,157	8,680
Total	**411,490**	**9,157**	**420,647**

The annual return on the assets assigned to the funding of post-employment benefits in 2022 ranged from negative 0.74% to 4.77% (2021: negative 1.30% to 1.64%).

Similarly, the expected annual return for 2023 on these investments ranges from -2.50% to 3.26% (2021: -0.41% to 0.34%).

The value of certain aggregates related to defined benefit post-employment obligations at 31 December 2022, together with the same aggregates for the last four years, for comparison purposes, is as follows:

		Thousands of euros			
	2022	2021	2020	2019	2018
Present value of the defined benefit obligations	325,767	429,783	515,437	542,338	547,134
Funding	420,768	519,360	611,638	620,412	615,938
Surplus/(Deficit)	95,001	89,577	96,201	78,074	68,804

The surplus or deficit shown in the foregoing table includes mainly the excess of the fair value of the assets forming part of the EPSVs over the present value of the obligations externalized. These EPSVs meet the requirement under legislation regulating EPSVs to maintain a security margin, whichamounted to EUR 9,307 thousand at 31 December 2022 (31 December 2021: EUR 9,984 thousand).

Changes in the main assumptions can affect the calculation of the obligations. The following table shows how much the present value of the defined benefit obligations would be increased by changes in the main actuarial assumptions:

	Thousands of euros	
	Kutxabank (*)	Cajasur Banco
Change in assumption:		
100 basis point reduction in discount rate	25,074	5,865
100 basis point increase in CPI	20,873	3,320
1 year increase in longevity	10,707	3,400

(*) In any case, this eventual change in the present value of the obligations would not have a significant effect on equity as a result of the excess of the fair value ofthe assets forming part of the ESPVs over the present value of the obligationsat 31 December 2022.

Following is a reconciliation of the present value of the defined benefit obligations at the beginning and end of 2022 and 2021:

	Thousands of euros		
	Kutxabank	Cajasur Banco	Total Group
Balance at 31 December 2020	**420,858**	**94,579**	**515,437**
Interest cost	1,438	331	1,769
Current service cost	659	-	659
Actuarial (gains) and losses	19	(5,083)	(5,064)
Benefits paid	(25,155)	(5,460)	(30,615)
Cost of past services, including gains and losses derived from settlements (Note 14.o.1)	(52,403)	-	(52,403)
Balance at 31 December 2021	**345,416**	**84,367**	**429,783**
Interest cost	2,202	1,008	3,210
Current service cost	656	-	656
Actuarial (gains) and losses	(60,742)	(16,396)	(77,138)
Benefits paid	(25,451)	(5,293)	(30,744)
Cost of past services, including gains and losses derived from settlements (Note 14.o.1)	-	-	-
Balance at 31 December 2022	**262,081**	**63,686**	**325,767**

As indicated above, these obligations are covered by both internal provisions and plan assets. Following is a reconciliation of the fair value of the plan assets of each plan at the beginning and end of 2021 and 2021:

	Thousands of euros		
	Kutxabank	CajasurBanco	Total Group
Fair value at 31 December 2020	**438,427**	**9,555**	**447,982**
Expected return on plan assets	177	34	211
Actuarial gains and (losses)	(5,106)	(224)	(5,330)
Contributions made by plan participants	86	-	86
Benefits paid	(22,094)	(208)	(22,302)
Fair value at 31 December 2021	**411,490**	**9,157**	**420,647**
Expected return on plan assets	92	54	146
Actuarial gains and (losses)	(48,458)	(2,347)	(50,805)
Contributions made by plan participants	64	(19)	45
Benefits paid	(22,036)	(282)	(22,318)
Fair value at 31 December 2022	**341,152**	**6,563**	**347,715**

b) Commitments and guarantees given

"Commitments and Guarantees Given" includes the amount of the provisions made to cover guarantees given -defined as those transactions in which the Group guarantees the obligations of a third party arising as a result of financial guarantees given or contracts of another kind- and contingent commitments made -defined as irrevocable commitments that may give rise to the recognition of financial assets.

c) Other provisions

The purpose of the balance of "Other Provisions" is to cover possible contingencies, liabilities and other specific circumstances to which the Group is exposed in its ordinary business activity. These provisions are based on the best estimate of future obligations arising from past events whose nature at the reporting date is clearly specified but whose amount or timing is uncertain and that the Group expects to settle on maturity through an outflow of resources embodying economic benefits. Provisions are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each reporting period. Provisions are used to cater for the specific obligations for which they were recognized and they are fully or partially reversed whensuch obligations cease to exist or are reduced.

The detail, by nature, of the main items recognized under "Other Provisions" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Provision covering products sold and marketed	54,183	68,223
Other items	110,564	84,816
	164,747	**153,039**

In addition, it is estimated that the majority of the outflows of resources or any possible reimbursements in connection with the items included in the foregoing table will take place in the next two years.

Contingencies due to products sold and marketed

The table below shows the changes in 2022 and 2021 in the provisions recognised to cover the contingencies arising from court proceedings and/or claims relating to products sold and marketed:

	Thousands of euros	
	2022	2021
Balance at beginning of year	**68,223**	**60,683**
Period provisions charged to income	31,642	46,889
Amounts used	(45,682)	(37,480)
Transfers and other changes	-	(1,869)
Balance at end of year	**54,183**	**68,223**

At the end of 2022 and 2021 various court proceedings and claims were in process against the Group arising from the ordinary course of its operations, the most significant of which are described below.

The Parent's legal advisers and directors consider that the outcome of these proceedings and claims will not have a material effect on the financial statements for the years in which they are settled.

<u>IRPH Clause</u>

Various court proceedings and claims have been brought against the Group for the use of the Mortgage Loan Reference Index (MLRI, IRPH in spanish) as the basis for determining the interest applicable to certain consumer mortgage loans. At 31 December 2022, the outstanding consumer mortgage loans linked to theIRPH, payment of which was up to date, amounted to approximately EUR 453 million.

The legal issue subject to debate relates to the transparency control based on Article 4.2 of Council Directive 93/13/EEC of 5 April 1993 in cases where the borrower is a consumer. Since the IRPH is the price of the agreement and is included in the definition of the main purpose of the agreement, it must be drafted clearly and in easily comprehensible language so that consumers can assess, based on clear and understandable criteria, the economic implications of the agreement for them.

The 669/2017 Spanish Supreme Court judgment of 14 December 2017 declared the IRPH clause exceeded from transparency controls, for which it maintained valid. However, the Court of Justice ofthe European Union (CJEU) has been requested to clarify whether the judgment complies with EU law.

Subsequent to that Supreme Court ruling, a court of first instance brought a pre-trial matter before the European Court of Justice (ECJ) regarding the interpretation of Community consumer law in relation to the mortgage price index clause.

On 3 March 2020, the ECJ issued a ruling on the matter, drawing the following conclusions:

1. The ruling does not declare the mortgage price index clauses void but rather empowers the national courts to assess them to determine the transparency of a contractual term in a mortgage loan agreement establishing a variable interest rate, understanding that such a contractual term not only must be formally and grammatically intelligible but must also enable an average consumer, who is reasonably well-informed and reasonably observant and circumspect, to be in a position to understand the specific functioning of the method used for calculating that rate and thus evaluate, on the basis of clear, intelligible criteria, the potentially significant economic consequences of such a term on his or her financial obligations.

2. Related the above, the ECJ goes ahead and pre-emptively states that i) the key aspects of the mortgage price index calculation are readily accessible to any person planning to arrange a mortgage loan as they are individualized in Circular 8/1990, which is in turn published in the Official State Journal; and that ii) the information provided to the consumer about past fluctuations of the benchmark index is particularly relevant for assessing the transparency of the contractual term.

3. In the event the national courts declare the mortgage price index invalid, given that such a decision would effectively annul the entire the contract to the detriment of the consumer, in the absence of agreement between the parties, the national courts can replace the index deemed unfair with a substitute index, specifically that stipulated in Spanish Law 14/2013 (the average of the savings bank and bank mortgage price index rates).

Subsequent the ECJ ruling, the Supreme Court, in plenary session, issued four sentences on 12 November 2020 (# 595, 596, 597 and 598) in which, applying the precedent set by the ECJ, it ruled that although the contested mortgage price index does not pass the transparency test when information has not been provided about the past performance of the index, that lack of transparency does not automatically mean that the term is unfair but rather opens prompts the need to analyze whether it is unfair, as it constitutes an essential aspect of the loan agreement. The Supreme Court found in those sentences that the mortgage price index term does pass the unfair term test as the fact of offering the index does not imply bad faith and its application does not cause an imbalance in the parties' rights and obligations to the detriment of the consumer.

Afterwards, on November 17, 2021, the CJEU ruled by Order that the mere circumstance that a clause is not drafted in a clear and understandable manner does not, by itself, confer it an abusive nature.

Finally, on February 2, 2022, the Supreme Court has issued three rulings that declare the validity and non-abusiveness of the clauses of the mortgage loan contracts in which the variable interest rate had been referenced to the IRPH Entities, in accordance with to that established by the Court of Justice of the European Union in its Orders of November 17, 2021. The doctrine established by the Supreme Court itself in its judgments of November 12, 2020 is definitively reiterated. In 2022, two new preliminary rulings have been raised before the CJEU, and a third has been announced for 2023, where issues related to the nullity of the aforementioned clause are raised again, without the legal operators considering that the Doctrine and current jurisprudence will be modified.

The Entity administrators understand that the Supreme Court doctrine variates is out of the normal course. Therefore, no further provisions have been constituted for this aim.

Clause relating to fees for debt claims

As a result of the class action brought by the Basque Country Consumers' and Users' Association (EKA/ACUV), proceeding 3/2016 was heard at Commercial Court no. 1 in Vitoria. The claim called for the clause relating tofees for debt claims to be rendered null and void and for an end to the charging of such fees, established in certain Group agreements (loans, demand accounts and credit cards), but not the refunding of the amounts already received. The claim was upheld at first instance and confirmed by the Provincial Appellate Court of Álava.

Subsequently, on 25 October 2019, the Supreme Court handed down ajudgment on the cassation appeal filed by the Group. The court's reasoning behind the judgment confirmed the prior judgments and declared that this specific clause is disproportionate and does not meet the Bank of Spain's requirements. Neither the judgment nor the process entail the automatic refund of amounts charged in the past due to application of the clause, although they do represent a precedent that is not yet case law, whereby consumers who consider themselves affected may make individual claimsfor refunds. Throughout 2022, a sustained number of lawsuits have been received that are estimated to continue throughout 2023. After considering the payments made for customer claims and the estimate of pending claims, the Group has recovered a part of the provisions made in previous years for this concept in 2022 for the amount of 546 thousand euros (additional provisions for 2,596 thousand euros in 2021).

Mortgage loan arrangement expenses

In the judgment of 15 March 2018 of Chamber 1 of the Supreme Court the borrower was finally adjudged to be liable for the stamp tax on the execution of mortgage loan deeds, which is the item representing the largest amounts claimed in these proceedings.

The Supreme Court judgments of 23 January 2019, 26 October 2020 and 27 January 2021 finally established the effects of declaring null and void the clause attributing all the expenses and taxes to the borrower as follows:

- Notary's fees. The costs of executing the loan master deed and any amendments thereto must be shared equally.

- The costs of the cancellation deed must be assumed by the borrower; and those of the copies of the various deeds by the party that requested them.

- Registration fee: payable by the lender.

- Stamp tax (IAJD): the court confirmed that the party liable for this tax (before entry into force of Royal Decree-Law 17/2018) was the borrower.

- Administrative services company expenses: assumed entirely by the lender.

- Appraisal expenses: correspond entirely to the lender until the 5/2019 LCI came into force

- Lastly, a decision is being awaited regarding the prescription of the reimburse action to the expenses paid up by the borrowers

In relation to the Prescription, the Supreme Court has not ruled expressly and has raised a preliminary ruling before the Court of Justice of the European Union. Taking into consideration these rulings, the possible position of the Supreme Court on the statute of limitations for the action to reimburse the expenses paid by the borrowers and the evolution of the claims in 2022, the Group has made a re-estimation of the disbursements that it expected to have to make derived from current and anticipated claims, having made an additional provision for this concept charged to the consolidated profit and loss account for 2022 for an amount of 24,954 thousand euros.

Floor clauses

Following the various judgments handed down in relation to the floorclauses included in consumer mortgage loans and, particularly, following the judgment by the Court of Justice of the European Union of 21 December 2016, the Group, after conducting an analysis of the portfolio of consumer mortgage loans containing a floor clause, recognized a provision of EUR 113 million in 2016, of which EUR 85 million were recognized with a charge to profit or loss for 2016, before considering the related tax effect, in order to cover any claims that might be made in the future.

Also, on 20 January 2017, Royal Decree-Law 1/2017 on urgent consumer-protection measures relating to floor clauses was approved, which establishes the out-of-court procedure to be implemented by financial institutions in order to facilitate the reimbursement of the amounts unduly paid by consumers to such entities due to the application of certain floor clauses contained in mortgage loan or credit agreements. The Group implemented the legally-required procedure within the time periodestablished in the aforementioned Royal Decree-Law. Currently, the Jurisprudence on this matter is fully established and defined, and the updating of the Group before the claims and demands received is in accordance with said Doctrine.

The amount provisioned in relation to this contingency under "Provision Covering Products Sold and Marketed", at 31 December 2022. This amount was estimated taking into account the envisaged evolution of the number of future claims and complaints, as well as the probability that they would have an unfavorable outcome for the Group. If all the envisaged claims were to result in a loss for the Group, the maximum amount that it would have to pay out would be EUR 21 million.

35. Assets and liabilities under insurance andreinsurance contracts

The detail of "Assets under Reinsurance and Insurance Contracts" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Reinsurer's share of technical provisions for:		
Unearned premiums	599	584
Life insurance	3,989	4,468
Claims outstanding	26,516	22,841
	31,104	**27,893**

The foregoing table includes the amounts that the Group is entitled to receive for reinsurance contracts with third parties and, specifically, the reinsurer's share of the technical provisions recognized by the insurance entities.

The detail of "Liabilities under Insurance and Reinsurance Contracts" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Technical provisions for:		
Unearned premiums and unexpired risks	135,273	133,550
Mathematical provisions		
Individual life insurance		
Savings	*76,415*	*87,612*
Risk	*69,614*	*75,131*
Group life insurance		
Savings	*153,418*	*170,293*
Life insurance policies where the investment risk is borne by the policyholders	3,081	3,895
Claims outstanding	90,005	83,517
Bonuses and rebates	354	415
Other technical provisions	43,812	41,008
	571,972	595,421
Accounting mismatches	3,344	25,974
	575,316	**621,395**

The Group markets insurance products of its subsidiaries Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U. and Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U.

The modelling methods and techniques that are used for calculating the mathematical provisions of insurance products comprise actuarial and financial methods and modelling techniques approved by the Directorate-General of Insurance and Pension Funds. The modelling methods and techniques used for calculating the mathematical provisions of insurance products are set forth in IFRSs and consist mainly of the calculation of estimated future cash flows discounted at each policy's technical interest rate. The measures taken in order to hedge this technical interest rate involve the acquisition of a portfolio of securities which generate the flows required to cover the payment commitments to the insureds.

The mortality tables used during 2022 and 2021 in the calculation of the technical provisions in the case of life insurance policies have been GK80, GK95 and PASEM 2010. For savings products with longevity risk, PER 2000 Col 1er-Orden, PER 2020 Ind 1er.orden, PER 2000 NP, PER 2000 CARTERA and GR 95.

The discount rates used at 31 December 2022 and 2021 in the calculation of the mathematical provisions for the main types of insurance were as follows:

Type of insurance	2022 discount rate	2021 discount rate
Individual life	0% - 3.5%	0.00% - 3.50%
Group life	0% - 0.54%	0.00% - 0.54%
Savings	1.25% - 6%	1.25% - 6.00%
Individual annuity	0.0012% - 5.30%	0.0012% - 4.95%
Group annuity	-0.6% - 5.3%	-0.60% - 5.56%
Combined	-	-

In 2022 and 2021 no significant impacts arose as a result of changes in the assumptions used and described in the foregoing tables.

36. Shareholders' equity

The detail of "Shareholders' Equity" in the accompanying consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Share capital	2,060,000	2,060,000
Retained earnings	1,121,686	1,070,464
Other reserves	2,447,646	2,455,123
Profit attributable to owners of the Parent	330,528	216,458
Interim dividends	(150,284)	-
	5,809,576	**5,802,045**

Share capital

At 14 June 2011, the share capital of the Parent consisted of 18,050 registered shares of EUR 1,000 par value each, all with identical voting and dividend rights and fully subscribed and paid by BBK.

As a result of the spin-off of the Savings Banks' financial business described in Note 1.2, the Parent increased share capital by EUR 1,981,950 thousand through the issuance of 1,981,950 registered shares of EUR 1,000 par value, with a share premium of EUR 3,432,939 thousand. These shares were fully subscribed and paid by BBK, Kutxa and Caja Vital.

On 27 March 2014, at the Annual General Meeting of the Parent, the shareholders unanimously resolved, pursuant to Article 296 of the SpanishLimited Liability Companies Law, to increase the share capital of Kutxabank, S.A.by EUR 60,000 thousand, with a charge to reserves, through an increase of EUR 30 in the par value of each of the existing 2,000,000 shares. Following this capital increase, at 31 December 2022 and 2021, the Parent's share capital amounted to EUR 2,060,000 thousand, represented by 2,000,000 fully subscribed and paid registered shares of EUR 1,030 par value each, numbered from 1 to 2,000,000, both inclusive, all with identical voting and dividend rights. The distribution of the share capital, by shareholder, is as follows:

	% of ownership
Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa	57%
Fundación Bancaria Kutxa - Kutxa Banku Fundazioa	32%
Fundación Bancaria Vital	11%

At 31 December 2022 and 2021, the Group did not hold any treasury shares.

At 31 December 2022 and 2021, the ownership interests of 10% or more in the capital of Group subsidiaries held by non-Group entities, either directly orthrough their subsidiaries, were as follows:

	% of ownership	
	2022	2021
Norbolsa, Sociedad de Valores y Bolsa, S.A.:		
Caja de Crédito de los Ingenieros, S. Coop. de Crédito	10.00	10.00
Fineco, Sociedad de Valores, S.A.:		
Finbarri, S.L.	14.50	14.67

In addition, at 31 December 2022 and 2021, one individual held an ownership interest in the Fineco Group representing a total of 1.78% of its capital in both years.

Retained earnings

"Retained Earnings" includes the net amount of the accumulated profits or losses recognized in prior years in the consolidated statement of profit or loss and appropriated to equity. Accordingly, it includes the legal, bylaw and voluntary reserves resulting from the appropriation of profits.

Other reserves

"Other Reserves" includes the net amount of the profits or losses accumulated in prior years that were generated by companies accounted for using the equity method and which were recognized in the consolidated statement of profit or loss, together with the amount of the reserves not included under other items, such as, as the case may be, amounts resulting from permanent adjustments made directly in equity in connection with expenses arising from the issuance, redemption or retirement of own equity instruments, and from disposals of own equity instruments, and the retrospective restatement or adjustment of the consolidated financial statements due to errors or changes in accounting policies. This heading also includes the amounts transferred from "Accumulated Other Comprehensive Income - Items that Will Not Be Reclassified to Profit or Loss" relating to the gains or losses on the sale of equity instruments classified as "Financial Assets at Fair Value Through Other Comprehensive Income" (see Note 37).

Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital.The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Until the legal reserve exceeds 20% of share capital, it can only be used tooffset losses, provided that sufficient other reserves are not available for this purpose.

On 27 March 2014, at the Annual General Meeting of the Parent, the shareholders unanimously resolved to transfer EUR 400,529 thousand from"General Reserves" to "Legal Reserve". Following this transfer, at 31 December 2022 and 2021, the balance recognized under "Legal Reserve" amounted to EUR 412,000 thousand, which represents 20% of the share capital.

Bizkaia Regulatory Decree 11/2012, of 18 December, on asset revaluation was published on 28 December 2012. This tax legislation allows companies to revalue their assets for tax purposes. Pursuant to this legislation, the Parent revalued the tax base of a portion of its assets following the approval of its adoption of this measure by the General Meeting of the Bank on 27 June 2013.

Accordingly, in conformity with the aforementioned regulatory decree, the Parent created the "Revaluation Reserve Bizkaia Regulatory Decree 11/2012", effective from 1 January 2013, amounting to EUR 51,685 thousand (see Note 14-q), which did not give rise to any change in the value at which the assets were recognised in the Group's consolidated balance sheet.

This reserve includes the amount of the revaluation net of the single 5% levy established by the aforementioned regulatory decree. The balance of the "Revaluation Reserve Bizkaia Regulatory Decree 11/2012, of 18 December", will be restricted until it has been verified and approved by the tax authorities, or until three years have elapsed following settlement of the single levy. Once it has been verified by the tax authorities or the verification period has elapsed,the balance of this account may be used to offset accounting losses or increase capital. After ten years have elapsed, the balance may only be allocated to unrestricted reserves. However, this balance may only be distributed, directly or indirectly, when the revalued assets have been fully depreciated, transferred or derecognized. On 19 December 2013, the revaluation reserve was verified and approved by the tax authorities (see Note 39). The Parent used the aforementioned amount to perform the capital increase mentioned above.

The breakdown, by company, of "Retained Earnings" and "Other Reserves" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Parent Entity:	**3,577,284**	**3,490,513**
Subsidiaries:		
Kutxabank Gestión, S.G.I.I.C., S.A.U.	90	88
Kartera 1, S.L.	379,034	377,004
Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U.	(4,576)	(6,742)
Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros,S.A.U.	61,152	45,113
Property companies	(383,224)	(309,744)
Cajasur Banco subgroup	(47,173)	(63,354)
Other entities	3,916	3,550
	9,219	**45,915**
Investments in joint ventures and associates		
Reserves (losses) of entities accounted for using the equity method		
Associates:		
Property companies	(5,841)	(5,776)
Cajasur Banco subgroup	(13)	(13)
Other entities	(17,205)	(10,077)
	(23,059)	(15,866)
Other reserves		
Associates	5,888	5,025
	(17,171)	**(10,841)**
	3,569,332	**3,525,587**

Profit attributable to owners of the Parent Entity

The detail, by entity, of the contribution to the profit attributable to owners of the Parent at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Parent Entity:	**222,835**	**139,567**
Subsidiaries:		
Kutxabank Gestión, S.G.I.I.C., S.A.U.	51,439	46,571
Kartera 1, S.L.	42,212	35,925
Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U.	20,794	17,178
Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U.	32,841	24,106
Property companies	(86,097)	(92,442)
Cajasur Banco subgroup	25,011	16,858
Other entities	8,513	23,134
	94,713	**71,330**
Investments in joint ventures and associates		
Reserves (losses) of entities accounted for using the equity method		
Associates:		
Property companies	(10)	(65)
Cajasur Banco subgroup	-	-
Other entities	12,990	5,626
	12,980	**5,561**
	330,528	**216,458**

37. Accumulated other comprehensive income

The detail of "Accumulated Other Comprehensive Income" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Items that will not be reclassified to profit or loss:		
Actuarial gains or (-) losses on defined benefit pension plans (Note 34)	(46,069)	(59,181)
Fair value changes of equity instruments measured at fair value through other comprehensive income (Note 24)	491,214	480,094
Share of other recognised income and expense of investments in joint ventures and associates (Note 27)	(28)	(32)
	445,117	420,881
Items that may be reclassified to profit or loss:		
Hedging derivatives. Cash flow hedges reserve [effectiveportion] (Note 26)	(12,214)	(53,356)
Fair value changes of debt instruments measured at fairvalue through other comprehensive income (Note 24)	(50,489)	132,822
Share of other recognised income and expense ofinvestments in joint ventures and associates (Note 27)	-	(11)
	(62,703)	79,455
	382,414	**500,336**

The balance included under "Items that May Be Reclassified to Profit or Loss - Fair Value Changes of Debt Instruments Measured at Fair Value Through Other Comprehensive Income" relates to the net amount of the changes in fair value of these financial instruments which must be classified in the Group's consolidated equity. When the financial assets are sold or become impaired, these changes are recognized in the consolidated statement of profit or loss.

In addition, the balance included under "Items that Will Not Be Reclassified to Profit or Loss - Fair Value Changes of Equity Instruments Measured at Fair Value Through Other Comprehensive Income" relates to the net amount of the fair value changes of equity instruments that must be classified in the Group's consolidated equity and will never be recognized in the consolidated statementof profit or loss.

The movement during 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Balance at the beginning of the year	**500,336**	**650,710**
Net movement with charge/ (credit) to results	52,988	(9,886)
Transfer to reserves (Note 24)	249	(67,332)
Additions/ (Withdrawals)	(171,159)	(73,156)
Balance at the end of the year	**382,414**	**500,336**

The amounts transferred from the heading "Other accumulated comprehensive income" to the consolidated profit and loss account, before considering its tax effect, amounted to 1,101 thousand euros as of December 31, 2022 for profit on sales of debt instruments to fair value with changes in other comprehensive income (34 thousand euros as of December 31, 2021) -Note 49- and 74,696 thousand euros of losses for Rectification of interest income from hedging operations (13,697 thousand euros of profits during fiscal year 2021) -see Notes 44 and 45-.

During the 2022 financial year, 249 thousand euros (67,332 thousand euros during the 2021 financial year) have been reclassified from the heading "Other accumulated comprehensive income - Items that will not be reclassified in results" to the heading "Other reserves" derived from the sale of investment instruments equity at fair value through other comprehensive income (see Note 24).

The main changes in "Accumulated Other Comprehensive Income" in 2022 and 2021 are detailed in the consolidated statements of comprehensive income.

The detail, by entity, of the amount included in "Accumulated Other Comprehensive Income" in consolidated equity at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Parent Entity:	**(76,607)**	**13,495**
Subsidiaries:		
Kartera 1, S.L.	521,611	486,338
Fineco Sociedad de Valores, S.A.	(8)	(8)
Cajasur Banco, S.A.U.	(4,786)	13,678
Norbolsa Sociedad de Valores y Bolsa, S.A.	423	544
Kutxabank Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U.	(40,864)	(18,177)
Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U.	(16,897)	4,539
Kutxabank Pensiones, S.A.	(337)	69
Harri Hegoalde 2, S.A.U.	(93)	(99)
	459,049	**486,884**
Associates:		
Talde Promoción y Desarrollo, S.C.R.	(28)	(32)
Inversiones Zubiatzu, S.A.	-	(11)
	(28)	**(43)**
	382,414	**500,336**

38. Minority interests (non-controlling interests)

The detail of "Minority Interests (Non-Controlling Interests)" in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Fineco Group	2,383	2,597
Norbolsa Sociedad de Valores y Bolsa, S.A.	4,764	4,987
	7,147	**7,584**

The changes in 2022 and 2021 in "Minority Interests (Non-Controlling Interests)" in the consolidated balance sheet were as follows:

	Fineco Group	Norbolsa, S.A.	Alquiler de Trenes, A,I,E, (*)	Total
Balance at 31 December 2020	**3,004**	**4,918**	**2,637**	**10,559**
Profit for the year	974	266	674	1,914
Changes in the scope of consolidation	(30)	-	(1,842)	(1,872)
Dividends paid	(1,351)	(296)	(1,519)	(3,166)
Other changes	-	99	50	149
Balance at 31 December 2021	**2,597**	**4,987**	-	**7,584**
Profit for the year	774	137	-	911
Changes in the scope of consolidation	(25)	-	-	(25)
Dividends paid	(963)	(329)	-	(1,292)
Other changes	-	(31)	-	(31)
Balance at 31 December 2022	**2,383**	**4,764**	**-**	**7,147**

(*) Company liquidated at the end of the 2022 financial year (see Note 1.3).

39. Tax matters

The Kutxabank Tax Group as well as the Cajasur Tax Group apply the special tax consolidation regime for Corporate Tax, while the rest of the dependent entities present their Corporate Tax returns individually, in accordance with the tax regulations applicable to each one of them. they.

Kutxabank Tax Group

The legislation applicable to the Kutxabank Fiscal Group for the liquidation of Corporation Tax for the year 2022 in the Historical Territory of Bizkaia is that corresponding to the BITR.

Likewise, according to the provisions of articles 14 et seq. of Law 12/2012, of May 23, approving the Economic Agreement with the Autonomous Community of the Basque Country (hereinafter, the Economic Agreement), the Tax Group Kutxabank has been paying Corporate Tax, before the different existing Administrations, in proportion to the volume of operations carried out in each Territory, being located mainly in the three Historical Territories that make up the Autonomous Community of the Basque Country, as determined by the Economic Agreement.

In financial year 2022, the Tax Group is made up, on the one hand, of the Bank as the parent company, and on the other, of those entities that, in accordance with the applicable regulations, meet the requirements established to be considered as dependent companies of the Tax Group. Thus, in 2022, the Tax Group is made up of the following entities:

Parent: Kutxabank, S.A.	
Subsidiaries: Kartera 1, S.L. Gesfinor Administración, S.A. Kutxabank Empréstitos, S.A.U. Kutxabank Gestión, S.G.I.I.C., S.A.U. Harri Iparra, S.A. Harri Inmuebles, S.A. Kutxabank Store, S.L.	 Kutxabank Aseguradora, Cía de Seguros y Reaseguros, S.A.U. Kutxabank Vida y Pensiones, Cía de Seguros y Reaseguros, S.A.U. Kartera 4, S.L. GIIC Fineco, S.A. Kutxabank Pensiones, S.A. Fineco Previsión Entidad Gestora de Fondos de Pensiones
Other tax group entities: Bilbao Bizkaia Kutxa Fundación Bancaria Fundación Bancaria Kutxa	

The companies that are part of a tax consolidation group in the Corporate Tax are jointly and severally liable for the payment of the tax debt.

In financial year 2022, the Parent Entity has paid the Banking Foundations an amount of 11,579 thousand euros as a consequence, mainly, of the distribution of the tax burden derived from the application of the tax consolidation regime.

As of the date of approval of these consolidated annual accounts, the Kutxabank Tax Group is subject to verification by the tax authorities, for not having prescribed, the years 2018 and following, in relation to Corporation Tax and the last four years for the rest of the main taxes and fiscal obligations that are applicable to it, in accordance with current regulations.

Due to the different possible interpretations of current tax regulations applicable to operations carried out by financial institutions, in the event of an inspection, contingent tax liabilities could arise. However, in the opinion of the Bank's Board of Directors, the tax debt that could derive from said contingent liabilities would not significantly affect these Annual Accounts.

Cajasur Tax Group

This Group files tax returns in accordance with the Spanish Income Tax Law, which came into effect for the years beginning on or after 1 January 2015, and Royal Decree 634/2015, of 10 July, approving the Income Tax Regulations.

Pursuant to the Spanish Income Tax Law, the Cajasur Fiscal Group is fully taxed before the State Tax Administration Agency.

The Parent of tax group no. 0513/11 is Kutxabank, S.A. In 2022 this tax group comprised Cajasur Banco, as the representative of the tax group in Spain (excluding Navarra and the Basque Country), and the entities which, in accordance with the applicable legislation, met the requirements to be considered subsidiaries.

Thus, in 2022 the tax group comprised the following entities:

Parent: Kutxabank, S.A. **Representative entity:** Cajasur Banco, S.A.U.
Subsidiaries: GPS Mairena El Soto, S.L.U. Viana Activos Agrarios, S.L. Fineco Patrimonios S.G.I.I.C., S.A.U. (*) Compañía Promotora y de Comercio del Estrecho, S.L. (*) Golf Valle Romano Golf & Resort, S.L. (*) Harri Hegoalde 2, S.A. (formerly Neinor Ibérica Inversiones) (*) Harri Sur, S.A. (*) Norapex, S.A. Sociedad Andaluza de Gestion de Activos, S.L. (*)

(*) Companies that are not subsidiaries of Cajasur but which, in accordance with the Spanish Income Tax Law, meet the requirements to be considered subsidiaries of the Cajasurtax group.

The companies which form part of a consolidated tax group are jointly and severally liable to pay the tax debts.

On June 23, 2020, the Cajasur Entity received the communication from the Tax Agency in which the start of a Tax Inspection was notified to Fiscal Group 0513/11 and whose parent company is Cajasur Banco SAU The inspection actions had an effect on the Corporate Tax corresponding to the years 2015 to 2017, on the Value Added Tax in relation to the period between July 2016 and December 2017 and, in relation to withholdings on Income to Account of the Movable Capital and Income withholding a Professional and Work Income Account, corresponding to the period from January to December 2017. The Fiscal Inspection period ended in 2022. As of the date of preparation of these annual accounts, the Minutes have been signed in Conformity in relation to the concepts and periods indicated, although they have not become final as of this date. The signing of the Certificates of Conformity in relation to the concepts and periods indicated, have been signed in the year 2022, acquiring finality in that same period, without the inspection actions carried out having resulted in significant tax contingencies for the financial statements of the group.

Therefore, on the date of approval of these consolidated annual accounts, the Cajasur Fiscal Group is subject to verification by the tax authorities, for not having prescribed, the years 2018 and following, in relation to Corporation Tax and the last four years for the rest of the main taxes and fiscal obligations that are applicable to it, in accordance with current regulations.

Due to the different possible interpretations of current tax regulations applicable to operations carried out by financial institutions, in the event of an inspection, contingent tax liabilities could arise. However, in the opinion of the Bank's Board of Directors, the tax debt that could derive from said contingent liabilities would not significantly affect these Annual Accounts.

Income tax

Within the framework of the accounting group and in view of the fact that, as such, it is not the taxpayer for income tax purposes, but includes various tax groups and companies that file taxes separately, the detail of "Income Tax" in the accompanying consolidated statements of profit or loss for 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Current income tax expense/(benefit)	50,367	45,848
Deferred income tax expense/(benefit)	75,472	30,654
Total income tax expense/(benefit) recognised in the consolidated statement of profit or loss	**125,839**	**76,502**

The amount of the income tax expense or benefit recognised directly in equity at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Tax effect of valuation adjustments	46,706	59,856
Total income tax (expense)/benefit	**46,706**	**59,856**

The reconciliation of the accounting profit for 2022 and 2021 to the income tax expense is as follows:

	Thousands of euros	
	2022	2021
Accounting profit	457,278	294,874
Permanent differences	(181,009)	(195,635)
Profit of companies accounted for using the equity method	12,980	5,561
Effects of consolidation and other	130,121	156,022
Adjusted accounting profit	**419,370**	**260,822**
Tax at the Group's average tax rate	119,017	73,411
Tax credits recognised	(508)	(595)
Discharged deductions	4,482	3,904
Adjustment to prior year's income tax	2,848	(218)
Total income tax expense/(benefit)	**125,839**	**76,502**

(*) The tax rate applicable to the Kutxabank tax group is 28%, while the tax rate applicable to the Cajasur tax group is 30%. The rate applicable to the companies that file individual tax returns will be the rate corresponding to them on the basis of which tax authority is competent under the relevant applicable legislation.

The permanent differences in 2022 and 2021 arose, among other reasons, from the exemption for dividends and domestic capital gains, and from the amounts that the banking foundations allocate to the funding of social welfare projects which, pursuant to the applicable legislation, may be deducted from the banking foundation's own tax base or, alternatively, may be deducted, with certain limitations, from the tax base of the credit institutions in which the banking foundations hold ownership interests. In the years 2022 and 2021, the tax effects of the abovementioned endowments were directly attributed to the Banking Foundations. Similarly, these permanent differences arose partly as a resultof the consideration of the donations contributed to foundations as non-tax-deductible expenses at entities subject to general Spanish tax legislation.

In 2022 the Kutxabank tax group bore withholdings estimated at EUR 9,170 thousand (2021: EUR 5,645 thousand). In addition, the Cajasur tax group bore withholdings and made prepayments estimated at EUR 3,315 thousand (2021: EUR 35 thousand).

Revaluation of assets at the Kutxabank Tax Group

In 2013 the Parent availed itself of the revaluation of assets regulated in Bizkaia Regulatory Decree 11/2012, of 18 December. Pursuant to Article 12 of this Decree, availing itself of this option obliged the Parent to include certain disclosures in these consolidated financial statements:

a) Criteria used in the revaluation, indicating the assets affected in the relevant financial statements.

   The Parent calculated the revaluation surplus in the terms expressly stated in Bizkaia Regulatory Decree 11/2012.

   In order to determine the amount by which to revalue each property, the Parent applied the coefficients set forth in Article 7 of Bizkaia Regulatory Decree 11/2012. The coefficients were applied as follows:

   - To the acquisition price or production cost, taking into account the year of acquisition or production of the asset. The coefficientapplicable to improvements is that relating to the year in which they were carried out.
   - To the accounting depreciation charges on the acquisition price or production cost that were tax deductible, taking into account the year in which they were recognised.

Pursuant to Article 3 of Bizkaia Regulatory Decree 11/2012, the Parent, for the purpose of applying the revaluation coefficients, did not take into account the property revaluations that were carried out previously, as a result of the first-time application of Bank of Spain Circular 4/2004, of 22 December, to credit institutions, on public and confidential financial reporting rules and formats, which did not have an effect on tax.

The amount resulting from the revaluation described above was reduced by the net increase in value resulting from the revaluations provided for in Bizkaia Regulation 6/1996, of 21 November, on the revaluation of assets. The positive difference that was calculated using this method represented the net increase in value of the revalued asset.

The revalued amount did not in any case exceed the market value of the revalued asset, taking into consideration its condition in terms of technical and financial deterioration, and wear and tear as a result of thetaxpayer's use of it.

b) Revaluation surplus of the various on-balance sheet assets and the effect of revaluation on depreciation and amortization.

Kutxabank's representation bodies approved the revaluation of 13 properties for a total revaluation surplus of EUR 54,405 thousand.

At 31 December 2022, the amount of the revalued properties that was included in Kutxabank's equity totaled EUR 46,613 thousand.

Property	Thousands of euros
	Revaluation surplus
Gran Vía 30-32, Bilbao	31,379
Marqués del Puerto 3, Bilbao	1,026
Garibai 15, San Sebastián	3,758
Ibaeta, San Sebastián	6,828
Boulevard, San Sebastián	463
Benta Berri, San Sebastián	292
Isabel II, San Sebastián	448
Paseo Colon, Irún	601
Rentería Viteri	542
Gran Vía Gros, San Sebastián	526
Las Ramblas, Barcelona	750
Total	**46,613**

The properties detailed above were previously revalued in accordance with Bank of Spain Circular 4/2004 which, as stated in Transitional Provision One, permitted entities to measure their tangible assets at fair value on a once-only basis. This revaluation for accounting purposes did not have a tax effect. The impact of the new revaluation, considering the revaluation provided for in the Bank of Spain Circular, entailed the reclassification of the reserve recognized in 2004 to a new Revaluation Reserve Bizkaia Regulatory Decree 11/2012. By applying this measure, the Parent conferred a tax effect on the revaluation already recognized for accounting purposes.

c) Changes in the year in the balance of "Revaluation Reserve Bizkaia Regulatory Decree 11/2012, of 18 December", and explanation of the reason for these changes.

Pursuant to Article 8 of Bizkaia Regulatory Decree 11/2012, in 2013 the Parent credited the amount resulting from the revaluation, i.e. EUR 54,405 thousand, to the account "Revaluation Reserve Bizkaia Regulatory Decree 11/2012, of 18 December".

The Parent settled the single 5% levy by charging EUR 2,720 thousand against the credit balance of "Revaluation Reserve Bizkaia Regulatory Decree 11/2012, of 18 December".

At 31 December 2022, the balance of "Revaluation Reserve Bizkaia Regulatory Decree 11/2012, of 18 December" was zero, as it was at 2021 year-end. In this regard, in accordance with Bizkaia Regulatory Decree 11/2012, of 18 December, this reserve is restricted until it has been verified and approved by the tax authorities, or until three years have elapsed following settlement of the single levy. Once it has been verified by the tax authorities or the verification period has elapsed, the balance of this account may be used to offset accounting losses or increase capital.

After ten years have elapsed, the balance may only be allocated to unrestricted reserves. On 19 December 2013, the revaluation reserve was verified and approved by the tax authorities and, accordingly, the Bank used the aforementioned amount to carry out the capital increase approved by the Annual General Meeting on 27 March 2014 (see Note 36).

Group restructuring transactions

In compliance with the information obligations established in Chapter VII of Title VI of the Bizkaia Income Tax Regulation and Chapter VIII of Title VII of the LIS, the information related to operations subject to the tax regime of mergers, spin-offs, contributions of assets and exchange of securities, which have taken place during the financial year 2022:

- Non-monetary contribution of real estate by Kutxabank, SA to the entity Harri Iparra, SA:

  In the operation, Kutxabank, SA contributes to Harri Iparra, SA the foreclosed real estate assets not affected by Law 8/2012, of October 30, on reorganization and sale of real estate assets of the financial sector that it still had on its balance sheet. This contribution constitutes a contribution from a branch of activity of those regulated in article 101.3 of the Bizkaia Income Tax Regulation and has been included in the Special Tax Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation, although Kutxabank, SA, as transferor, has waived the deferral regime provided for in article 102 of the Bizkaia Income Tax Regulation.

  Acceptance of the Special Fiscal Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation implies the obligation to include in the annual report of the annual accounts the information established in article 110 of the Bizkaia Income Tax Regulation. The mentions required by the Bizkaia Income Tax Regulation appear in the annual accounts of Kutxabank, SA and Harri Iparra, SA for the year 2022.

- Non-monetary contribution of real estate by Kutxabank, SA to the entity Harri Inmuebles, SA:

  In the operation, Kutxabank, SA contributes to Harri Iparra, SA the foreclosed real estate assets not affected by Law 8/2012, of October 30, on reorganization and sale of real estate assets of the financial sector that it still had on its balance sheet. This contribution constitutes a contribution from a branch of activity of those regulated in article 101.3 of the Bizkaia Income Tax Regulation and has been included in the Special Tax Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation, although Kutxabank, SA, as transferor, has waived the deferral regime provided for in article 102 of the Bizkaia Income Tax Regulation.

  Acceptance of the Special Fiscal Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation implies the obligation to include in the annual report of the annual accounts the information established in article 110 of the Bizkaia Income Tax Regulation. The mentions required by the Bizkaia Income Tax Regulation appear in the annual accounts of Kutxabank, SA and Harri Inmuebles SA for the year 2022.

- Non-monetary contribution of real estate by Kutxabank, SA to the entity Harri Hegoalde 2 , SA:

In the operation, Kutxabank, SA contributes to Harri Iparra, SA the foreclosed real estate assets not affected by Law 8/2012, of October 30, on reorganization and sale of real estate assets of the financial sector that it still had on its balance sheet. This contribution constitutes a contribution from a branch of activity of those regulated in article 101.3 of the Bizkaia Income Tax Regulation and has been included in the Special Tax Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation, although Kutxabank, SA, as transferor, has waived the deferral regime provided for in article 102 of the Bizkaia Income Tax Regulation.

Acceptance of the Special Fiscal Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation implies the obligation to include in the annual report of the annual accounts the information established in article 110 of the Bizkaia Income Tax Regulation. The mentions required by the Bizkaia Income Tax Regulation appear in the annual accounts of Kutxabank, SA and Harri Hegoalde 2 SA for the year 2022.

- Non-monetary contribution of real estate by Kutxabank, SA to the entity Harri Sur Activos inmobiliarios, S.L.:

  In the operation, Kutxabank, SA contributes to Harri Iparra, SA the foreclosed real estate assets not affected by Law 8/2012, of October 30, on reorganization and sale of real estate assets of the financial sector that it still had on its balance sheet. This contribution constitutes a contribution from a branch of activity of those regulated in article 101.3 of the Bizkaia Income Tax Regulation and has been included in the Special Tax Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation, although Kutxabank, SA, as transferor, has waived the deferral regime provided for in article 102 of the BITR.

  Acceptance of the Special Fiscal Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation implies the obligation to include in the annual report of the annual accounts the information established in article 110 of the Bizkaia Income Tax Regulation. The mentions required by the BITR appear in the annual accounts of Kutxabank, SA and Harri Sur Activos inmobiliarios, S.L for the year 2022.

- Non-monetary contribution of real estate by Kutxabank, SA to the entity Sociedad Andaluza de Gestión de Activos, S.L.:

  In the operation, Kutxabank, SA contributes to Harri Iparra, SA the foreclosed real estate assets not affected by Law 8/2012, of October 30, on reorganization and sale of real estate assets of the financial sector that it still had on its balance sheet. This contribution constitutes a contribution from a branch of activity of those regulated in article 101.3 of the Bizkaia Income Tax Regulation and has been included in the Special Tax Regime provided for in Chapter VII of Title VI of the Bizkaia Income Tax Regulation, although Kutxabank, SA, as transferor, has waived the deferral regime provided for in article 102 of the Bizkaia Income Tax Regulation.

  Acceptance of the Special Fiscal Regime provided for in Chapter VII of Title VI of the BITR implies the obligation to include in the annual report of the annual accounts the information established in article 110 of the Bizkaia Income Tax Regulation. The mentions required by the Bizkaia Income Tax Regulation appear in the annual accounts of Kutxabank, SA and Sociedad Andaluza de Gestión de Activos, S.L for the year 2022.

For his part and, additionally, carrying out certain business restructuring transactions under the special regimeprovided for in Title VI, Chapter VII of the Bizkaia Income Tax Regulation requires the following disclosures to be included in the consolidated financial statements:

a) The year in which the transferor acquired the transferred assets eligible for depreciation and amortization.

b) Latest balance sheet of the transferor.

c) Detail of the assets acquired and recognized in the accounting records at a different amount from that at which they were recognized in the transferor's accounting records prior to the transaction, expressing both amounts, as well as the accumulated amortization and depreciation and impairment losses recognized in the two entities' accounting records.

d) Detail of the tax benefits taken by the transferor with respect to which the entity must comply with certain requirements in accordance with paragraphs 1 and 2 of Article 108 of the Bizkaia Income Tax Regulation.

In 2019 Harri Iparra, S.A. acquired by means of merger by absorption Sekilur, S.A., Yerecial, S.L., Inverlur Gestión Inmobiliaria I, S.L. and Binaria 21, S.A. These mergers by absorption were carried out under the special regime providedfor in Title VI, Chapter VII of the Bizkaia Income Tax Regulation. Under this regime, the financial statements of the absorbing entity must include the disclosures established in Article 110 of the Bizkaia Income Tax Regulation. These required disclosures were included in the separate financial statements of Harri Iparra, S.A. for 2019.

In 2017 Kartera 2, S.L. and Kartera 4, S.A. were merged by absorption into the Parent. These mergers by absorption were carried out under the special regime provided for in Title VI, Chapter VII of the Bizkaia Income Tax Regulation. Under this regime, the financial statements of the absorbing entity must include the disclosures established in Article 110 of the Bizkaia Income Tax Regulation. These required disclosures were included in the separate financial statements of Kutxabank, S.A. for 2017.

In 2016 Lasgarre, S.A.U., Harri Bat, S.A., Harri Kartera, S.A., Inverlur 6006, S.A., Inverlur Can Balasch, S.L.U., Inverlur del Tebre, S.L.U., Inverlur Cantamilanos, S.L.U. and Inverlur 2002, S.A. were merged by absorption into Harri Iparra, S.A. Also, Kartera 2, S.L. acquired Mail Investment, S.A. by means of merger by absorption. Both transactions were carried out under the special regime provided for in Title VI, Chapter VII of the Bizkaia Income Tax Regulation and the aforementioned required disclosures were included in the separate financial statements of Kartera 2, S.L. and Harri Iparra for 2016.

In addition, in 2016 Tirsur, S.A., Rofisu 2003, S.L., Grupo Inmobiliario Cañada XXI, S.L. and Ñ XXI Perchel Málaga, S.L. were merged by absorption into GPS Mairena del Soto, S.A. Furthermore, Harri Hegoalde 1, S.A. and AEDIS Promociones Urbanísticas, S.L. were merged by absorption into Harri Hegoalde 2, S.A. These transactions were carried out under the special regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law. Under this regime, the financial statements of the absorbing entity must include the disclosures established in Article 86 of the Spanish Income Tax Law. These required disclosures were included in the separate financial statements of GPS Mairena del Soto, S.A. and Harri Hegoalde 2, S.A. for 2016.

Also, in 2015 Kartera 2, S.L. acquired the companies Araba Gertu, S.A. and SPE Kutxa, S.A. by means of merger by absorption. This transaction is described in Note 1.3 and was carried out under the special regime provided for in Title VI, Chapter VII of the Bizkaia Income Tax Regulation. Under this regime, the financial statements of the absorbing entity must include the disclosures established in Article 110 of the Bizkaia Income Tax Regulation. These required disclosures were included in the separate financial statements of Kartera 2, S.L. for 2015.

In addition, Harri Hegoalde 1, S.A.U. acquired the following companies through merger by absorption in 2014: Promotora Inmobiliaria Prienesur, S.A.U., Inverlur 3003, S.L.U., Inverlur Gestión Inmobiliaria II, S.L.U., Inverlur Encomienda I, S.L.U., Inverlur Encomienda II, S.L.U., Lurralia I, S.L.U., Goilur Servicios Inmobiliarios I, S.L.U., Inverlur Estemar, S.L.U., Inverlur Gestión Inmobiliaria IV, S.L.U., Goilur Guadaira I, S.L.U. and Inverlur Guadaira I, S.L.U. For its part, Harri Hegoalde 2, S.A. acquired the following companies through merger by absorption in 2014: SGA Cajasur, S.A.U., Silene Activos Inmobiliarios, S.A.U., Mijasmar I Servicios Inmobiliarios, S.L. and Mijasmar II Servicios Inmobiliarios, S.L.

Both merger by absorption transactions qualified for taxation under the special regime provided for in Title VII, Chapter VII of the Consolidated Spanish Income Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March. Under this regime, the financial statements of the absorbing entity must include the disclosures established in Article 86 of the Consolidated Spanish Income Tax Law. These required disclosures were included in the separate financial statements of Harri Hegoalde 2, S.A.U. and Harri Hegoalde 1, S.A. for 2014, respectively.

Also, in 2014 Harri Iparra, S.A. acquired Nyesa Inversiones, S.L.U. through merger by absorption. This transaction was carried out under the special regime provided for in Title VI, Chapter VII of the Bizkaia Income Tax Regulation, and the corresponding disclosures were included in the notes to the separate financial statements of Harri Iparra, S.A.

Previously, the transfer en bloc of assets and liabilities described in Note 1.2 qualified for taxation under the special regime provided for in Title VI, Chapter VII of the Bizkaia Income Tax Regulation and the corresponding disclosureswere included in the notes to the separate financial statements for 2012 of Kutxabank, S.A.

Also, the merger by absorption transactions performed in 2013 (merger by absorption of CK Corporación Kutxa - Kutxa Korporazioa, S.A. and merger by absorption of Kutxabank Kredit EFC S.A.) qualified for taxation under the special regime provided for in Title VI, Chapter VII of the Bizkaia Income Tax Regulation and the corresponding disclosures were included in the notes to the separate financial statements for 2013 of Kutxabank, S.A.

40. <u>Fair value of on-balance sheet assets and liabilities</u>

As indicated in Notes 14-e and 14-f, the Group's financial assets and liabilities are carried at fair value in the consolidated balance sheet, except for financial assets and liabilities at amortized cost.

The method for determining the fair value of financial assets and liabilities carried at fair value and all other relevant information in this respect aredisclosed in Note 14.

The tables below present the fair value of the Group's financial instruments at 31 December 2022 and 2021, broken down, by class of financial asset and liability, into the following levels:

- **LEVEL 1:** financial instruments whose fair value was determined by reference to their quoted prices (unadjusted) in active markets.

- **LEVEL 2:** financial instruments whose fair value was estimated by reference to quoted prices on organized markets for similar instruments orusing other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.

- **LEVEL 3:** instruments whose fair value was estimated by using valuation techniques in which one or another significant input is not based on observable market data.

For scantly material investments and for those on which no new relevant information is available, cost is used as an approximation to fair value, provided that there are no other external indications of significant impairment or increase in value of the investments concerned.

The data used in fair value calculations were obtained by the Group's external market data service, which offers, for each type of risk, the most liquid data obtained from official agencies, organized markets, brokers, market contributors or independent information providers such as Bloomberg or Reuters. In very specific cases data provided by counterparties or private entities are used, although the amount of the assets valued using these data was scantly material at 31 December 2022 and 2021.

At 31 December 2022:

	Thousands of euros				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets-					
Financial assets held for trading	52,042	26,073	25,969	-	52,042
Non-trading financial assets mandatorily at fairvalue through profit or loss	38,730	18,224	14,842	5,664	38,730
Financial assets at fair value through othercomprehensive income	5,411,067	5,136,494	16,275	258,298	5,411,067
Financial assets at amortised cost	50,900,935	3,363,599	47,982,728	-	51,346,327
Derivatives – hedge accounting	33,874	-	33,874	-	33,874
Total	**56,436,648**	**8,544,390**	**48,073,688**	**263,962**	**56,882,040**
Liabilities-					
Financial liabilities held for trading	54,976	25,953	28,052	971	54,976
Financial liabilities at amortised cost	58,400,452	-	55,457,792	-	55,457,792
Derivatives – hedge accounting	363,700	-	363,700	-	363,700
Total	**58,819,128**	**25,953**	**55,849,544**	**971**	**55,876,468**

At 31 December 2021:

	Thousands of euros				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets-					
Financial assets held for trading	61,770	14,948	46,822	-	61,770
Non-trading financial assets mandatorily at fairvalue through profit or loss	56,791	16,953	21,675	18,163	56,791
Financial assets at fair value through othercomprehensive income	5,895,291	5,618,498	20,972	255,821	5,895,291
Financial assets at amortised cost	50,150,177	2,053,389	52,994,090	-	55,047,479
Derivatives – hedge accounting	47,854	-	47,854	-	47,854
Total	**56,211,883**	**7,703,788**	**53,131,413**	**273,984**	**61,109,185**
Liabilities-					
Financial liabilities held for trading	65,578	16,250	48,357	971	65,578
Financial liabilities at amortised cost	57,263,411	-	57,770,093	-	57,770,093
Derivatives – hedge accounting	445,861	-	445,861	-	445,861
Total	**57,774,850**	**16,250**	**58,264,311**	**971**	**58,281,532**

In 2022 and 2021 there were no transfers between levels 1, 2 and 3 of the assets and liabilities measured at fair value on a recurring basis.

Following is a detail of the primary valuation methods, assumptions and inputs used in estimating the fair value of the financial instruments classified within Level 2, by type of financial instrument, and the corresponding balances at 31 December 2022 and 2021:

	Level 2			
	Fair value		Valuation techniques and assumptions	Inputs
	2022	2021		
Assets-				
Financial assets held for trading	25,969	46,822	(*)	(**)
Non-trading financial assets mandatorily atfair value through profit or loss	14,842	21,675	(*)	(**)
Financial assets at fair value through other comprehensive income	16,275	20,972	(*)	(**)
Financial assets at amortised cost - Debt securities	190,390	259,569	(*)	(**)
Financial assets at amortised cost - Loans and advances	47,792,338	52,734,521	(***)	Observable market interest rates
Derivatives – hedge accounting	33,874	47,854	(*)	(**)
	48,073,688	**53,131,413**		
Liabilities-				
Financial liabilities held for trading	28,052	48,357	(*)	(**)
Financial liabilities at amortised cost	55,457,792	57,770,093	(***)	Observable market interest rates
Derivatives – hedge accounting	363,700	445,861	(*)	(**)
	55,849,544	**58,264,311**		

(*) Instruments supported by future cash flows: cash flows discounted using a yield curve corrected for the counterparty risk associated with the transaction.

Instruments with simple options and volatilities: formulas resulting from non-linear mathematical models based on methodologies considered standard for each product type.

Instruments with exotic options: valued using Monte Carlo simulations, which replicate the random behavior of these instruments.

(**) External market data service, which offers, for each type of risk, the most liquid data obtained from official agencies, organized markets, brokers, market contributors and independent information providers.

(***) Discounting the estimated or estimable future cash flows, taking into account the contractual maturity dates, interest repricing dates and prepayment assumptions, calculated using the Euribor and IRS curves for the various terms.

At 31 December 2022, the financial instruments classified within Level 3 were equity and debt instruments measured using valuation techniques in which one or another significant input was not based on observable market data. The unobservable inputs used in estimating the fair value of these instruments by means of cash flow discounting, the comparable multiples approach or other static methods include internal financial information, projections or reports, combined with other assumptions or available market data, which, in general,for each type of risk, are obtained from organized markets, industry reports, market contributors or information providers, amongst others.

At 31 December 2022, the perpetuity growth rate interval used for the central scenario for the valuations was 0% - 1% and the discount rate interval, understood to be the weighted average cost of the capital allocated to the business, was 6% - 12%.

The changes in the balances of "Financial Assets at Fair Value through Other Comprehensive Income" and of "Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss" classified in Level 3 included in the accompanying consolidated balance sheets were as follows:

	Thousands of euros	
	2022	2021
Balance at beginning of year	**273,984**	**276,331**
Acquisitions	861	4,044
Perimeter change entries/ exits (Note 27)	3,857	-
Changes in fair value recognised in profit or loss (unrealised) (Note 51)	(729)	(2,293)
Changes in fair value recognised in profit or loss (realized) (Note 51)	(10,385)	-
Changes in fair value recognised in equity	(1,654)	3,481
Disposals	(1,972)	(7,579)
Reclassifications from Level 1	-	-
Reclassifications from Level 2	-	-
Other reclassifications to Level 3	-	-
Balance at end of year	**263.962**	**273,984**

Equity instruments amounting to EUR 10,295 thousand, the best estimate of the fair value of which was considered to be the cost, thereof, were included in Level 3 in 2022 (31 December 2021: EUR 9,874 thousand).

Sensitivity analysis

The sensitivity analysis is carried out on assets included in Level 3, that is, those with significant inputs that are not based on observable market variables, in order to be able to obtain a reasonable range of possible alternative valuations.

A significant deviation in the significant inputs not based on observable market data such as, for example, financial information, projections or underlying internal reports, could give rise to different valuations to those included in this section. However, the sensitivity analysis below shows the potential impacts on equity and profit or loss at 31 December 2022 that the most probable ranges of values could have in the event of favorable or unfavorable changes in the most significant inputs observable in the market.

The underlying business projections used in the valuation of certain investments in which climate and regulatory risks could have an impact on their fair value, incorporate the potential losses in the traditional business that could derive from said impacts, as well as alternative scenarios of compensation for them.

Every six months the Group reviews, based on asset type, methodology and availability of inputs, the changes in the principal assumptions and their possible impact on the assets' valuation. A full update of these valuations is conducted on an annual basis.

At 31 December 2022, the effect on consolidated profit and consolidated equity that would result from changing the principal assumptions used in the valuation of Level 3 financial instruments to other reasonably possible assumptions would be as follows:

	Thousands of euros				
	Fair value at 31 December 2022	Potential impact on the statement of profit or loss		Potential impact on accumulated other comprehensive	
		Most favorable scenario	Least favorable scenario	Most favorable scenario	Least favorable scenario
Assets-					
Financial assets at fair value through other comprehensive income	258,298	-	-	16,758	(17,909)
Non-trading financial assets mandatorily at fair value through profit or loss	5,664	843	(607)	-	-
	263,962	**843**	**(607)**	**16,758**	**(17,909)**

The fair value of the other financial assets and liabilities is similar to the amounts at which they are recognized in the respective consolidated balance sheets as at 31 December 2022 and 2021, except for equity instruments whose fair value could not be estimated reliably.

Following is a detail, by category, of the fair value of the Group's real estate assets at 31 December 2022 and 2021, together with their corresponding carrying amounts at those dates:

	Thousands of euros			
	2022		2021	
	Carrying amount	Fair Value	Carrying amount	Fair value
Tangible assets (Note 28)				
Property, plant and equipment for own use - Buildings	580,709	799,843	615,065	830,759
Investment property	118,029	167,275	129,246	185,348
	698,738	967,118	744,311	1,016,107
Non-current assets and disposal groups classified as held for sale - Tangible assets (Note 32)				
Foreclosed assets - Completed buildings	131,424	198,107	172,322	233,737
Foreclosed assets - Other foreclosed assets	287,135	373,496	373,718	418,060
Property, plant and equipment - Buildings	-	-	-	-
	418,559	571,603	546,040	651,797
Inventories (Note 31)	82,833	86,150	92,719	97,702
	82,833	86,150	92,719	97,702
	1,200,130	**1,624,871**	**1,383,070**	**1,765,606**

To determine the fair value of the real estate assets, regardless of their use, valuations are performed by an appraisal company approved by the Bank of Spain, in accordance with the criteria of Ministry of Economy OrderECO/805/2003, as amended by Ministry of Economy and Finance Orders EHA/3011/2007 and EHA/564/2008. Following the criteria of Bank of Spain Circular 4/2016, the appraisals are updated on a yearly basis and the appraisal company and appraiser are rotated with respect to the previous year.

The Group follows the provisions of Circular 4/2017 of the Bank of Spain and the modifications introduced by Circular 2/2020 of the Bank of Spain in relation to the valuations given by appraisal companies to its real estate assets, except those corresponding to own use. Following the criteria of the aforementioned regulations, the appraisals are subject to annual updating. The appraisal company that performs the update of the reference valuation, as well as the appraisal technician, will rotate, at least, after two consecutive valuations have been carried out.

The main valuation methods applied, as well as the specific methodologies and principal inputs and assumptions used, are as follows:

- The comparison or market approach, applicable to all types of completed buildings, provided that there is a representative market of comparable properties and there are sufficient data on transactions that reflect the current market situation. The references chosen must be sufficient, suitably uniform and comparable to the property being valued. The appraisal must also state the source of the references and the date on which they were obtained.

- The income approach, applicable where the appraised property is producing or could produce income and there is a representative market of comparable properties. This method is applicable to the appraisal of leased properties or trade related properties. The cash flows are determined taking into account the terms and conditions of the lease agreement and any necessary or foreseeable expenses to be borne by the lessor.

- The cost approach, applicable for assessing the value of building projects and buildings under construction or renovation, whereby the value of the land is calculated in all cases using the dynamic residual method. This approach is based on obtaining the net replacement value, which includes the value of the land, the building or renovation work costs and the expenses required for the replacement, such as fees, permits, insurance and non-recoverable taxes.

- The residual method, using mainly the dynamic calculation procedure, which is applicable to the appraisal of land plots. This method estimates the cash flows from payments to be made by the developer and the income from the marketing of the product to be developed, which are discounted at a rate calculated by adding to the risk-free rate the risk premium estimated by the appraisal company.

- The Automated Valuation Model (AVM), which adjusts the value of assets according to statistical information on the performance of prices in the surrounding area furnished by external appraisal companies. No appraisals were conducted using statistical methods in 2021 and 2022.

The detail of the total amounts appraised for each class of real estate asset and of the proportion appraised by each of the appraisal companies and agencies, expressed as a percentage of the fair value at 31 December 2022 and 2021, is as follows:

At 31 December 2022:

	Property, plant and equipment for own use - buildings	Investment property	Non-current assets and disposal groups classifiedas held for sale		Inventories
			Completed buildings	Other foreclosed assets	
Total appraised fairvalue	**789,715**	**161,266**	**198,107**	**373,496**	**86,050**
Técnicos en Tasación, S.A.	2%	3%	6%	6%	0%
Eurovaloraciones, S.A.	0%	5%	17%	18%	27%
Gesvalt Sociedad de Tasación, S.A.	2%	29%	17%	22%	10%
Krata, S.A.	0%	20%	12%	16%	13%
Servicios Vascos de Tasaciones, S.A.	24%	15%	10%	3%	10%
Instituto de Valoraciones, S.A.	0%	7%	16%	23%	10%
Tinsa, Valoraciones Inmobiliarias, S.A.	30%	18%	17%	1%	0%
Gurruchaga tasaciones, S.A.	18%	0%	0%	0%	0%
Arquitectura y Tasaciones, S.A.	11%	0%	0%	0%	0%
Other appraisalcompanies	13%	3%	5%	11%	30%
	100%	**100%**	**100%**	**100%**	**100%**

At 31 December 2021:

In order to determine the fair value of certain of these assets, mainly foreclosed assets and inventories, certain factors are also taken into account, which are described in Note 14-t), to assess whether it is necessary to apply a discount to the reference values indicated above.

	Property, plant and equipment for own use - buildings	Investment property	Non-current assets and disposal groups classifiedas held for sale		Inventories
			Completed buildings	Other foreclosed assets	
Total appraised fairvalue	**820,872**	**178,866**	**233,737**	**418,060**	**95,082**
Técnicos en Tasación, S.A.	3%	1%	6%	17%	19%
Eurovaloraciones, S.A.	0%	2%	14%	7%	20%
Gesvalt Sociedad de Tasación, S.A.	2%	46%	24%	24%	7%
Krata, S.A.	0%	21%	14%	18%	16%
Servicios Vascos de Tasaciones, S.A.	24%	13%	8%	16%	10%
Instituto de Valoraciones, S.A.	0%	6%	11%	11%	27%
Tinsa, Valoraciones Inmobiliarias, S.A.	29%	9%	22%	7%	1%
Gurruchaga tasaciones, S.A.	17%	0%	0%	0%	0%
Arquitectura y Tasaciones, S.A.	12%	0%	0%	0%	0%
Other appraisalcompanies	13%	2%	1%	0%	0%
	100%	**100%**	**100%**	**100%**	**100%**

In order to determine the fair value of certain of these assets, mainly foreclosed assets and inventories, certain factors are also taken into account, which are described in Note 14-t), to assess whether it is necessary to apply a discount to the reference values indicated above.

Thus, using these valuations at each reporting date, the Group assesses whether there is any indication that the carrying amount of these assets exceeds their recoverable amount. If this is the case, the Group reduces the carrying amount of the corresponding asset to its recoverable amount.

In addition, there are no other non-financial assets at the Group for which the use assigned in the estimation of the fair value differs from their present use.

41. Loan commitments given

The detail, by counterparty, of "Loan Commitments Given" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By counterpart		
Public sector	1,368,568	1,647,937
Other financial corporations	66,622	55,840
Non-financial corporations	4,107,596	3,360,609
Households	1,385,922	1,607,156
	6,928,708	**6,671,542**
By credit quality		
Stage 1	6,750,994	6,490,977
Stage 2	176,143	175,656
Stage 3	1,571	4,909
	6,928,708	**6,671,542**

The provisions recorded to cover the loan commitments granted, which have been calculated by applying similar criteria to those applied to calculate the impairment of financial assets valued at amortized cost, amount to 3,994 and 4,257 thousand euros as of 31 December 2022 and 2021, respectively, and have been recorded under the heading "Provisions- Commitments and guarantees granted" in the consolidates balance sheet (see Note 34).

The detail, by limits of loans granted and amounts not yet drawn down, at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	2022		2021	
	Limit granted	Amount available for drawdown	Limit granted	Amount available for drawdown
Drawable by third parties				
Immediately drawable	6,597,740	5,481,412	6,219,815	5,287,234
Conditionally drawable	2,202,237	1,447,296	2,116,210	1,384,308
	8,799,977	**6,928,708**	**8,336,025**	**6,671,542**

42. Financial guarantees given

"Financial Guarantees Given" relates to the amounts that would be payable by the Group on behalf of third parties as a result of the commitments assumed by it in the course of its ordinary business, if the parties who are originally liable to pay failed to do so. The detail of this item at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By credit quality		
Stage 1	329,773	374,598
Stage 2	22,941	30,098
Stage 3	17,495	16,751
	370,209	**421,447**

The provisions made to cater for the guarantees provided, which were calculated using criteria similar to those applied in the calculation of the impairment of financial assets measured at amortized cost, amount to EUR 18,719 thousand at 31 December 2022 (2021: EUR 21,441 thousand). These provisions are recognized under the heading "Provisions- Commitments and guarantees granted" in the consolidated balance sheet (see Note 34).

A significant portion of the financial guarantees given will expire without any payment obligation materializing for the Group and, therefore, the aggregate balance of these commitments cannot be considered to be an actual future need for financing or liquidity to be provided by the Group to third parties.

Income from guaranteed instruments is recognized under "Fee and Commission Income" and "Interest Income" (for the amount relating to the discounted value of the fees and commissions) in the consolidated statements of profit or loss for 2022 and 2021 and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

The detail of the Group's assets loaned or advanced as collateral at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Cash, cash balances at central Banks and other demand deposit		
Other assets loaned or advanced as collateral	243,875	-
	243,875	**-**
Financial assets at fair value through other comprehensive income:		
Assets pledged as guarantees to Bank of Spain (Note 25)	441,619	525,256
Other assets loaned or advanced as collateral	194,491	785,780
	636,110	**1,311,036**
Financial assets at amortised cost- Loans and advances (Note 26):		
Assets pledged as guarantees to Bank of Spain	5,624,881	4,911,959
Other assets loaned or advanced as collateral	4,943,230	361,700
	10,568,111	**5,273,659**

The detail of repurchase agreements and assets earmarked for own obligations is as follows:

	Thousands of euros	
	2022	2021
Repurchase agreements (Note 34)	335,997	434,616
Assets earmarked for own obligations	13,414,124	8,183,296
Financial assets loaned	179,500	711,696
	13,929,621	**9,329,608**

Additionally, within the heading "Assets assigned to own obligations" are included repurchased securitization bonds amounting to a nominal amount of 1,054,148 and EUR 1,267,411 thousand as of December 31, 2022 and 2021, respectively (Note 25), and repurchased mortgage bonds for an amount of EUR 1,102,000 thousand as of December 31, 2022 (EUR 1,500,000 thousand as of December 31, 2021) - Note 33 –. Additionally, as of December 31, 2022, mortgage bonds and repurchased promissory notes were temporarily assigned for a nominal amount of 337,874 thousand euros.

Likewise, under the same heading "Assets earmarked for own obligations" as of December 31, 2022, 4,839,813 thousand euros are included, which form part of the coverage set for the guaranteed bond program issued by the group (Note 33).

At 31 December 2022, the Group had pledged or advanced as collateral financial instruments with a total principal amount of EUR 8,211,675 thousand (31 December 2021: EUR 8,157,941 thousand) in order to obtain financing from the European Central Bank. At 31 December 2021, the deposit from the Bank of Spain amounted to EUR 6,274,900 thousand (31 December 2021: EUR 6,274,900 thousand) (see Note 33). The maturity will take place in 2023 and 2024.

The financial assets loaned at 31 December 2022 and 2021 relate to debt securities included in the portfolio of "Financial Assets at Fair Value Through Other Comprehensive Income".

43. Other commitments given

The detail of "Other Commitments Given" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
By category		
Forward financial asset purchase commitments:		
Securities subscribed but not paid	2,829	3,443
Other contingent commitments	1,715,522	1,330,909
	1,718,351	1,334,352
Irrevocable documentary credits	20,705	16,761
Other guarantees given:	2,279,292	2,001,962
	4,018,348	**3,353,075**
By credit quality		
Stage 1	3,967,801	3,314,694
Stage 2	44,368	32,445
Stage 3	6,179	5,936
	4,018,348	**3,353,075**

The provisions recorded to cover these commitments, which have been calculated by applying similar criteria to those applied to calculate the impairment of financial assets valued at their amortized cost, amount to EUR 15,005 and 14,707 thousand as of 31 December 2022 and 2021, respectively, and have been recorded under the heading "Provisions - Commitments and guarantees granted" in the consolidated balance sheet (see Note 34).

44. Interest income

The detail of "Interest Income" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Deposits with central banks	17,259	2
Credit institutions	167	-
Customers, except for non-performing assets	548,906	452,256
Debt securities	298,557	68,480
Non-performing assets	14,644	21,318
Rectification of income as a result of hedging transactions	(215,927)	(3,539)
Finance income from liabilities	28,837	65,980
Other	6,251	5,144
	698,694	**609,641**

The detail, by financial instrument valuation method, of "Interest Income" is as follows:

	Thousands of euros	
	2022	2021
Financial assets held for trading	110	9
Non-trading financial assets mandatorily at fair valuethrough profit or loss	969	1,091
Financial assets designated at fair value through profit orloss	-	-
Financial assets at fair value through othercomprehensive income	184,901	47,983
Financial assets at amortised cost	676,292	492,971
Financial liabilities at amortised cost	28,837	65,980
Other interest income	(192,415)	1,607
	698,694	**609,641**

45. Interest expenses

The detail of "Interest Expenses" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Credit institutions (*)	(255)	(819)
Customers (*)	(42,524)	(35,820)
Debt securities issued (Note 33) (*)	(24,438)	(29,003)
Rectification of costs as a result of hedging transactions	25,121	37,995
Interest cost of pension provisions (Note 34)	(1,844)	(730)
Finance costs from assets (*)	(1,684)	(10,870)
Other	(12,329)	(11,112)
	(57,953)	**(50,359)**

(*) The interest expenses in these items relate in full to financial assets/liabilities measured at amortized cost.

46. Dividend income

The detail of "Dividend Income" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Non-trading financial assets mandatorily at fair value through profit or loss	242	242
Financial assets at fair value through other comprehensive income (Note 24)	54,738	52,557
	54,980	**52,799**

47. Fee and commission income

The detail of "Fee and Commission Income" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Guarantees given	13,708	12,243
Contingent commitments given	5,277	5,844
Foreign currency and banknote exchange	3,028	84
Collection and payment services	164,860	152,739
Securities services:		
Securities underwriting and placement	517	1,133
Purchase and sale of securities	5,328	5,308
Administration and custody	4,362	4,617
Asset management	290,938	294,835
	301,145	305,893
Marketing of non-banking financial products	8,170	9,267
Other fees and commissions	19,760	20,365
	515,948	**506,435**

48. Fee and commission expenses

The detail of "Fee and Commission Expenses" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Fees and commissions assigned to other correspondents:		
Collection and return of bills and notes	(12)	(15)
Off-balance sheet items	(25)	(25)
Other items	(8,606)	(6,994)
	(8,643)	(7,034)
Fee and commission expenses on securities transactions	(708)	(1,129)
Other fees and commissions	(29,220)	(27,163)
	(38,571)	**(35,326)**

49. Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net

The detail of "Gains or (-) Losses on Derecognition of Financial Assets and Liabilities Not Measured at Fair Value through Profit or Loss, Net" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Financial assets at fair value through other comprehensive income (Note 24)	1,101	34
Financial assets at amortised cost (Note 25)	26,921	-
Financial liabilities at amortised cost (Note 33-d)	616	24
	28,638	**58**
Net gains on disposals	28,022	34
Net gains (losses) from other items	616	24
	28,638	**58**
Net gains from debt instruments	28,638	58
	28,638	**58**

50. Gains or (-) losses on financial assets and liabilities held for trading, net

The detail of "Gains or (-) Losses on Financial Assets and Liabilities Held for Trading, Net" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Financial assets held for trading (Note 22)	6,632	2,784
	6,632	**2,784**
Net gains arising from valuation adjustments	6,500	2,636
Net gains on disposals	132	148
	6,632	**2,784**
Net gains from debt instruments	140	57
Net losses from equity instruments	(8)	91
Net gains from derivative instruments	6,500	2,636
	6,632	**2,784**

51. Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net

The detail of "Gains or (-) Losses on Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss, Net" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Non-trading financial assets mandatorily at fair value through profit or loss (Note 23)	10,882	(2,248)
	10,882	**(2,248)**
Net losses arising from valuation adjustments	(663)	(2,601)
Net gains on disposals and other recoveries	11,545	353
	10,882	**(2,248)**
Net losses from debt instruments	-	-
Net gains (losses) from equity instruments	10,636	(1,296)
Net gains (losses) from loans and advances	246	(952)
	10,882	**(2,248)**

52. Exchange differences (gain or (-) loss), net

The detail of "Exchange Differences (Gain or (-) Loss), Net" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Gains	570,893	221,313
Losses	(568,732)	(219,569)
	2,161	**1,744**

53. Other operating income

The detail of "Other Operating Income" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Property development and other non-financial services	6,318	6,001
Lessor companies (Note 32)	-	6,911
Income from operation of investment property (Nota 28)		10,032
Financial fees and commissions offsetting direct costs	8,731	-
Other income	17,444	20,632
	32,493	**43,576**

54. Other operating expenses

The detail of "Other Operating Expenses" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Property development	(6,431)	(7,968)
Expenses of operation of investment property (Note 28)	(4,342)	(4,846)
Contribution to Deposit Guarantee Fund (Note 11)	(64,534)	(52,396)
Contribution to Single Resolution Fund (Note 11)	(15,721)	(12,428)
Other items	(55,463)	(54,985)
	(146,491)	**(132,623)**

55. Income from assets under insurance and reinsurance contracts and Expenses of liabilities under insurance and reinsurance contracts

These income and expense items include the contribution from the Group's consolidated insurance and reinsurance companies to the Group's gross income. The detail of "Income from Assets under Insurance and Reinsurance Contracts" and "Expenses of Liabilities under Insurance and Reinsurance Contracts" in the accompanying consolidated statements of profit or loss for 2022 and 2021 is as follows:

	Thousands of euros		
2022	Life	Non-life	Total
Income			
Premiums:			
Direct insurance	98,792	111,644	210,436
Reinsurance assumed	1,117	-	1,117
	99,909	**111,644**	**211,553**
Expenses			
Premiums paid for reinsurance ceded	(10,723)	(4,226)	(14,949)
Benefits paid and other Insurance-related expenses:			
Direct insurance	(43,459)	(34,512)	(77,971)
Reinsurance assumed	(15,641)	-	(15,641)
Reinsurance ceded	7,187	1,321	8,508
Life insurance policies in which theinvestment risk is borne by the policyholders	434	-	434
Net provisions for insurance contract liabilities:			
Unearned premiums and unexpired risks	38	(1,747)	(1,709)
Provision for claims outstanding	(1,406)	(1,407)	(2,813)
Life insurance	46,220	(2,804)	43,416
Bonuses and rebates	61	-	61
Other	(108)	(750)	(858)
	(17,397)	**(44,125)**	**(61,522)**
	82,512	**67,519**	**150,031**

2021	Thousands of euros		
	Life	Non-life	Total
Income			
Premiums:			
Direct insurance	105,025	119,811	224,836
Reinsurance assumed	1,000	-	1,000
	106,025	**119,811**	**225,836**
Expenses			
Premiums paid for reinsurance ceded	(10,444)	(4,554)	(14,998)
Benefits paid and other Insurance-related expenses:			
Direct insurance	*(50,183)*	*(33,437)*	*(83,620)*
Reinsurance assumed	*(17,120)*	-	*(17,120)*
Reinsurance ceded	*7,858*	*2,394*	*10,252*
Life insurance policies in which the investment risk is borne by the policyholders	801	-	801
Net provisions for insurance contract liabilities:			
Unearned premiums and unexpired risks	*903*	*(10,721)*	*(9,818)*
Provision for claims outstanding	*(5,057)*	*(2,682)*	*(7,739)*
Life insurance	*38,753*	*(6,566)*	*32,187*
Bonuses and rebates	*91*	*28*	*119*
Other	*(30)*	*(860)*	*(890)*
	(34,428)	**(56,398)**	**(90,826)**
	71,597	**63,413**	**135,010**

56. Staff costs

The detail of "Staff Costs" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Remuneration of current employees and governing bodies	(303,301)	(300,341)
Social security costs	(78,413)	(78,963)
Additions to provisions for internal defined benefit plans	(3,567)	(3,185)
Contributions to external defined contribution plans	(15,148)	(14,712)
Severance pay expense	(69)	(1)
Training expenses	(1,305)	(1,332)
Other staff costs	(12,602)	(12,752)
	(414,405)	**(411,286)**

Following is a detail of other remuneration consisting of the delivery of fully or partially subsidized goods or services depending on the conditions agreed upon between the Group and its employees:

	Thousands of euros	
	2022	2021
Medical and life insurance	(3,271)	(3,229)
Study grants and other items	(5,553)	(5,455)
Other	(835)	(889)
	(9,659)	**(9,573)**

Additionally, remuneration is provided to employees in the form of the provision of services inherent to the business activity of credit institutions, the detail being as follows:

	Thousands of euros					
	2022			2021		
	Interest received	Market Interest	Difference	Interest received	Market interest	Difference
Low-interest loans and credit facilities	564	2,091	1,527	355	2,246	1,891

The number of employees at the Group in 2022 and 2021, by professional category, gender and location, was as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Executives	30	9	39	28	9	37
Supervisors and other line personnel	1,063	1,178	2,241	991	1,115	2,106
Clerical/ Commercial staff	1,023	2,029	3,052	1,186	2,178	3,364
Other personnel	7	4	11	8	4	12
	2,123	**3,220**	**5,343**	**2,213**	**3,306**	**5,519**
Parent	1,222	2,116	3,338	1,258	2,190	3,448
Spanish credit institutions	775	910	1,685	830	927	1,757
Other Spanish subsidiaries	126	194	320	125	189	314
	2,123	**3,220**	**5,343**	**2,213**	**3,306**	**5,519**

At 31 December 2022 and 2021, four men and one woman in the executive category belonged to the Group's senior management.

At 31 December 2022 and 2021, the average number of employees by professional category and gender did not differ significantly from the number of employees presented in the table above.

At 31 December 2022, the Board of Directors of the Parent was composed by 15 members, of which 11 member were men and 4 were women, and there was 1 vacancy pending coverage and in suitability analysis phase by the ECB as of 31 December 2022 (31 December 2021: 11 men and 4 women as well as one vacancy pending coverage and in suitability analysis phase by the ECB).

57. Other administrative expenses

The detail of "Other Administrative Expenses" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Property, fixtures and supplies:		
Rent	(8,333)	(8,366)
Maintenance of fixed assets	(13,879)	(12,218)
Lighting, water and heating	(5,868)	(5,921)
Printed forms and office supplies	(1,193)	(1,268)
	(29,273)	(27,773)
Information technology	(57,010)	(49,264)
Levies and taxes other than income tax	(10,789)	(11,122)
Communications	(6,772)	(6,778)
Advertising and publicity	(11,120)	(11,233)
Technical reports	(10,207)	(10,285)
Surveillance and cash courier services	(5,302)	(5,227)
Insurance premiums	(1,931)	(1,858)
Governing and supervisory bodies (*)	(1,204)	(1,022)
Entertainment and staff travel expenses	(1,644)	(1,264)
Association membership fees	(1,283)	(1,257)
Outsourced administrative services	(7,606)	(9,206)
Other	(15,174)	(13,512)
	(130,042)	(122,028)
	(159,315)	**(149,801)**

(*) This item includes an expense totaling EUR 105 thousand in 2022 (2021: EUR 90 thousand) in connection with third-party liability insurance premiums. These premiums relate to several third-party liability insurance policies covering, among others, the directors, senior executives and other executives and employees ofthe Group against potential claims of various kinds; however, it is not possible to disclose or individualize the amounts relating to directors and senior executives.

In relation to the rent expense included in the foregoing table, the table below presents the total future minimum payments to be made in the following periods:

	Thousands of euros	
	2022	2021
Less than 1 year	6,819	6,937
1 to 5 years	1,629	508
More than 5 years	88	167
	8,536	**7,612**

Also, there is no future minimum income from sublease contracts. All rental expenses incurred in 2022 and 2021 correspond to lease payments, with no amounts relating to contingent rents or sublease payments.

The properties subject to lease are intended, mainly, for bank offices and automatic distribution points. As of December 31, 2022, of a total of 250 lease contracts, 3 contracts exceed one year of mandatory permanence, 11 contracts exceed two years of mandatory permanence, and 1 contract equals or exceeds five years (of a total of 253 contracts lease, 3 contracts exceeded one year of mandatory permanence, 7 contracts exceeded two years of mandatory permanence, and 2 contracts equaled or exceeded five years as of December 31, 2021). In this sense, as of December 31, 2022 and 2021, there is no significant volume of lease contracts that cannot be revoked by the Group in a period of less than one year or in which their termination in the short term implies an economic loss. significant for the Group. For this reason, the Group has taken advantage of the exemption that the standard contemplates for short-term leases and that allows their recording as expenses (Note 14.m).

58. Depreciation and amortization charge

The detail of "Depreciation and Amortization Charge" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Tangible assets (Note 14.q and Note 28):		
For own use	(24,636)	(30,661)
Investment property	(2,902)	(4,286)
Other assets leased out under an operating lease	-	-
	(27,538)	(34,947)
Intangible assets (Note 14.r and Note 29)	(11,870)	(8,885)
	(39,408)	**(43,832)**

59. Provisions (-) or reversal of provisions

The detail of "Provisions (-) or Reversal of Provisions" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows (see Note 34):

	Thousands of euros	
	2022	2021
Pensions and Other benefits:		
Internal pension provisions	11,027	(41,261)
External pension funds	-	-
	11,027	(41,261)
Pending legal issues and tax litigation	-	-
Commitments and guarantees given		
For contingent liabilities	2,306	(3,786)
For contingent commitments	(2,446)	(15)
	(140)	(3,801)
Other provisions	(67,647)	(53,395)
	(56,760)	**(98,457)**

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

The detail of "Impairment (-) or Reversal of Impairment on Financial Assets Not Measured at Fair Value through Profit or Loss and Modification Gains or Losses, Net" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Financial assets at fair value through other comprehensive income (Note 24)	**159**	**(606)**
Financial assets at amortised cost (Note 25)	**(62,788)**	**(70,690)**
Debt assets (Note 25.a)	(36)	(9)
Loans and advances (Nota 25.c)	(62,752)	(70,681)
	(62,629)	**(71,296)**

61. Impairment (-) or reversal of impairment on non-financial assets

The detail of "Impairment or (-) Reversal of Impairment on Non-Financial Assets" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Tangible assets (Note 28)		
For own use	(2,269)	(275)
Assigned under operating lease	-	-
Investment property	(13,501)	(8,883)
	(15,770)	(9,158)
Other		
Inventories (Note 31)	(3,952)	(9,786)
	(3,952)	(9,786)
	(19,722)	**(18,944)**

62. Gains or (-) losses on derecognition of non-financial assets, net

The detail of "Gains or (-) Losses on Derecognition of Non-Financial Assets, Net" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Gains		
Gains on disposal of tangible assets (Note 28)	9,563	5,048
Gains on disposal of investments (Note 1.3)	6,388	-
	15,951	**5,048**
Losses		
Losses on disposal of tangible assets (Note 28)	(111)	(438)
Losses on disposal of investments (Note 1.3)	(1,245)	-
	(1,356)	**(438)**
	14,595	**4,610**

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

The detail of "Profit or (-) Loss from Non-Current Assets and Disposal Groups Classified as Held for Sale Not Qualifying as Discontinued Operations" in the consolidated statements of profit or loss for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Gains (losses) on non-current assets held for sale:		
On disposal of tangible assets	17,466	36,687
Due to sale of other non-current assets held for sale	187	121
Due to impairment of intangible assets (Note 32)	(94,355)	(89,448)
	(76,702)	**(52,640)**

64. Profit attributable to minority interests (non-controlling interests)

The detail of "Profit Attributable to Minority Interests (Non-Controlling Interests)" in the accompanying consolidated statements of profit or loss for the years ended 31 December 2022 and 2021, which corresponds to the share of non-controlling interests in the profit of the subsidiaries, is as follows:

	Thousands of euros	
	2022	2021
Alquiler de Trenes, A.I.E. (*)	-	674
Fineco Patrimonios, S.G.I.I.C., S.A.U.	(86)	1
Fineco Previsión E.G.F.P., S.A.U.	(12)	5
Fineco Sociedad de Valores, S.A.	173	375
GIIC Fineco, S.G.I.I.C., S.A.U.	699	593
Norbolsa Sociedad de Valores y Bolsa, S.A.	137	266
	911	**1,914**

(*) Company liquidated at 31 December 2022 (see Note 1.3).

65. Related party transactions

For the purposes of the preparation of these consolidated financial statements, the Group's *"related parties"* were considered to be those parties over which, either individually or as part of a group acting together, the Group exercises or has the possibility of exercising, directly or indirectly, or by means of covenants or agreements between shareholders, control or significant influence in relation to their financial and operational decision-making, as well as those entities or parties who exercise, or have the possibility of exercising, such control or influence over the Group and the Voluntary Social Welfare Entities of the employees of the Group's banking entities.

All significant balances mantained as of 31 December 2022 and 2021 between the consolidated entities, and the effect of the transactions carried out between them during 2022 and 2021, have been eliminated in the consolidation process.

The transactions performed by the Group with its related parties are part of the ordinary business of the Group. The loans and receivables granted to Group entities and associates are approved by the Parent's Board of Directors. Transaction related to significant Shareholders, Directors and Senior Management of the Parent Entity are approved by the Board of Directors. The terms and conditions of these transactions do not differ from those applicable to customers, based on the natureof the transaction, or from those applicable to employees of the Parent and of Cajasur Banco under the collective agreement.

The detail of the Group's most significant balances with associates, joint ventures and other related parties at 31 December 2022 and 2021, of the effect of the transactions performed with them, and of the significant balances and transactions with individuals related to the Group because they were members of the Parent's governing bodies or senior executives in the years then ended, is as follows:

2022	Thousands of euros Shareholders	 Other related entities	 Related individuals
Asset positions:			
Financial assets at amortised cost	48	78,003	206
Non-trading financial assets mandatorily atfair value through profit or loss	-	-	-
Financial assets at fair value with changes in other comprehensive income- Equity instruments	-	2,222	-
Trading portfolio - Derivatives	-	-	-
Other assets - Other	27	21	-
Of which: impairment losses on non-performing financial assets	-	(5,274)	-
Of which: impairment losses on performingfinancial assets	-	(1,172)	-
	75	**80,246**	**206**
Liability positions:			
Deposits	530,800	47,641	3,413
Debt securities issued	-	-	-
Other financial liabilities	3,337	58	-
Derivatives	-	-	-
Provisions for contingent exposures and commitments and other non-performing contingencies	-	4,040	-
Provisions for contingent exposures and commitments and other performing contingencies	-	-	-
Other liabilities - Other	1	1,089	-
	534,138	**52,828**	**3,413**
Statement of profit or loss:			
Debit-			
Interest expenses	-	(16)	-
Fee and commission expenses	-	(1,711)	-
Other operating and administrativeexpenses	(5)	(5,397)	-
Impairment (-) or reversal of impairment on performing financial assets	-	3,808	-
Impairment (-) or reversal of impairment on non-performing financial assets	-	1	-
Provisions (-) or reversal of provisions for guarantees and contingent commitments and other performing contingencies	-	(4)	-
Provisions (-) or reversal of provisions for guarantees and contingent commitments and other non-performing contingencies	-	-	-
	(5)	**(3,319)**	**-**
Credit-			
Interest income	22	1,120	1
Fee and commission income	145	506	17
Gains or (-) losses on derecognition of financial assets and liabilities and exchange differences, net	-	247	-
Other operating income	495	11	-
	662	**1,884**	**18**
Off-balance sheet exposures:			
Loan commitments given	36	18,859	236
Financial guarantees given	-	2,075	-
Other commitments given	151	5,516	-
	187	**26,450**	**236**

2021	Thousands of euros		
	Shareholders	Other related entities	Related individuals
Asset positions:			
Financial assets at amortised cost	28	75,493	96
Non-trading financial assets mandatorily atfair value through profit or loss	-	-	-
Financial assets at fair value with changes in other comprehensive income- Equity instruments	-	2,025	-
Trading portfolio - Derivatives	-	96	-
Other assets - Other	34	2	-
Of which: impairment losses on non-performing financial assets	-	(43)	-
Of which: impairment losses on performingfinancial assets	-	(9,248)	-
	62	**77,616**	**96**
Liability positions:			
Deposits	354,984	54,262	3,774
Debt securities issued	-	-	-
Other financial liabilities	24,748	3,517	-
Derivatives	-	-	-
Provisions for contingent exposures and commitments and other non-performing contingencies	-	-	-
Provisions for contingent exposures and commitments and other performing contingencies	1	4,099	-
Other liabilities - Other	-	199	-
	379,733	**62,077**	**3,774**
Statement of profit or loss:			
Debit-			
Interest expenses	-	(4)	-
Fee and commission expenses	-	(1,293)	-
Other operating and administrativeexpenses	-	(4,852)	-
Impairment (-) or reversal of impairment on non-performing financial assets	-	(28)	-
Impairment (-) or reversal of impairment on performing financial assets	-	(5,714)	-
Provisions (-) or reversal of provisions for guarantees and contingent commitments and other non-performing contingencies	-	848	-
Provisions (-) or reversal of provisions for guarantees and contingent commitments and other performing contingencies	(1)	31	-
	(1)	**(11,012)**	**-**
Credit-			
Interest income	-	1,162	-
Fee and commission income	121	532	33
Gains or (-) losses on derecognition of financial assets and liabilities and exchange differences, net	-	(426)	-
Other operating income	482	12	-
	603	**1,280**	**33**
Off-balance sheet exposures:			
Loan commitments given	34	22,028	265
Financial guarantees given	-	6,849	-
Other commitments given	151	6,637	-
	185	**35,514**	**265**

Additionally, during the 2021 financial year, the Group purchased from shareholders certain tangible assets for a value of 88 thousand euros. During the 2022 financial year, there have been no purchases or sales of this type.

66. Other disclosures

The detail of the Group's off-balance sheet customer funds at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Managed by the Group:		
Investment companies and funds	13,887,766	12,975,922
Pension funds	7,594,424	8,416,573
Client portfolios managed discretionally	9,980,218	10,839,295
	31,462,408	32,231,790
Marketed but not managed by the Group	87,625	103,842
	31,550,033	**32,335,632**

In 2022 and 2021 the Group provided the following investment services for the account of third parties:

	Thousands of euros	
	2022	2021
Securities market brokerage		
Purchases	1,016,409	987,059
Sales	818,169	781,705
	1,834,578	1,768,764
Custody of financial instruments owned by third parties	5,029,274	6,814,510

Management of exposure to the property development sector

The most noteworthy measures contained in the policies and strategies established by the Group in order to manage its exposure to the construction and property development sector and to cater for the problematic assets of this sector are as follows:

- To maintain and, if possible, heighten the traditionally stringent control of the drawdowns against credit facilities provided for property development, as well as the monitoring of the marketing and sale of these facilities.

- To form and continually train a team specializing in the management of customers with exposure of this kind, with a view to obtaining effective results in the recovery of credit transactions and/or in the enhancement of the collateral securing them.

- Also, in view of the property crisis, an area was created that focuses specifically on the refinancing and restructuring of credit risk transactions and on the management of foreclosed property assets. To this end it has a specialized team of non-performing loan managers.

a) Financing for construction, property development and home purchase (Businesses in Spain)

Following is certain information relating to the Kutxabank Group's exposure to the construction and property development sector:

	Thousands of euros		
	Gross carrying amount	Excess over the maximum recoverable amount of collateral (*)	Cumulative impairment losses
31 December 2022			
Financing for construction and property development (including land) (businesses inSpain)	641,291	49,218	(101,275)
Of which: non-performing	53,885	14,303	(21,082)
31 December 2021			
Financing for construction and property development (including land) (businesses inSpain)	*510,572*	*65,849*	*(117,686)*
Of which: non-performing	*81,638*	*21,199*	*(26,479)*

(*) The maximum recoverable amount is considered to be the lower amount between the value of the guarantee and the gross book value.

The detail, by type of guarantee, of the information included in the foregoing table is as follows:

	Thousands of euros	
	Gross carrying amount	
	2022	2021
Not collateralized by immovable property	**1,083**	**2,300**
Collateralized by immovable property		
Completed buildings and other structures		
Residential	183,223	181,713
Other	21,108	28,279
	204,331	172,103
Buildings and other structures under construction		
Residential	325,662	170,933
Other	687	1,170
	326,349	172,103
Land		
Buildable urban land	72,334	81,169
Other land	37,194	45,008
	109,528	126,177
	640,208	**470,383**
Total	**641,291**	**472,683**

Credit risk exposure of property loans - Businesses in Spain

Also, following is certain information on the gross carrying amount of the loans granted for construction and property development derecognized due to having been classified as written-off at 31 December 2022 and 2021:

Memorandum item:	Thousands of euros	
	Gross carrying amount	
	2022	2021
Written-off assets	1,251,530	1,270,021

The maximum credit risk exposure relating to "Financial Assets at Amortized Cost - Loans and Advances - Customers" is as follows:

Memorandum item:	Thousands of euros	
	Carrying amount	
	2022	2021
Loans to customers, excluding public sector (businesses in Spain) (carrying amount)	40,976,958	42,244,273
Total assets (total business) (carrying amount)	**66,588,000**	**65,804,676**
Impairment and provisions for exposures classified as performing (total business)	357,682	326,024

Also, following is certain information on the Kutxabank Group's home purchase loans:

	Thousands of euros			
	2022		2021	
	Gross carrying amount	Of which: non-performing	Gross carrying amount	Of which: non-performing
Home purchase loans				
Without property mortgage	155,547	851	172,863	634
With property mortgage	29,098,422	293,575	30,714,375	436,845
	29,253,969	**294,426**	**30,887,238**	**437,479**

The following table shows the LTVs taking into account the latest appraisals, pursuant to current legislation:

	Thousands of euros				
	LTV ranges				
	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
31 December 2022					
Gross carrying amount	5,713,583	9,684,663	11,164,768	1,465,176	1,070,232
Of which: non-performing	25,304	36,072	55,085	49,802	127,312
31 December 2021					
Gross carrying amount	5,307,244	8,338,934	13,187,716	2,473,579	1,406,902
Of which: non-performing	*23,619*	*37,257*	*62,289*	*62,792*	*250,888*

b) Foreclosed assets or assets received in payment of debts

Also, following is certain information on the Kutxabank Group's foreclosed properties portfolio:

	Thousands of euros			
	2022		2021	
	Gross carrying amount	Cumulative impairment losses	Gross carrying amount	Cumulative impairment losses
Property assets arising from financing granted for construction and property development	909,665	(589,895)	1,002,465	(583,215)
Completed buildings and other structures				
Residential	41,671	(24,924)	53,691	(23,554)
Other	71,045	(30,477)	96,381	(34,945)
	112,716	(55,401)	150,072	(58,499)
Buildings and other structures under construction				
Residential	70,004	(49,251)	75,402	(51,099)
Other	2,304	(788)	21,896	(13,095)
	72,308	(50,039)	97,298	(64,194)
Land				
Buildable urban land	152,395	(79,558)	156,218	(78,718)
Other land	572,246	(404,897)	598,877	(381,804)
	724,641	(484,455)	755,095	(460,522)
Property assets from home purchase mortgageloans to households	121,425	(68,230)	138,172	(52,266)
Other property assets foreclosed or received in payment of debts	98,494	(28,235)	112,013	(32,339)
Other foreclosed assets	293	(293)	293	(293)
Total foreclosed assets - Businesses in Spain (*)	**1,129,877**	**(686,653)**	**1,252,943**	**(668,113)**
Total foreclosed assets - Businesses abroad and other	**-**	**-**	**-**	**-**
Total	**1,129,877**	**(686,653)**	**1,252,943**	**(668,113)**

(*) Includes foreclosed assets classified as "Tangible Assets - Investment Property" for a carrying amount of EUR 24,665 thousand at 31 December 2022 (31 December 2021: EUR 38,790 thousand).

Funding structure

The nominal amounts of the maturities of wholesale issues placed with third parties to be met by the Group at 31 December 2022 and 2021 are as follows:

2022	Thousands of euros			
	2023	2024	2025	> 2025
Mortgages bonds	150,000	-	1,153,846	100,000
Deuda senior preferred	-	-	-	-
Deuda senior non-preferred	-	500,000	-	500,000
Securitizations sold to third parties	-	-	-	120,050
Total vencimientos de emisiones mayoristas	**150,000**	**500,000**	**1,153,846**	**720,050**

2021	Thousands of euros			
	2022	2023	2024	> 2024
Mortgages bonds	474,445	150,000	-	1,253,846
Deuda senior preferred	-	-	-	-
Deuda senior non-preferred	-	-	500,000	500,000
Securitizations sold to third parties	-	-	-	148,723
Total vencimientos de emisiones mayoristas	**474,445**	**150,000**	**500,000**	**1,902,569**

The detail of the available liquid assets and the issue capacity of the Kutxabank Group at 31 December 2022 and 2021 is as follows:

	Millions of Euros	
	2022	2021
Cash and balances with central Banks	5,603	5,011
Level 1 assets (HQLA L1)	5,659	3,946
Other marketable assets eligible by the ECB	401	348
Own Titles	1,846	2,526
Non-Mortgage Loans	4,296	4,010
Subtotal ECB eligible assets	**17,805**	**15,841**
Deposits in Central Banks	6,153	6,181
ECB not charged eligible assets	**11,652**	**9,660**
Other marketable assets not eligible by the ECB	960	946
Eligible securities issuance capacity	25,952	21,206
Total	**38,564**	**31,812**

Appendix I

Consolidated subsidiaries composing the Kutxabank Group at 31 December 2022:

								Thousands of euros				
			Percentage of ownership			Shares held by theGroup at 31/12/22		Equity at 31/12/2022 (**)			Carrying amountat 31/12/22 (Direct and Indirect)	
Name	Line of business	Location	Direct	Indirect	Total	Numberof shares	Par value (Euros)	Assets	Equity (excluding profit or losses)	Net profit (*)	Gross	Net
Cajasur Banco, S.A.	Banking	Córdoba	100.00	-	100.00	1,718,050	1,000	13,259,883	1,367,745	23,884	1,717,027	1,637,322
Compañía Promotora y de Comercio del Estrecho, S.L.	Property development.	Málaga	-	100.00	100.00	5,301,000	33,50	103,679	101,987	(514)	484,271	103,166
Fineco Patrimonios S.G.I.I.C., S.A.U.	Management of collective investmentundertakings.	Madrid	-	83.72	83.72	104,064	10	1,566	1,812	(519)	1,523	1,293
Fineco Previsión E.G.F.P., S.A.U.	Pension fund management.	Bizkaia	-	83.72	83.72	78,446	10	1,081	1,094	(52)	937	937
Fineco Sociedad de Valores, S.A.	Broker-dealer.	Bizkaia	83.72	-	83.72	239,393	9,12	46,254	43,069	68	24,811	24,811
Gesfinor Administración, S.A.	Administrative services.	Bizkaia	99.99	0.01	100.00	10,000	60,10	3,119	2,720	170	665	665
GIIC Fineco, S.G.I.I.C., S.A.U.	Management of collective investmentundertakings.	Bizkaia	-	83.72	83.72	57,083	6,01	12,722	6,380	621	35,455	35,455
Golf Valle Romano Golf & Resort S.L.	Golf course management.	Málaga	-	100.00	100.00	1,103,010	1,45	1,507	880	267	5,043	1,149
G,P,S, Mairena el Soto, S.L.U.	Property development.	Córdoba	-	100.00	100.00	150	20	6,744	537	(628)	4,982	-
Harri Hegoalde 2, S.A.U.	Holding of property assets.	Córdoba	-	100.00	100.00	25,646,710	10	406,679	297,746	(34,424)	1,228,760	290,146
Harri Inmuebles, S.A.U.	Holding of property assets.	Bizkaia	-	100.00	100.00	7,671,403	10	48,246	48,235	(438)	83,149	58,485
Harri Iparra S.A.U.	Holding of property assets.	Bizkaia	100.00	-	100.00	528,972,010	1	626,237	462,909	(54,760)	2,224,118	270,076
Harri Sur Activos Inmobiliarios, S.L.U.	Holding of property assets..	Córdoba	-	100.00	100.00	55,791,450	1	102,496	38,331	(5,406)	228,118	41,957

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Consolidated subsidiaries composing the Kutxabank Group at 31 December 2022 (cont.):

Name	Line of business	Location	Percentage of ownership at 31/12/21			Shares held by the Group at 31/12/21		Thousands of euros: Equity at 31/12/2022 (**)			Thousands of euros: Carrying amountat 31/12/21 (Direct and Indirect)	
			Direct	Indirect	Total	Number of shares	Par value (Euros)	Assets	Equity (excluding profit or losses)	Net profit (*)	Gross	Net
Kartera 1, S.L.	Holding of shares.	Bizkaia	100.00	-	100.00	13,089,160	60,10	1,897,404	1,627,539	44,154	918,927	853,898
Kartera 4, S.L.U.	Property development.	Bizkaia	-	100.00	100.00	3,000	1	7,837	(153)	(2,020)	3	-
Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U.	General insurance.	Bizkaia	100.00	-	100.00	3,496,773	6,01	229,382	15,316	5,118	26,166	26,166
Kutxabank Empréstitos, S.A.U.	Financial services	Bizkaia	100.00	-	100.00	61	1,000	197,942	1,276	(48)	655	655
Kutxabank Gestión, S.G.I.I.C., S.A.U.	Manegement of collective investment undertakings	Bizkaia	100.00	-	100.00	95,000	60,10	37,504	6,852	4,537	6,802	6,802
Kutxabank Pensiones, S.A. E.G.F.P.U	Insurance	Bizkaia	100.00	-	100.00	2,000,000	1	8,277	4,957	628	3,600	3,600
Kutxabank Store, S.L.U.	Pensión fund management	Bizkaia	100.00	-	100.00	300,000	1	597	600	(3)	600	600
Kutxabank Vida y Pensiones, Compañía de Seguros y Reaseguros, S.A.U.	Leisure centre management	Bizkaia	100.00	-	100.00	7,000,000	6,01	591,740	105,753	16,188	76,599	76,599
Norapex, S.A.U.	Gestión de centro de ocio,	Córdoba	-	100.00	100.00	4,000	15	9,341	9,234	(302)	21,300	6,954
Norbolsa Sociedad de Valores, S.A.	Broker - Dealer	Bizkaia	80.00	-	80.00	1,860,611	6,10	38,905	23,349	637	22,068	18,950
Sociedad Andaluza de Gestión de Activos, S.L.U.	Holding real estate assets	Córdoba	-	100.00	100.00	65,791,172	1	32,209	32,142	(379)	32,142	31,942
Viana Activos Agrarios, S.L.U.	Ownership and operation of rural land.	Córdoba	-	100.00	100.00	564,000	1	18,962	4,812	(1,193)	18,564	3,056

The main inclusions in and exclusions from the scope of consolidation are detailed in Note 1.3.

(*) Net profit or loss for the year less interim dividend.
(**) Disregarding uniformity adjustments.

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Consolidated subsidiaries composing the Kutxabank Group at 31 December 2021:

Name	Line of business	Location	Percentage of ownership at 31/12/21			Shares held by the Group at 31/12/21		Thousands of euros				
								Equity at 31/12/2021 (**)			Carrying amountat 31/12/21 (Direct and Indirect)	
			Direct	Indirect	Total	Numberof shares	Par value (Euros)	Assets	Equity (excluding profit or losses)	Net profit (*)	Gross	Net
Cajasur Banco, S.A.	Banking	Córdoba	100,00	-	100,00	1,718,050	1,000	12,889,315	1,371,786	15,902	1,717,027	1,637,322
Compañía Promotora y de Comercio del Estrecho, S.L.	Property development.	Málaga	-	100,00	100,00	5,301,000	33,50	104,314	107,961	(5,973)	484,271	103,224
Fineco Patrimonios S.G.I.I.C., S.A.U.	Management of collective investmentundertakings.	Madrid	-	83,55	83,55	103,610	10	2,122	1,816	5	1,523	1,523
Fineco Previsión E.G.F.P., S.A.U.	Pension fund management.	Bizkaia	-	83,55	83,55	78,104	10	1,167	1,104	11	937	937
Fineco Sociedad de Valores, S.A.	Broker-dealer.	Bizkaia	83,55	-	83,55	238,902	9,12	48,606	43,127	1,149	24,738	24,738
Gesfinor Administración, S.A.	Administrative services.	Bizkaia	99,99	0,01	100,00	10,000	60,10	2,979	2,448	272	665	665
GIIC Fineco, S.G.I.I.C., S.A.U.	Management of collective investmentundertakings.	Bizkaia	-	83,55	83,55	56,834	6,01	15,164	6,427	774	35,455	35,455
Golf Valle Romano Golf & Resort S.L.	Golf course management.	Málaga	-	100,00	100,00	1,103,010	1,45	1,113	1,091	(210)	5,043	882
G,P,S, Mairena el Soto, S.L.U.	Property development.	Córdoba	-	100,00	100,00	150	20	8,413	1,233	(697)	4,982	386
Harri Hegoalde 2, S.A.U.	Holding of property assets.	Córdoba	-	100,00	100,00	48,500,000	10	459,101	299,723	(56,926)	1,414,152	262,898
Harri Inmuebles, S.A.U.	Holding of property assets.	Bizkaia	-	100,00	100,00	3,676,521	10	39,722	31,733	(590)	43,200	31,415

Appendix I

Consolidated subsidiaries composing the Kutxabank Group at 31 December 2021 (cont.):

								Thousands of euros				
			Percentage of ownership at 31/12/21			Shares held by the Group at 31/12/21		Equity at 31/12/2021 (**)			Carrying amountat 31/12/21 (Direct and Indirect)	
Name	Line of business	Location	Direct	Indirect	Total	Number of shares	Par value (Euros)	Assets	Equity (excluding profit or losses)	Net profit (*)	Gross	Net
Harri Iparra S.A.U.	Holding of property assets.	Bizkaia	100,00	-	100,00	500,000,000	1	622,374	440,440	(93,025)	2,150,826	283,584
Harrisur, Activos Inmobiliarios, S.L.	Holding of property assets.	Córdoba	-	100,00	100,00	42,676,000	1	149,851	26,596	(13,944)	215,003	16,723
Kartera 1, S.L.	Holding of shares.	Bizkaia	100,00	-	100,00	13,089,160	60,10	1,800,375	1,592,475	37,376	881,927	813,780
Kartera 4, S.L.	Property development.	Bizkaia	-	100,00	100,00	3,000	1	9,565	3	(156)	3	-
Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U.	General insurance.	Bizkaia	100,00	-	100,00	3,496,773	6,01	239,619	32,910	5,093	26,166	26,166
Kutxabank Empréstitos, S.A.U.	Financial services	Bizkaia	100,00	-	100,00	61	1,000	1,281	1,303	(26)	655	655
Kutxabank Gestión, S.G.I.I.C., S.A.U.	Manegement of collective investment undertakings	Bizkaia	100,00	-	100,00	95,000	60,10	37,626	6,852	6,667	6,802	6,802
Kutxabank, Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U.	Insurance	Bizkaia	100,00	-	100,00	7,000,000	6,01	670,123	122,463	17,819	76,599	76,599
Kutxabank Pensiones, S.A. E.G.F.P.	Pensión fund management	Bizkaia	-	100,00	100,00	2,000,000	1	8,453	5,005	637	3,600	3,600
Logística Binaria, S.L.	Leisure centre management	Bizkaia	-	100,00	100,00	1,223,000	1	16,310	6,926	494	5,904	5,904
Norapex, S.A.U.	Gestión de centro de ocio,	Córdoba	-	100,00	100,00	4,000	15	9,642	9,588	(354)	21,300	7,272
Norbolsa Sociedad de Valores, S.A.	Broker - Dealer	Bizkaia	80,00	-	80,00	1,860,611	6,10	73,208	23,501	1,641	22,068	22,068
Viana Activos Agrarios, S.L.U.	Ownership and operation of rural land.	Córdoba	-	100,00	100,00	564,000	1	21,386	6,292	(1,486)	18,564	4,423

(*) Net profit or loss for the year less interim dividend.

(**) Disregarding uniformity adjustments.

Appendix II

Joint ventures and associates
Joint ventures accounted for using the equity method at 31 December 2022:

There are no joint ventures accounted for using the equity method forming part of the Kutxabank Group at 31 December 2022.

Associates accounted for using the equity method at 31 December 2022:

			Percentage of ownershipat 31/12/22			Thousands of euros					
						Equity at 31-12-2021 (**)				Carrying amount at 31/12/22 (Direct and indirect)	
Name	Activity	Location	Direct	Indirect	Total	Assets	Equity (excluding profit or loss)	Share capital	Net profit (loss) (*)	Gross	Net
Agua y Gestión Servicios Ambientales, S.A. (****)	Water collection, treatment and distribution	Sevilla	-	23,20	23,20	4,096	(3,540)	13,500	(10,621)	-	-
Aguas de Bilbao, S.A. (***)	Water Services.	Bizkaia	24,50	-	24,50	1,595	1,600	2,293	(17)	-	-
Altun Berri, S.L.	Hospitality management and operation.	Gipuzkoa	50,00	-	50,00	650	(1,610)	994	455	-	-
Araba Logística, S.A.	Construction and operation of buildings for logistics activities	Araba	36,71	-	36,71	54,643	4,675	1,750	1,433	270	270
Baserri, S.A. (***)	No activity	Bizkaia	33,38	-	33,38	1	165	330	-	55	-
Centro de Transportes de Vitoria, S.A.	Customs area CTV promotion and exploitation	Araba	27,67	-	27,67	16,805	15,479	16,085	680	2,124	1,100
Cienpozuelos Servicios Inmobiliarios I, S.L.	Property development	Madrid	-	42,50	42,50	1,657	(4,538)	10	(6)	51	-
Cienpozuelos Servicios Inmobiliarios II, S.L.	Property development	Madrid	-	42,50	42,50	1,656	(4,538)	10	(6)	51	-
Cienpozuelos Servicios Inmobiliarios III, S.L.	Property development	Madrid	-	42,50	42,50	1,515	(4,679)	10	(6)	37	-
Cienpozuelos Servicios Inmobiliarios IV, S.L.	Property development	Madrid	-	42,50	42,50	1,515	(4,678)	10	(7)	37	-
Cienpozuelos Servicios Inmobiliarios V, S.L.	Property development	Madrid	-	42,50	42,50	1,515	(4,679)	10	(7)	37	-
Ekarpen Private Equity, S.A.	Business development. Property	Bizkaia	22,22	22,22	44,44	66,388	65,562	30,294	738	42,918	27,635
Gabialsur 2006, S.L. (***)	Business development.Property	Córdoba	-	50,00	50,00	851	923	12	(134)	-	-
Gestión Capital Riesgo País Vasco S.G.E.I.C., S.A.	Holding company.	Bizkaia	10,00	10,00	20,00	4,077	2,619	690	1,032	327	327
Hazibide, S.A.	Business development. Property	Araba	34,88	-	34,88	536	678	828	(145)	289	201

Appendix II

Joint ventures and associates
Associates accounted for using the equity method at 31 December 2022 (cont.):

			Percentage of ownershipat 31/12/22			Thousands of euros					
						Equity at 31-12-2021 (**)				Carrying amountat 31-12-2022 (Direct and indirect)	
Name	Activity	Location	Direct	Indirect	Name	Activity	Location	Direct	Indirect	Name	Activity
Inverlur Aguilas I, S.L.	Business development.Property	Gipuzkoa	-	50,00	50,00	243	202	216	(9)	9,804	-
Inverlur Aguilas II, S.L.	Holding company.	Gipuzkoa	-	50,00	50,00	699	657	680	(15)	27,487	-
Luzaro Establecimiento Financiero de Crédito, S.A.	Participating loans	Gipuzkoa	47,06	-	47,06	155,362	20,459	5,005	6	4,564	4,564
Neos Surgery, S.L.	Manufacturing of surgical and medical	Gipuzkoa	30,42	-	30,42	10,730	6,651	120	(35)	1,026	983
Paisajes del Vino, S.L. (***)	Property development.	La Rioja	23,86	-	23,86	12,555	(8,576)	7,900	3	1,885	-
Promoción Los Melancólicos, S.L.	Property development.	Gipuzkoa	-	42,50	42,50	813	(476)	100	(5)	1,148	-
Promotora Inmobiliaria Sarasur, S.A. (***)	Real estate construction and development	Córdoba	-	50,00	50,00	134	(27,325)	12,020	(649)	-	-
San Mames Barria, S.L.	Housing	Bizkaia	22,21	-	22,21	179,523	181,642	200,344	(2,887)	42,616	39,068
Talde Promoción y Desarrollo, S.C.R., S.A.	Venture capital	Bizkaia	25,59	-	25,59	48,005	42,348	40,868	5,009	4,712	4,712
Torre Iberdrola A.I.E.	Property development	Bizkaia	-	31,90	31,90	166,790	159,293	142,416	4,212	53,304	50,308
Viacajas, S.A.	Means of payment	Madrid	38,96	-	38,96	4,574	3,875	250	229	732	732
Vitalquiler, S.L.	Housing leases	Araba	20,00	-	20,00	25,367	11,805	320	1,802	4,304	4,304

The main inclusions in and exclusions from the scope of consolidation are detailed in Note 1.3.

(*) Net profit or loss for the year less interim dividend.
(**) Disregarding uniformity adjustments.
(***) In liquidation. Disclosure according to the latest financial reports
(****) Latest financial reports in 2018.

Appendix II

Joint ventures and associates
Joint ventures accounted for using the equity method at 31 December 2021:

There are no joint ventures accounted for using the equity method forming part of the Kutxabank Group at 31 December 2021.

Associates accounted for using the equity method at 31 December 2021:

			Percentage of ownershipat 31/12/21			Thousands of euros					
						Equity at 31-12-2020 (**)				Carrying amount at 31/12/21 (Direct and indirect)	
Name	Activity	Location	Direct	Indirect	Total	Assets	Equity (excluding profit or loss)	Share capital	Net profit (loss) (*)	Gross	Net
Agua y Gestión Servicios Ambientales, S.A. (****)	Water collection, treatment and distribution	Sevilla	-	23,20	23,20	4,096	(3,540)	13,500	(10,621)	-	-
Aguas de Bilbao, S.A. (***)	Water Services.	Bizkaia	24,50	-	24,50	1,603	1,607	2,293	(7)	-	-
Altun Berri, S.L.	Hospitality management and operation.	Gipuzkoa	50,00	-	50,00	3,443	(1,560)	994	(35)	-	-
Araba Logística, S.A.	Construction and operation of buildings for logistics activities	Araba	36,71	-	36,71	53,347	3,623	1,750	1,052	270	270
Baserri, S.A. (***)	No activity	Bizkaia	33,38	-	33,38	1	165	330	-	55	-
Centro de Transportes de Vitoria, S.A.	Customs area CTV promotion and exploitation	Araba	27,67	-	27,67	16,345	15,194	16,085	285	2,124	-
Cienpozuelos Servicios Inmobiliarios I, S.L.	Property development	Madrid	-	42,50	42,50	1,647	(4,571)	10	(2)	49	-
Cienpozuelos Servicios Inmobiliarios II, S.L.	Property development	Madrid	-	42,50	42,50	1,648	(4,570)	10	(3)	49	-
Cienpozuelos Servicios Inmobiliarios III, S.L.	Property development	Madrid	-	42,50	42,50	1,510	(4,705)	10	(3)	35	-
Cienpozuelos Servicios Inmobiliarios IV, S.L.	Property development	Madrid	-	42,50	42,50	1,510	(4,704)	10	(3)	35	-
Cienpozuelos Servicios Inmobiliarios V, S.L.	Property development	Madrid	-	42,50	42,50	1,509	(4,705)	10	(3)	35	-
Ekarpen Private Equity, S.A.	Business development. Property	Bizkaia	22,22	22,22	44,44	65,673	67,100	30,294	(1,538)	42,918	27,490
Gabialsur 2006, S.L. (***)	Business development.Property	Córdoba	-	50,00	50,00	851	923	12	(134)	-	-
Gestión Capital Riesgo País Vasco S.G.E.I.C., S.A.	Holding company.	Bizkaia	10,00	10,00	20,00	3,860	2,619	690	900	327	327
Hazibide, S.A.	Business development. Property	Araba	34,88	-	34,88	681	704	828	(26)	289	224

Appendix II

Joint ventures and associates
Associates accounted for using the equity method at 31 December 2021 (cont.):

			Percentage of ownershipat 31/12/21			Thousands of euros					
						Equity at 31-12-2020 (**)				Carrying amountat 31-12-2021 (Direct and indirect)	
Name	Activity	Location	Direct	Indirect	Name	Activity	Location	Direct	Indirect	Name	Activity
Inverlur Aguilas I, S.L.	Business development.Property	Gipuzkoa	-	50,00	50,00	252	212	216	(10)	9,804	-
Inverlur Aguilas II, S.L.	Holding company.	Gipuzkoa	-	50,00	50,00	711	676	680	(19)	27,487	-
Inversiones Zubiatzu, S.A.	Business development. Property	Gipuzkoa	20,27	-	20,27	180,536	91,281	6,000	11,101	12,988	12,988
Luzaro Establecimiento Financiero de Crédito, S.A.	Participating loans	Gipuzkoa	47,06	-	47,06	160,209	20,437	5,005	20	4,564	4,564
Neos Surgery, S.L.	Manufacturing of surgical and medical	Gipuzkoa	30,42	-	30,42	8,846	5,469	120	(191)	1,026	1,014
Paisajes del Vino, S.L. (***)	Property development.	La Rioja	23,86	-	23,86	12,555	(8,541)	7,900	(35)	1,885	-
Promoción Los Melancólicos, S.L.	Property development.	Gipuzkoa	-	42,50	42,50	817	(472)	100	(5)	1,148	-
Promotora Inmobiliaria Sarasur, S.A. (***)	Real estate construction and development	Córdoba	-	50,00	50,00	504	(26,208)	12,020	(1,117)	-	-
San Mames Barria, S.L.	Housing	Bizkaia	22,22	-	22,22	182,618	184,456	200,225	(2,933)	42,616	39,691
Talde Promoción y Desarrollo, S.C.R., S.A.	Venture capital	Bizkaia	25,59	-	25,59	44,272	42,125	40,868	890	4,712	4,712
Torre Iberdrola A.I.E.	Property development	Bizkaia	-	31,90	31,90	174,733	167,618	154,604	3,861	53,304	52,158
Viacajas, S.A.	Means of payment	Madrid	38,96	-	38,96	13,434	13,283	250	91	732	732
Vitalquiler, S.L.	Housing leases	Araba	20,00	-	20,00	29,515	14,472	320	1,008	4,304	4,304
Zierbena Bizkaia 2002, S.L.	Logistics activities and operations	Bizkaia	-	36,84	36,84	1,898	1,797	1,649	(23)	2,016	681

(*) Corresponding to the Net Income for the year, discounting the interim dividend.
(**) Without considering the homogenization adjustments.
(***) In liquidation process. Details according to the latest Financial Statements available.
(****) Latest Financial Statements available as of December 31, 2018

APPENDIX III

Detail of remuneration of governing bodies (Board of Directors) in 2022

The overall remuneration earned in 2022 and 2021, including the remuneration of members with executive duties, was as follows:

<u>Year 2022</u>

		Thousands of euros				
			Variable remuneration (4)			
Position	Name and surname	Fixed remuneration	Annual	Multiannual (5)	Allowances	Total retribution
President (till 2022/11/30)	Gregorio Villalabeitia Galarraga (1)	625.4	376.5	140.2	-	1,142.1
President (from 2022/11/30)	Antón Joseba Arriola Boneta	58.8	-	-	-	58.8
1st Vice President	Rosa María Fátima Leal Sarasti	-	-	-	84.6	84.6
2nd Vice President	Jorge Hugo Sánchez Moreno	-	-	-	87.5	87.5
CEO	Javier García Lurueña (1,2,3)	493.0	214.0	110.9	-	817.9
Vocal	Joseba Mikel Arieta-Araunabeña Bustinza	-	-	-	84.8	84.8
Vocal	Alexander Bidetxea Lartategi	-	-	-	76.0	76.0
Vocal (from 2022/11/30)	Iñigo Calvo Sotomayor	-	-	-	3.2	3.2
Vocal	Ricardo del Corte Elduayen	-	-	-	37.8	37.8
Vocal	Mª Manuela Escribano Riego	-	-	-	72.5	72.5
Vocal	Jose Miguel Martín Herrera	-	-	-	82.9	82.9
Vocal	Roxana Meda Inoriza	-	-	-	68.5	68.5
Vocal	María Victoria Mendia Lasa	-	-	-	76.1	76.1
Vocal	Josu de Ortuondo Larrea	-	-	-	48.6	48.6
Vocal	Hipólito Suárez Gutiérrez	-	-	-	46.6	46.6
Vocal	Antonio Villar Vitores	-	-	-	59.7	59.7
Vocal (till 2022/11/30)	José Julio Zatón Salazar	-	-	-	87.5	87.5
		1,177.2	**590.5**	**251.1**	**916.3**	**2,935.1**

(1) In addition, certain members of the Board of Directors have pension rights which were earned in years in which they held positions at the Bank. These rights were externalized through insurance policies and non-Group employee benefit entities. In 2022 no amount accrued in this connection.

(2) Certain members of the Board of Directors are entitled to post-employment benefits due to their status as directors. These benefits were externalized through insurance policies with non-Group companies. In 2022 EUR 31 thousand accrued in this connection.

(3) Additionally, EUR 1 thousand of insurance premiums covering the risk of death were accrued in 2022.

(4) Under the terms provided in the prudential regulatory framework and in the Entity´s remuneration policy, 50% is settled in cash and 50% in substitute instruments that represent the evolution of the Entity´s value. Likewise, apart of the accrued variable remuneration follows a deferral schedule for a 5 years period.

(5) Maximum amount to accrue attributable to the 2022 financial year if the best possible degree of compliance is reached in 2025 in all the objectives linked to the 2022-2024 Strategic Plan, equivalent to one third of the total amount.

Year 2021

Position	Name and surname	Thousands of euros				
		Fixed remuneration	Variable remuneration		Allowances	Total Remuneration
			Annual	Multiannual		
President	Gregorio Villalabeitia Galarraga (1)	641.4	381.4	86.0	-	1,108.8
1st Vice President	Rosa María Fátima Leal Sarasti	-	-	-	71.5	71.5
2nd Vice President (till 2021/10/1)	Juan María Ollora Ochoa de Aspuru	-	-	-	57.3	57.3
2nd Vice President (from 2021/12/30)	Jorge Hugo Sánchez Moreno	-	-	-	75.8	75.8
CEO	Javier García Lurueña (1,2,3)	456.8	195.4	56.6	-	708.8
Vocal	Joseba Mikel Arieta-Araunabeña Bustinza	-	-	-	75.8	75.8
Vocal	Alexander Bidetxea Lartategi	-	-	-	36.5	36.5
Vocal	Ricardo del Corte Elduayen	-	-	-	26.8	26.8
Vocal	Mª Manuela Escribano Riego	-	-	-	56.9	56.9
Vocal	Jose Miguel Martín Herrera	-	-	-	75.8	75.8
Vocal	Roxana Meda Inoriza	-	-	-	56.0	56.0
Vocal	María Victoria Mendia Lasa	-	-	-	57.6	57.6
Vocal	Josu de Ortuondo Larrea	-	-	-	36.5	36.5
Vocal (From 2021/4/12)	Hipólito Suárez Gutiérrez	-	-	-	22.8	22.8
Vocal	Antonio Villar Vitores	-	-	-	46.2	46.2
Vocal	José Julio Zatón Salazar	-	-	-	73.8	73.8
		1,098.2	**576.8**	**142.6**	**769.3**	**2,586.9**

(1) In addition, certain members of the Board of Directors have pension rights which were earned in years in which they held positions at the Bank. These rights were externalized through insurance policies and non-Group employee benefit entities. In 2021 no amount accrued in this connection.

(2) Certain members of the Board of Directors are entitled to post-employment benefits due to their status as directors. These benefits were externalized through insurance policies with non-Group companies. In 2021 EUR 28 thousand accrued in this connection.

(3) EUR 1 thousand of insurance premiums covering the risk of death were accrued in 2021.

(4) Under the terms provided in the prudential regulatory framework and in the Entity´s remuneration policy, 50% is settled in cash and 50% in substitute instruments that represent the evolution of the Entity´s value. Likewise, apart of the accrued variable remuneration follows a deferral schedule for a 5 years period.

(5) Third of the amount accrued for the fulfillment of the objectives linked to the 2019-2021 Strategic Plan attributable to the 2021 financial year.

Appendix IV

Annual Banking Report - Information of the Kutxabank Group for compliance with Article 89 of Directive 2013/36/EU of the European Parliament and its transposition into Spanish law by means of Law 10/2014

The information set forth below was prepared pursuant to Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and its transposition into Spanish law pursuant to Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, specifically in accordance with Article 87.1 and Transitional Provision Twelve thereof.

Accordingly, following is a detail of the information for 31 December 2022 (in thousands of euros):

Name of the main entity	Nature of activities	Geographical location	Turnover [(1)]	Number of employees on a full time basis	Profit or loss before tax	Tax profit or loss
Kutxabank, S.A.	Banking, finance, asset management, insurance and property business	Spain	1,270,424	5,340	457,278	(125,839)
Total						

1) Turnover was considered to be gross income in the consolidated statement of profit or loss for the year ended 31 December 2022.

In 2022 the return on the assets of the Kutxabank Group, calculated by dividing net profit by total assets, was 0.5%.

In 2022 the Kutxabank Group did not receive any significant public subsidies or government assistance of any kind.

Kutxabank, S.A. and Subsidiaries
(Consolidated Group)
Consolidated Directors' Report
for the year ended 31 December 2022

1. ANALYSIS OF THE ECONOMIC BACKGROUND

The 2022 financial year has been marked by the uncertainty and volatility that arose as a result of the Russian invasion of Ukraine at the beginning of the year, which has precipitated the accentuation of a series of imbalances on the world scene, the consequences of which have been clearly perceived in the second part of the year, subjecting the economic evolution to the sound of the war cycle. A world economy affected by the health crisis that is still raging is now joined by a war within Europe that ends up unleashing far-reaching geopolitical tensions. These tensions, far from abating, continue to grow and lead to an unprecedented energy crisis after cuts in the gas supply on the one hand, together with restrictions on visas and interventions in the energy market on the other.

Forecasts for the **world economy** have been revised downward across the board to 1.3% (OECD), with the Eurozone being one of the most vulnerable, with contractions in its main economies. Despite this, the latest data indicates that the absorption of the combined impact between galloping inflation, interest rate rises and geopolitical pressure has been positive, improving global prospects in the final stage of the year. Inflation appears to be the main cause of the imbalances in our environment, with very significant increases in raw materials and gas, along with food and metals, among others, at the risk of the war. The entrenchment of inflation, higher than expected, has forced the deployment of a broad arsenal of price containment policies, through successive strong increases by the main central banks, including the Fed with four successive increases of 0.75bp perches up to 3.75%; The ECB, for its part, raised the interest rate by 50bp at its December meeting to 2.50%. It is still too early to assess the effectiveness of monetary policy, apparently however, in the last phase of the year, inflation seems to have peaked and the effects of the normalization of monetary policy are beginning to be perceived. This would open up some room to slow down the tightening of monetary policy, although rate hikes are expected to continue at a sustained pace, in pursuit of the 2% inflation target set over the medium term.

Activity contracted in the **United States**, standing below the value of 50, which is indicative of a fall in it. Meanwhile, the labor market maintains its dynamism, although with signs of moderation, placing the unemployment rate at around 3.5% at the end of the year. Price growth is also showing signs of moderation, moving around 6.5%, with underlying inflation hovering around 6.3%. Temperate activity and no appreciable second-round effects augur a gradual correction in inflation for the coming months.

The **Chinese economy** is highly conditioned by the outbreak of the pandemic and sanitary restrictions; It is going through a phase of contraction, with the PMI composed at 47.1 points. China goes from a Covid-zero policy with massive confinements, to a situation in which popular anti-Covid pressure has forced the authorities to make their position more flexible, advancing towards a strategy of coexistence with the virus, for which they have staked many countries long ago. This is a popular achievement in China's recent history that is quite a milestone. However, this opens the door to new waves of infections, to the detriment of economic growth, and moves away from the goal of defeating the US economy. This reopening will boost growth from 3.2% in 2022 to around 4.5% in 2023.

The **euro zone** economy is one of the hardest hit by the energy crisis and is contracting. GDP growth stands at around 3.4% and the composite PMI falls to 47.3 at the end of the period, specifically, with reductions in activity in the manufacturing and services sectors. Inflation affects agents' income and weakens the demand for goods and services.

The lack of control in prices also affects intensely with growth levels close to 10% and core inflation stabilized around 5%; the crux is determining when the tipping point is reached and how fast the reduction is progressing. The objective of redirecting prices to rates of 2%, although contemplated from a medium-term horizon, is gradually approaching due to the combination of factors such as the reduction in activity, the improvement in supply restrictions, mainly derived from the war conflict, and the effects generated by restrictive monetary policy measures, among others.

The challenge for the monetary authority is to move towards a balance between the rise in interest rates, accompanied by the reduction of the balance sheet and the maintenance of activity levels. The resilience of the labor market deserves particular attention, with an unemployment rate that stands at historically low levels (6.5% in November) and with favorable prospects in terms of its evolution.

All in all, the economic sentiment in the euro zone improved again, although it still shows some pessimism, especially in household confidence, since both industry and construction and retail trade exceed previous records, while the services are very close to average.

In the future, the latest Eurosystem projections expect a contraction in expected GDP growth to -0.5% in 2023, due to the worse prospects for demand on both sides (domestic and external), which would rise at rates close to to 2% in 2024 and 2025, above potential growth.

The **Spanish economy**, for its part, presents a slowdown in the growth rate, with a GDP variation of 4.4% in the third quarter of 2022. This result combines the lower contribution of the foreign sector with 2.9pp and, in to a lesser extent, that of national demand with 1.6pp, that is, 1.1pp below the September consensus. The slowdown in GDP growth is noticeable, and comes from lower private consumption and low public consumption, partially offset by greater investment dynamism, related to the evolution of European funds, which continue to arrive at a lower rate than initially expected.

High inflation erodes the purchasing power of families and companies and entails restrictive monetary policy measures, with the consequent rise in interest rates, in a process of accelerating the "normalization" of monetary policy. This translates into less strength in domestic demand, both from the point of view of consumption and investment. Inflation stands at 5.7% in December and core inflation at 7%, showing signs of losing momentum in its path of growth and inflecting slightly in recent records, as the effects of the ECB's restrictive monetary policy with several increases in interest rates, they are taking effect. At double-digit growth levels, prices in Spain fell appreciably, as a result of the drop in fuel and electricity prices, accompanied by lower increases in clothing and footwear, while the evolution in the EU , being also downward, it is being of a lesser magnitude. Despite this, the redirection of the path of growth in prices will be gradual and will not come close to the official objective before the end of 2024.

The labor market behaves in a resilient manner, with a positive behavior of employment that grows at 2.5% and with net generation of employment (with data from the third quarter, more than 514,000 new jobs have been created in the last year), although the rates of progression of the same are reduced. By sectors, employment increased in Services and Industry (33,100), while it fell in Agriculture and Construction. The unemployment rate stands at around 12.7% and is expected to remain at that level throughout the coming year.

At the end of the period, credit to the private sector slowed down to around 1% in the system as a whole. A continuous increase in new loans is observed, simultaneously with higher repayment volumes, so that both flows offset each other, keeping the behavior of the aggregate stable. The evolution of the mortgage market, despite the context of rising interest rates, is being positive, reaching an accumulated TAM growth of 21.8% in the market as a whole. A slowdown and fall in prices is expected, with a probable compression of mortgage demand, without warning signs being observed.

Deposits to the private sector, on the other hand, present advances close to 5% in a stable manner, with greater activity in the transfer from the view modality to term positions. By segment, a moderation is observed both in corporate and household deposits.

The prospects for the Spanish economy suggest that the slowdown will bottom out in 2023, as a result of the tensions generated in the international geopolitical context, the energy crisis and supply chains, with an estimated growth of 1.3% according to forecasts. of the Bank of Spain, moment from which activity would rise to reach an estimated rate of 2.7% in 2024.

In short, the future of the Spanish economy will be marked by the gradual moderation of the factors that generate uncertainty, which will have its reflection in the behavior of consumption and investment on the one hand and in the implementation of projects activated under the protection of the European Next Generation Funds.

Based on the advance data published by Eustat, the **Basque economy** grew by 4.3% in 2022. According to the latest Economic Accounts published referring to the third quarter, the GDP of the Basque economy grows by 3.8% year-on-year and traces a path aligned with its immediate reference environment, that is, equaling the State's record (3.8%) and surpassing that referred to in the Euro Zone (2.1%). The behavior of the Basque economy reveals a loss of momentum as the year progresses, in a context of high uncertainty where, after bottoming out at closing, a change in trend is anticipated from the first quarter of 2023, without ruling out the rapid entry and exit of a recession.

In this process of gradual loss of growth intensity, domestic demand (2.4%) maintains its expansion in the third quarter of 2022, with a slight decline in the FBK rate (4.9%) and higher levels of Final Consumption (1.7%), due to the lower contraction of the public sector. The lower rate of expansion of Exports (9.2%) and Imports (5.6%) means that the contribution of the foreign sector stands at 1.4pp, having been 2.6pp in the two previous quarters.

The favorable behavior of the labor market continues with the increase in employment in the third quarter of 2022 by 3,490 jobs, and a reduction in the unemployment rate to 7.9%. Employment in the third quarter of 2022, in terms of full-time equivalent jobs, exceeds one million jobs, that is, 19,513 more jobs than the same quarter of the previous year. Of these, 17,453 more jobs in Services, 1,554 in Industry, and 379 in Construction; and 125 more jobs in the primary sector.

Inflation enters the path of recovery. Food and beverages, Furniture and household items, among the components whose prices increased the most, while Housing and Transportation moderated the price increases. After the peak in August, inflation dropped to 5.4% in December. It seems to have peaked. The combination of the improvement in supply restrictions and the decline in activity point to the gradual redirection of prices to the objectives set by the ECB in the medium term, although the unknown lies in the rate of "normalization" of prices. prices, following the rapid tightening of monetary policy.

The public sector is not far behind in the favorable behavior since the cumulative collection up to November reaches €15,779 million in income, which is 9.3% more than last year, with an increase in direct taxes (9.4 %), with personal income tax being its main component with €6,055M (6.6%) and the growth of income from indirect taxes (9.3%), where VAT is its main component with €6,170M (14.2 %). The level of debt in the BAC in the third quarter drops to 14.6%, with a financing capacity of €61M, coming from non-financial resources of €9,092M that are contrasted with jobs of €9,031M.

Data for September 2022 from the Bank of Spain indicate that the balance of Private sector Deposits totals €88,198M (1.8%), while Private Credits account for €61,937M (2.2%). The difference exceeds €26,260M. Credit recovers some dynamism and private deposits maintain their moderate rate of growth; the relationship between private Credits and Deposits is set at around 79.2% in the BAC and remains at 83.2% in Spain. The balances accumulated by families during the pandemic in terms of deferred consumption are exerting a cushion effect, cushioning the loss of purchasing power at times of sharp acceleration in inflation and consequent contraction in disposable income.

In terms of TAM-12, the growth of the housing mortgage market continues its process of gradual slowdown, with advances lower than the previous ones, (12.8% in the territory of origin and 21.8% in the rest of the market), which discounts that the mortgage market is probably approaching a turning point in the cycle.

High uncertainty is the dominant trend in the third quarter, both in its media and macroeconomic components, given the already perceived economic slowdown, which means that growth forecasts continue to be adjusted downward, also in the BAC. not ruling out the entry into recession, although according to the forecasts, it would be a short-lived and shallow phenomenon. The Basque Government's forecast for 2023 is set at GDP growth of 2.1%, although other institutions place it below that figure.

The context in which the future of the **Andalusian economy** is framed is characterized by global inflationary tensions, exacerbated by the delicate economic and geopolitical situation inherent to the invasion of Ukraine at the beginning of 2022. According to data published by the Institute of Statistics and Cartography of Andalusia (IECA), the Andalusian economy presented a positive behavior in the third quarter, with an interannual growth of the GDP of 3.9%, in line with the state register.

Domestic demand limits its growth to 0.8%, as a result of less drive for consumption in its double aspect, private and public, together with lower investment activity, influenced by the uncertain situation of the environment, high inflation and the depletion of the bagging effect that occurred during the pandemic; This fact reduces the confidence of agents and holds back both consumption and investment. This is also reflected in the behavior of foreign markets in goods and services - with the exception of tourism-, whose progress is more limited than in previous quarters, due to the aforementioned environmental situation, reducing its contribution to growth.

From the perspective of supply, the good performance of Industry (6.7%) stands out, especially in the branch of durable consumer goods. Construction (5.1%) maintains a high level of growth, while Services (4.7%) moderate growth notably, except for hotels, transport, commerce or IT, while the rest of the components; finally, the primary sector (-8.3%) continues to contract.

The Andalusian economy, to the sound of what is observable in its environment, follows a path of gradual adjustment as the year progresses. After ending the effect of increased liquidity that occurred during the pandemic, which affects disposable income due to high inflation, lower growth in consumption and investment is observed, together with the contraction of activity in the exchange of goods with the abroad. The foreign sector reduces its contribution to economic growth in Andalusia, although it continues to be a pillar of it, contributing 3.1pp to growth. Exports grow less intensely than in previous quarters (15.8%), as is the case with imports (7.6%). Both affected by the situation of convulsion in international trade, largely caused by the crisis in Ukraine and the various measures adopted in connection with it.

After reaching maximums in July and August, inflation in Andalusia entered a de-escalation phase, going from double-digit interannual growth rates to 6.2% in December (somewhat above the 5.7% registered in Spain, which also continues to mark a downward path).

With employment growing in absolute terms, above 3,278 million jobs, the employment rate has fallen due to the higher growth of the active population, as well as the unemployment rate, which is close to 19%. This apparent contradiction in the labor market is related to the prolongation of the summer campaign, the promotion of services to companies and the possible effects of the labor reform related to hiring.

The public debt of the Autonomous Community of Andalusia presents a lower level compared to the previous quarter, going from 22.1% to 21.5%, with a financing deficit equivalent to -€155M, after combining €25,860M of non-refundable resources. financiers with €26,015M of jobs.

The Andalusian economy is expected to close the year with a GDP increase of around 4.4%, slightly exceeding the latest forecasts. However, for the next financial year, the forecasts point to a weakening of the intensity of growth, up to 1.1% in line with the measures to increase interest rates activated by the ECB and that will affect the regional economy in the same line as what is foreseeable for the European and state environment. A contraction at the beginning of the exercise is not ruled out, which will improve as it progresses. The high foreign dependence linked to tourism, the highly temporary structure of the labor market, will affect the consumption variables. The investment is expected to be boosted by the effect of the Next funds.

2. BUSINESS PERFORMANCE

Since the integration of the Basque savings banks in 2012, the Kutxabank Group has consolidated its position among the leading medium-sized banks in the Spanish financial industry and, without neglecting its need for high levels of write-downs, it has managed to achieve profits in each year since its formation. These profits have enabled it to improve its capital adequacy and to fund the welfare projects of its shareholders, whose full ownership was maintained, without resorting to state aid, capital increases or the issue of hybrid instruments.

The 2022 financial year has been strongly marked by the conflict between Russia and Ukraine, since it has generated an environment of high uncertainty. In this scenario, the growth prospects have worsened, which will delay the recovery after the pandemic and there has been a high impact on the escalation of prices, leaving inflation soaring, at maximums in recent decades, impacting both families and companies. In addition, this increase in uncertainty has caused great volatility in the markets throughout the year. Finally, after more than six years with negative interest rates, the change in monetary policy by the ECB to combat inflation is favoring the increase in rates and the Euribor has closed December above 3%.

In this context, the Kutxabank Group has faced the current situation by focusing on boosting its commercial activity, achieving a good level of compliance with the objectives set for the year. The relevance of its key banking products is evident and without forgetting the focus on financial support for families, businesses and companies. In addition, the Group has promoted other strategic objectives such as cost containment policies, the reduction of delinquency ratios, the firm commitment to digital transformation or the commitment to ESG policies and the marketing of green products.

All this based on the solid foundation provided by its low risk profile and its strong solvency and liquidity position, which has once again been recognized by the authorities and the market in 2022. The new report from the European Banking Authority confirms that Kutxabank it remains in the leadership positions in solvency, with one of the best ratios in the entire system. Said report also reveals a clear leadership position of Kutxabank in the leverage ratio, as well as important advances in the rest of the Group's indicators. The NPL ratio is reduced, being the lowest in the sector, and consolidates its leadership in terms of asset quality. The solidity of its business model is also reflected in the improvement in profitability, market risk, credit and sovereign risk exposures, doubtful balances and refinanced exposures.

In addition, according to the "SREP Decision" issued by the European Central Bank, Kutxabank must maintain a capital requirement in 2023, identical to that of the last five years and which places it as the lowest among the Spanish financial institutions evaluated, and the third lowest of Europe. On the other hand, according to the analysis of the Single Resolution Board, Kutxabank presents one of the lowest minimum requirements for own funds and admissible liabilities (MREL) in the Spanish and European financial system.

In the same way, it is noteworthy that the rating agencies have recognized the good situation of the Group, since the entity will end the year with its ratings located at the highest of Spanish banks. All of them highlight in their evaluation the solid capital position, well above the regulatory minimums, its solid franchise in the Basque Country, the diversification of income from its insurance and asset management businesses, and the quality of its risks . Likewise, the Morningstar Sustainalytics ESG Risk rating has evaluated Kutxabank's performance in environmental, social and corporate governance matters, placing the entity in the 1% with the best rating worldwide.

Main Figures for Kutxabank Group

DATOS FINANCIEROS			
RESULTADOS (miles de €)	dic-22	dic-21	∆% interanual
Margen de Intereses	640.741	559.282	14,6
Margen Básico	1.118.118	1.030.391	8,5
Ingresos Core Negocio Bancario	1.268.438	1.165.710	8,8
Margen Bruto	1.270.424	1.137.052	11,7
Margen de Explotación	657.296	532.133	23,5
Resultado del Ejercicio	330.528	216.458	52,7

BALANCE (miles de €)	dic-22	dic-21	∆% interanual
Activo Total	66.588.000	65.804.676	1,2
Inversión Crediticia Neta	46.141.610	47.027.758	(1,9)
Inversión Crediticia Bruta	47.699.537	47.596.408	0,2
Depósitos de la Clientela	49.293.488	47.945.203	2,8
....Depósitos Clientela exFinanciación Mayorista	*48.983.574*	*47.118.012*	*4,0*
....Financiación Mayorista	*309.914*	*827.191*	*(62,5)*
Recursos gestionados Fuera de Balance	28.058.717	28.706.442	(2,3)
Total Recursos de Clientes Gestionados	77.042.291	75.824.454	1,6

RATIOS FINANCIEROS	dic-22
MOROSIDAD	%
Tasa Morosidad (*)	1,37
Tasa Cobertura (*)	103,48
Tasa Morosidad del Crédito	1,40
Tasa Cobertura del Crédito	102,09
EFICIENCIA	%
Gastos de explotación s/ATMs	0,93
Índice de eficiencia	48,26
RENTABILIDAD	%
ROA (**)	0,50
ROE (**)	5,67

OTROS DATOS	GRUPO KUTXABANK	Kutxabank	Cajasur
Nº Empleados (***)	5.023	3.338	1.685
Nº Oficinas	709	445	264
Nº Cajeros	1.491	1.160	331

RATING EMISOR DEUDA SENIOR PREFERENTE	Largo plazo	Corto plazo
Fitch	A-	F2
Moody's	A3	P2
DBRS	A (low)	R-1 (low)

(*) Incluye crédito y riesgos contingentes

(**) Ratios calculados como medias móviles de los últimos cuatro trimestres estanca.

(***) El dato de plantilla se refiere a los empleados de la actividad financiera desarrollada por Kutxabank S.A y Cajasur Banco S.A

Statement of profit or loss

The Kutxabank Group closes December with a profit of 330.5 million euros, 52.7% more than the result achieved in 2021, above forecasts and with a significant increase in "core" income derived from the banking business .

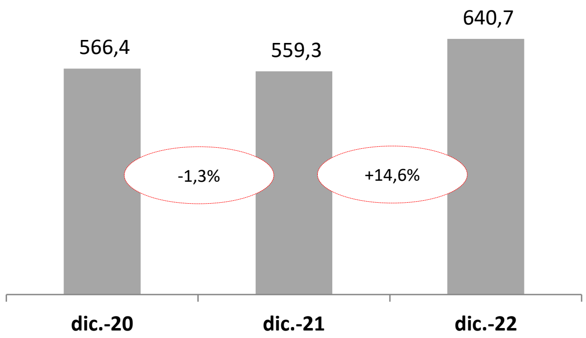
It should be noted that this positive evolution was also achieved in a context marked by uncertainty derived from the war between Russia and Ukraine. In this scenario, forecasts for global economic growth have worsened with inflation soaring to the highest levels of recent decades and with financial markets showing great volatility and instability in recent months.

Miles de €	dic.-22	dic.-21	Δ%	s/ ATMs
Margen de Intereses	**640.741**	**559.282**	**14,6**	**0,97**
Ingresos por servicios	477.377	471.109	1,3	0,72
Margen Básico	**1.118.118**	**1.030.391**	**8,5**	**1,70**
Ingresos por dividendos	54.980	52.799	4,1	0,08
Resultados de entidades valoradas por el método de la participación	12.980	5.561	133,4	0,02
Resultados netos de operaciones financieras y diferencias de cambio	48.313	2.338	n.a.	0,07
Otros resultados de explotación	36.033	45.963	(21,6)	0,05
Margen Bruto	**1.270.424**	**1.137.052**	**11,7**	**1,93**
Gastos de administración	(573.720)	(561.087)	2,3	(0,87)
Amortización	(39.408)	(43.832)	(10,1)	(0,06)
Margen de Explotación	**657.296**	**532.133**	**23,5**	**1,00**
Dotación a provisiones (neto)	(56.760)	(98.457)	(42,4)	(0,09)
Pérdidas por deterioro de activos financieros	(62.629)	(71.296)	(12,2)	(0,10)
Pérdidas por deterioro del resto de activos	(18.522)	(19.476)	(4,9)	(0,03)
Otras ganancias y pérdidas	(62.107)	(48.030)	29,3	(0,09)
. Deterioro de activos no corrientes en venta (activo material)	(94.355)	(89.448)	5,5	(0,14)
. Resto de otras ganancias y pérdidas	32.248	41.418	(22,1)	0,05
Resultado antes de Impuestos	**457.278**	**294.874**	**55,1**	**0,69**
Impuestos sobre beneficios	(125.839)	(76.502)	64,5	(0,19)
Resultado Neto del Ejercicio	**331.439**	**218.372**	**51,8**	**0,50**
Resultado atribuido a la minoría	(911)	(1.914)	(52,4)	(0,00)
Resultado Atribuido al Grupo	**330.528**	**216.458**	**52,7**	**0,50**

* 2021 se presenta, única y exclusivamente, a efectos comparativos

In relation to interest rates, so far this year there has been a normalization of interest rates after more than six years in the negative. The 1-year Euribor, after an increasing evolution throughout the year, closed the month of December 2022 (monthly average) at 3.018%, with a positive year-on-year effect of +3.52%.

In this environment marked by rising interest rates, the entity's net interest income has been above 2021, with an increase of 14.6%, reaching 640.7 million euros.

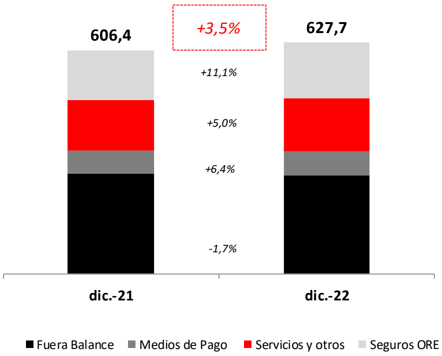


The interest margin reaches 640,7 million euros. The 1-year Euribor closes 2022 above 3%.

On the other hand, the weight of Public Debt in interest income continues to be low. In this context, it should be remembered that historically, for reasons of management orthodoxy, and in relation to public debt instruments on the balance sheet, the "carry trade" or interest rate arbitrage between the ECB intervention rate and the yield of public debt, has been insignificant in Kutxabank (the smallest of the Spanish entities supervised by the European Central Bank).

Income from services together with income related to the insurance activity (mostly included in the Other operating results heading) amounted to 627.7 million euros, 3.5% more than in 2021. It should be noted that This increase is also achieved in a context marked by the high volatility of the markets during the year, which has conditioned the income related to off-balance sheet funds. This positive evolution has been based on a greater general activity of clients, which has allowed the global increase of this item, together with the positive evolution of income related to insurance, which has increased by a significant +11.1%.

Income from services and income linked to insurance registered in ORE reached 627,7 million euros. Especially noteworthy is the insurance activity, which grew by 11.1%.



Core revenues from banking business as the sum of core revenues (net interest income and net fees and commissions) and revenues from insurance activity recorded in ORE amounted to EUR 1.268,4 million, 8.8% above December 2021 and significantly improving forecasts.

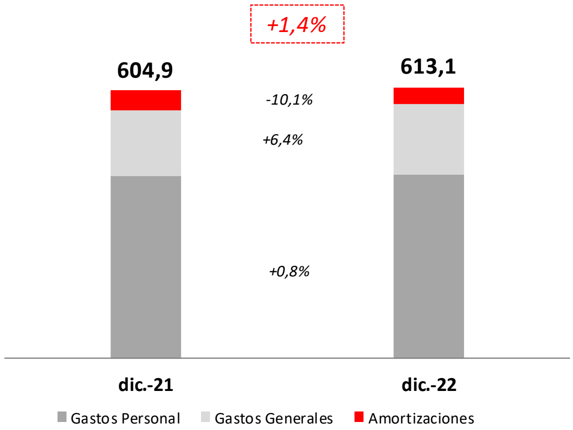
The positive contribution of results from **the investee portfolio** maintains its traditional strength. The contribution of recurring results from dividends and associates amounted to EUR 68,0 million.

In the **Other Operating Results** heading, the aforementioned positive and growing contribution of **the insurance business** stands out, 150,3 million euros, 11.1% more than in 2021. This growing evolution is achieved despite the crisis derived from the pandemic, and is the result of the intense and successful commercial activity generated in this line of business, one of the main objectives of the Group's Strategic Plan.

Other operating income includes, in negative terms, the cost of the Group's contributions to the Deposit Guarantee Fund and the National Resolution Fund, as well as other rates such as those linked to the patrimonial provision of deferred tax assets, or the tax on customer deposits.

This, once **the result for financial operations and exchange differences** (+48.3 million euros) has been allocated, the **Gross Margin** reaches 1,270.4 million euros, 11.7% higher than in 2021. This increase shows manifested the muscle and strength of the Group's recurring revenues.

Operating expenses, 613,1 million euros, rose 1,4%, although well below the CPI. Personnel expenses increased by 0,8% compared to the previous year and general expenses, on the other hand, increased by 6,4% compared to 2021. For their part, amortizations have decreased, standing at 39,4 million, below 2021. This continues to demonstrate the effectiveness of the entity's cost moderation and resource optimization policy and highlights efficiency management as one of its fundamental strategic objectives.



Operating expenses stand at 613,1 million euros, 1,4% higher than on the past year, althpugh well below the CPI.

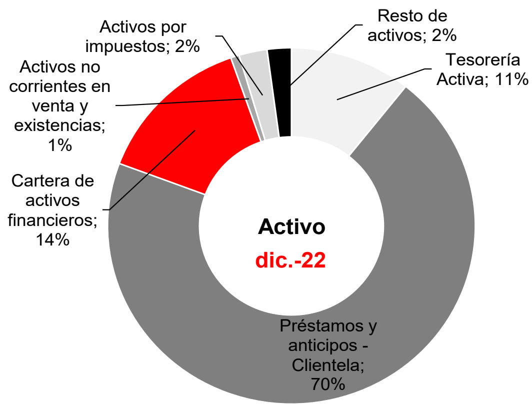
With all this, the **Operating Margin** stands at 657.3 million euros.

Regarding the levels of **impairment provisions** of the credit portfolio and other assets, the important efforts already made in the past on credit risks, allow ordinary provisions to be lower in 2022 than those of the previous year. In total, the amounts provided amount to 232.3 million euros, a significant amount in line with the maximum levels of prudence in the coverage of credit risk, real estate and other contingencies required by the entity.

After including the income derived from the sale of real estate and holdings recorded in "Other gains and losses" (+32.2 million euros), the result before taxes rises to 457.3 million euros. With all this, once the taxation of the results is considered, the **consolidated profit** of the Group amounts to 330.5 million euros, 52.7% more than in December 2021. The Cajasur Group has contributed to this result with 24 ,6 million euros.

Balance Sheet

At the end of December 2022, **the total size of the Kutxabank Group's Balance Sheet amounted to** 66,588 million euros, 1,2% more than the previous year's figures.



On the **asset** side, 70% of the balance corresponds to Loans and advances to customers, a heading that presents a negative variation of 889 million euros, 1.9% below 2021. This drop is only partially offset by the There was an increase in the item "Cash, cash balances at central banks and other demand deposits", which experienced an increase of 833 million euros, thus increasing the percentage of Active Treasury on the entity's balance sheet. Also noteworthy is, on the one hand, the increase in the positions of the fixed-income portfolio, in the different items of "Debt Securities", which grew in the year by more than 1,000 million euros and, on the other, the decrease of 127 million under the heading "Non-current assets and alienable groups of elements that have been classified as held for sale".

On the **liability** side, the weight of customer deposits reaches almost three quarters of the balance sheet, increasing by 2.8% compared to December 2021. This increase also occurs considering the maturity of more than 500 million bonds mortgage. Excluding the balances of covered bonds, customer deposits grew by 4%. Finally, including off-balance sheet customer funds, our customer's total managed funds amounted to 77,042 million euros, an increase of 1.6% compared to the close of the previous year. On the other hand, the entity's passive treasury decreased by 3.5%, mainly due to lower positions both in central banks and in other credit institutions.

Miles de €	dic.-22	dic.-21	Δ%
Efectivo,saldos en efectivo en bancos centrales y otros depósitos a la vista	6.526.325	5.692.988	14,6
Activos financieros mantenidos para negociar	52.042	61.770	(15,7)
Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados	38.730	56.791	(31,8)
Activos financieros designados a valor razonable con cambios en resultados	0	0	n.a.
Activos financieros a valor razonable con cambios en otro resultado global	5.411.067	5.895.291	(8,2)
Activos financieros a coste amortizado	50.900.935	50.150.177	1,5
Valores representativos de deuda	3.688.125	2.132.909	72,9
Préstamos y anticipos	47.212.810	48.017.268	(1,7)
. Préstamos y anticipos - Entidades de crédito	585.478	501.109	16,8
. Préstamos y anticipos - Clientela	46.627.332	47.516.159	(1,9)
Derivados- contabilidad de coberturas	33.874	47.854	(29,2)
Inversiones en negocios conjuntos y asociadas	147.356	169.425	(13,0)
Activos amparados por contratos de seguros y reaseguro	31.104	27.893	11,5
Activos tangibles	762.505	796.070	(4,2)
Activos intangibles	432.909	401.547	7,8
Activos por impuestos	1.646.157	1.744.522	(5,6)
Otros activos	186.437	214.308	(13,0)
de los que existencias	*82.833*	*92.719*	*(10,7)*
Activos no corrientes y grupos enajenables de elementos que se han clasificado como mantenidos para la venta	418.559	546.040	(23,3)
TOTAL ACTIVO	**66.588.000**	**65.804.676**	**1,2**
Pasivos financieros mantenidos para negociar	54.976	65.578	(16,2)
Pasivos financieros a coste amortizado	58.400.452	57.263.411	2,0
. Depósitos - Bancos centrales	6.153.014	6.181.399	(0,5)
. Depósitos - Entidades de crédito	210.340	411.610	(48,9)
. Depósitos - Clientela	49.293.488	47.945.203	2,8
. Valores representativos de deuda emitidos	2.109.029	2.232.749	(5,5)
. Otro pasivos financieros	634.581	492.450	28,9
Derivados- contabilidad de coberturas	363.700	445.861	(18,4)
Pasivos amparados por contratos de seguro o reaseguro	575.316	621.395	(7,4)
Provisiones	402.081	471.933	(14,8)
Pasivos por impuestos	341.735	379.364	(9,9)
Otros pasivos	250.603	247.169	1,4
TOTAL PASIVO	**60.388.863**	**59.494.711**	**1,5**
Fondos propios	5.809.576	5.802.045	0,1
Otro resultado global acumulado	382.414	500.336	(23,6)
Intereses minoritarios	7.147	7.584	(5,8)
TOTAL PATRIMONIO NETO	**6.199.137**	**6.309.965**	**(1,8)**
TOTAL PATRIMONIO NETO Y PASIVO	**66.588.000**	**65.804.676**	**1,2**

* 2021 se presenta, única y exclusivamente, a efectos comparativos

The Kutxabank Group **Net Customer Loans** ended December 2022 with 46,627 million euros, presenting a decrease of 1.9% compared to December 2021. However, if we consider the Gross Credit Investment (without "Valuation adjustments" and without "Other financial assets") there is an increase compared to 2021 of 0.2%, increasing to 0.8% excluding doubtful assets. By items, credit to the "Public Sector" grew by an important 8.6% (+412 million), to which is added the rise in the items of "Other term debtors" (+119 million), "Debtors to the sight" (+37 million) and "Commercial Credit" (+238 million), which offset the drop in the item "Debtors with real collateral" (-452 million).

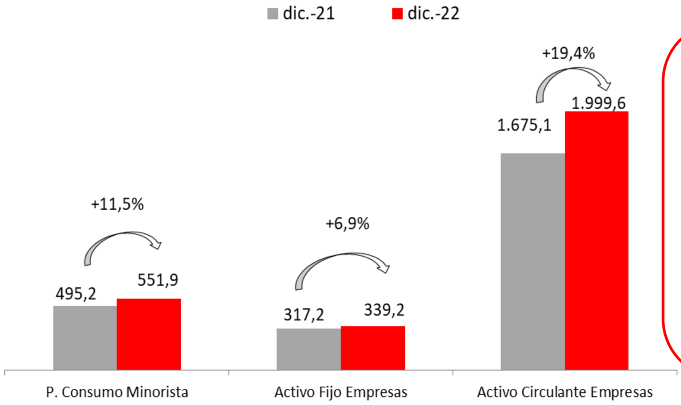
Miles de €	dic.-22	dic.-21	Δ%
SECTOR PRIVADO	42.512.041	42.820.674	(0,7)
Deudores garantía real	32.765.148	33.216.872	(1,4)
Otros deudores a Plazo	7.221.827	7.102.413	1,7
Deudores a la vista	1.024.506	987.735	3,7
Crédito Comercial	736.061	498.396	47,7
Arrendamientos financieros	107.988	108.720	(0,7)
Activos dudosos	656.511	906.538	(27,6)
SECTOR PUBLICO	5.187.496	4.775.734	8,6
Sector Público - situación normal	5.187.482	4.768.711	8,8
Activos dudosos Sector Público	14	7.023	(99,8)
INVERSION CREDITICIA BRUTA	**47.699.537**	**47.596.408**	**0,2**
Ajustes por valoración	(1.557.927)	(568.650)	174,0
INVERSION CREDITICIA NETA	**46.141.610**	**47.027.758**	**(1,9)**
Otros activos financieros	485.722	488.401	(0,5)
CRÉDITO A LA CLIENTELA (*)	**46.627.332**	**47.516.159**	**(1,9)**
Promemoria: Inc. Cred. Bruta exdudosos	*47.043.012*	*46.682.847*	*0,8*

(*) Se considera solamente el crédito a la clientela incluido en la cartera de activos financieros a coste amortizado.

The Kutxabank Group in the 2022 financial year, in a context marked by the rise in interest rates and in a highly competitive market, has registered a contracted volume of mortgage loans of 3,173 million euros, below the same period of 2021, although always with the Focus on preserving margin and credit quality.

Greater dynamism has been seen in the new contracting of consumer loans, the volume contracted in 2022 reached 552 million euros, 11.5% higher than the accumulated figure of the previous year.

In the same way, the good performance of the activity in the business banking business continues with regard to the new contracting of both fixed assets and working capital, despite the market environment. In this sense, the new contracting of fixed assets has increased by +6.9% and working capital by +19.4%. It should be noted that between the two, the new formalizations exceeded 2,300 million euros in the year. In this area, in addition, significant progress can be seen in the diversification of resources and products, to which is added, despite the crisis, the maintenance of a high level of quality of the credit portfolio

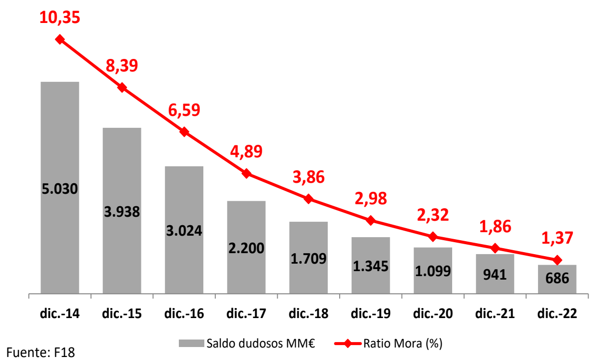


The new contracting of consumer loans in retail networks in 2022 reaches 552 million euros, 11.5% more than in the previous year.

On the other hand, contracts in Companies exceed 2,300 million.

The downward trend in the **NPL ratio** of the Kutxabank Group continues. The balance of doubtful assets, including contingent risks, decreased by 256 million in the year with a drop of 27.1%, and supports the continued improvement of the NPL ratio which, in December 2022, is already below 1, 40% reaching 1.37%, 48bp less than the ratio with which 2021 closed.

All this confirms the maintenance of a level of credit quality, well above the average for the financial sector, which closed November 2022 (latest data available) with a delinquency rate of 3.68% for "Loans to Other Private Sectors", 228bp above the entity's comparable credit delinquency rate, which amounts to 1.40%. In this way, the Kutxabank Group reaffirms its solid position to face potential negative economic impacts in the future, to which is added an exposure to moratoriums and guaranteed financing well below the sector average and a robust management model.



Fuente: F18

Doubtful assets decrease by 256 million in 2022. The NPL ratio, includin.g contingent risks, stands at 1.37%, having decreased by 48bp in the year

Managed Customer Funds, without considering wholesale issues, amounted to 77,042 million euros, with an increase of 1.6% compared to December 2021. Customer deposits (excluding mortgage bonds) grew by an outstanding 4.0 %, supported by the evolution of the public sector (+24.8%) and the positive evolution of sight deposits (+7.4%).

As previously mentioned, off-balance sheet funds have been widely affected by the increasing instability and volatility of financial markets, which has had a major negative impact on valuations. Despite this, there has been an excellent behavior of deposits, especially in investment funds, whose growth is the result of the successful management that the entity has carried out in the area of off-balance sheet resources, with delegated portfolios as a tool fundamental and taking advantage of the rate situation to be able to provide other investment alternatives to the most conservative clients with the issuance of horizon funds. This effort is reflected in the balance of investment funds, which has grown by 7.0% compared to the previous year.

This excellent result has led the Group to position itself as the third entity with the most net subscriptions during 2022 and to increase its market share in the sector.

In the same way, the good activity in pension plans is maintained despite the complexity in the environment and the reduction of the contribution limits in the pension plans.

In this way, the firm commitment of the entity to investment and pension funds, accompanied by the excellent work in managing them, places the Kutxabank Group as the fourth largest manager in the State.

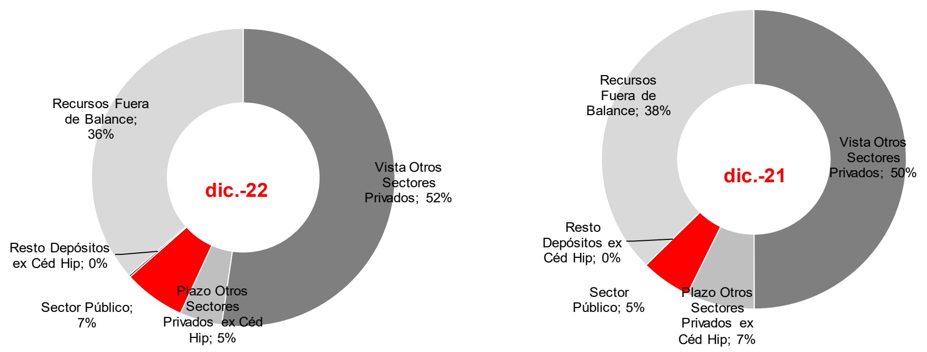
Miles de €	dic.-22	dic.-21	∆%
Fondos de Inversión	13.887.766	12.975.922	7,0
EPSVs y Fondos de Pensiones	7.594.424	8.416.573	(9,8)
Carteras de Clientes gestionadas discrecionalmente	9.980.218	10.839.295	(7,9)
Comercializados pero no gestionados por el Grupo	87.625	103.842	(15,6)
RECURSOS GESTIONADOS FUERA DE BALANCE (*)	**31.550.033**	**32.335.632**	**(2,4)**

Miles de €	dic.-22	dic.-21	∆%
Depósitos de la Clientela Ex - Financiación Mayorista	48.983.574	47.118.012	4,0
Recursos gestionados Fuera de Balance (*)	28.058.717	28.706.442	(2,3)
RECURSOS DE CLIENTES GESTIONADOS	**77.042.291**	**75.824.454**	**1,6**

(*) En el cuadro superior se incluyen los Recursos Fuera de Balance brutos de inversiones duplicadas; en el cuadro inferior se presentan netos de tales inversiones.

Miles de €	dic.-22	dic.-21	∆%
OTROS SECTORES PRIVADOS	43.904.632	43.047.173	2,0
Depósitos a la vista	40.276.889	37.506.280	7,4
Depósitos a Plazo (ex cédulas hipotecarias)	3.480.869	5.538.959	(37,2)
Cesión Temporal Activos	136.107	1.213	11.120,7
Ajustes por valoración	10.767	721	1.393,9
SECTOR PUBLICO	5.078.942	4.070.839	24,8
DEPÓSITOS DE LA CLIENTELA EX- FINANC MAYORISTA	**48.983.574**	**47.118.012**	**4,0**
Cédulas Hipotecarias	309.914	827.191	(62,5)
DEPÓSITOS DE LA CLIENTELA	**49.293.488**	**47.945.203**	**2,8**

Distribution Graphs Managed Client Resources and Off-Balance Resources



Kutxabank also has a **portfolio of financial assets** of 9.285 million euros, of which 7.634 million euros are fixed income securities, an item which grew by 15,8% in 2021. Equity instruments, for their part, both those "not held for trading valued at fair value through profit or loss" and those "designated at fair value through other comprehensive income" as well as in "Investments in joint ventures and associates" , represent 1,652 million euros and decrease by 0,7% compared to the previous year. This portfolio is the result of the entity's commitment to the industrial and social fabric of the environment. Although, in general, the investments are of a strategic nature with a clear vocation for permanence, this does not prevent the portfolio from being subject to a process of continuous review, always in line with the cycles of the projects in which it participates and adjusted to the levels of capital and managing the risk of concentration.

Miles de €	dic.-22	dic.-21	∆%
Activos fros no destinados a negociación valorados obligatoriamente a VR con cambios en resultados			
Instrumentos de patrimonio	23.880	35.108	(32,0)
Valores representativos de deuda	14.850	21.683	(31,5)
Activos fros designados a valor razonable con cambios en resultados			
Valores representativos de deuda	0	0	n.a.
Activos fros a valor razonable con cambios en otro resultado global			
Instrumentos de patrimonio	1.480.453	1.459.429	1,4
Valores representativos de deuda	3.930.614	4.435.862	-11,4
Activos fros a coste amortizado			
Valores representativos de deuda	3.688.125	2.132.909	72,9
Inversiones en negocios conjuntos y asociadas	147.356	169.425	(13,0)
CARTERA DE ACTIVOS FINANCIEROS	**9.285.278**	**8.254.416**	**12,5**

The Kutxabank Group's **equity** at the end of 2022 amounted to 6.199 million euros, 1,8% more than at the end of the previous year, although it includes a 0,1% increase in shareholders' equity.

This solid position maintains the Kutxabank Group as one of the most capitalized entities in Europe, a strong position that has been achieved without resorting to public aid of any kind, or to raising capital or hybrid instruments placed on the market, or, of course, among customers. Thus, in the Transparency Exercise carried out by the European Banking Authority in 2022, the Kutxabank Group was once again at the head of the Spanish financial sector in terms of solvency.

Miles de €	dic.-22	dic.-21	∆%
Fondos propios	5.809.576	5.802.045	0,1
Capital Social	2.060.000	2.060.000	0,0
Reservas	3.569.332	3.525.587	1,2
Resultado atribuido al grupo	330.528	216.458	52,7
Dividendo a cuenta	(150.284)	0	n.a.
Otro resultado global acumulado	382.414	500.336	(23,6)
Intereses minoritarios	7.147	7.584	(5,8)
PATRIMONIO NETO	**6.199.137**	**6.309.965**	**(1,8)**

In accordance with the duty of information contained in RDL 1/2010, of July 2, which approves the consolidated text of the Capital Companies Law, it is reported that in the 2022 financial year the average period of payment to suppliers in the Kutxabank Group has been 13,94 days.

3. COMMERCIAL ACTIVITY

The **mortgage market** in 2022 has continued to be very active, but the normalization of interest rates has marked a change in the cycle in the dynamics of the product. Fixed-rate mortgage loans started the year strongly, however, in the second half of the year variable-rate and mixed-rate loans ended up boosting given the new reality of interest rates.

The Group has a wide range of products for both the acquisition and rehabilitation of housing, with different options in terms of interest rates and payment methods. Additionally, in the last part of the year a new modality has been launched to reduce the impact that the aggressive rise of the Euribor can have on customers (Decreasing Variable Euribor). Likewise, the Group has the broadest and most flexible bonus plan on the market, which is aligned with the entity's commitment to defending the environment and energy sustainability through the green bonus, which rewards the purchase of homes with Highly qualified Energy Certifications.

Within the new digital era and the new business opportunities that are emerging, it is worth highlighting the collaboration agreements that the Kutxabank Group has signed with a dozen Real Estate Credit Intermediaries. Through these agreements, it seeks to respond to the most digital customers and attract potential customers who demand a remote service but always supported by the entity's network of offices. All mortgage prescribers agree in highlighting the attractiveness of the Kutxabank Group's offer, and in positioning it among the benchmark entities in the mortgage world.

In mortgage matters, we continue to maintain digital content aimed at attracting business opportunities, such as the Housing Guide, simulators, the Landing of new construction or the Landing of the mortgage process (mortgage milestones).

The contracting carried out by the commercial network through the Vcard digital tool continues to stand out, representing practically 23% of the total contracting, generating a volume of close to 730 million euros thanks to the proactivity of the commercial network. Since 2018, we have accumulated a volume of 2,500 million euros in Mortgage Loans formalized with Vcard origin.

Regarding the forms received through our digital mortgage content (simulators, housing guide, etc.), almost 500 million euros have been formalized.

In total, more than 1,250 million euros in mortgage loans with digital origin have been formalized (Vcard, PH Web and Portals). This represents 38% of the total volume contracted in Kutxabank (70% in the Expansión network).

The activity carried out in the field of **consumer loans** has closed the year with a figure of more than 550 million euros in new consumer loans in retail networks, representing growth of 11.5% compared to last year. The incorporation of technological channels to this credit activity has continued, which has allowed the number of people who formalize financing operations through online banking and mobile banking to continue increasing. Efforts focused on the number of people who can benefit from the so-called 'pre-granted' loans, whose portfolio reaches 1.73 million clients and a sum of 51,344 million euros, have also continued.

Throughout the year, the Kutxabank Group has also continued to **support companies** with liquidity and working capital financing, in many cases under the agreements signed with various administrations. Both Kutxabank and Cajasur have adhered to the relaxation of certain measures of the Code of Good Practices proposed by the Agreement of the Council of Ministers of March 2022, referring to operations guaranteed by the ICO.

Throughout the year, the Kutxabank Group has continued to support the self-employed and companies through financing lines both for investment projects and to meet liquidity needs. Agreements have been signed with the State Public Administration (ICO Loans), with the Autonomous Administration (Basque Government, Junta de Andalucía and Junta de Castilla la Mancha) and with Mutual Guarantee Societies (Elkargi SGR, SGR Guarantee).

Likewise, the Group has signed the Addendum to the Contracts of the ICO Guarantees Covid-19 Lines, which enables, according to the proposal of the Council of Ministers of June 2022, the possibility of extending the maturity period of the financing granted.

We maintain the Kutxabank Next agreements with the Basque employers' associations and Cajasur Next with the Confederation of Businessmen of Córdoba and the University of Córdoba, signed in 2021. The main objective of all these agreements is to promote and support the recovery of companies, through the design of a plan for optimal use of the Next Generation Funds together with the complementary financing.

The Kutxabank Next and Cajasur Next tools have been provided with more content, to facilitate access to information on Next Generation aid. Those clients registered in the tool receive monthly newsletters with specific information on those grants that fit their profile.

We continue to send our client companies a newsletter summarizing news of interest and directing visits to our blog, the "Magazine Kutxabank Empresas" which aims to provide companies with information of interest related to the business world: economic and financial news, information on aid, situation and treasury reports, infographics as well as current campaigns. Always with easily accessible forms for clients or potential clients, with the aim of giving increasing weight to results-oriented digital marketing. Up-to-date news about Next Generation has been sent in each newsletter to reinforce the momentum of these funds.

On the other hand, the Kutxabank Business Plan has continued, with intense commercial activity for equipment and offices: commercial credit contracting in 2022 at Kutxabank has exceeded 91.9 million euros (+8% vs. 2021).

In the case of Cajasur, trade credit contracting now exceeds 11.7 million euros. With regard to our businesses, and in the same line of growth as in recent years, the billing of our POS terminals in 2022 has grown by more than 11% compared to 2021, highlighting the billing of virtual POS terminals, which has grown by 43%.

In addition, the Kutxabank Group has continued to market the BIZUM NEGOCIOS solution that was launched in 2020, and which has already been contracted by more than 1,000 businesses. This solution allows payment through Bizum both in person -through a QR code- and in distance sales, by sending the customer an email or SMS.

Due to the entry into force of the TicketBAI regulation, which implies the obligation for businesses to electronically transmit their billing information to the Treasury, Kutxabank began marketing the TicketBAI POS, which includes everything necessary for small businesses with a low level of digitization can comply with the aforementioned regulations. This launch has been very positively received by our clients, and there are already more than 600 who have contracted it since its launch in mid-September.

Likewise, more than 23,000 Kutxabank Group businesses have the possibility of offering deferral of their purchases to their customers for 3, 6, 9 and 12 months through the POS, unassisted, without paperwork, and in a safe and transparent manner. for the end user.

Regarding the Insurance business, it should be noted that we have continued in the line of promoting the integral insurance of our clients by making available to our commercial network a wide range of tools that favor the achievement of said objective.

As far as recruitment is concerned, home and car insurance campaigns have been carried out with highly relevant promotional incentives, the first subsidizing insurance outside of mortgage operations: "half a year of home insurance, free" and the second aimed at capture policies from the competition, improving the insurance premiums of our clients in other companies: "bring your auto insurance, and we will lower the price".

Likewise, with the aim of completing and improving our Home Insurance offer, the marketing of a new supplement called "Premium Pack" has been launched. The new Pack expands and improves the coverage and services covered in Home insurance, turning the current policy into a high-end product, in line with other premium products from the competition. To support its launch, a campaign has been developed consisting of giving away the first year of the pack to new hires between June and September.

At the end of the year, the traditional Health campaign was developed, both with Sanitas in the Expansión and Cajasur networks, and with IMQ in Kutxabank's Local Networks. The first based on the gift to new hires of the BluaU digital complement and the second focused on a cash gift to each new insured.

During 2022, volatility has returned to the **markets**, both in variable income assets and in fixed income assets. With regard to fixed income, it should be noted that in this financial year 2022 the downward trend in interest rates of recent years has been interrupted, since they have rebounded significantly. This has occurred in both government and interbank debt, which has had a negative impact on valuations. For their part, the main variable income indices also accumulate losses at the end of this 2022.

Despite all this, in this period the strength shown by the net subscriptions in **investment funds** stands out. In general, the key has been to provide alternatives with greater added value, with delegated portfolios as a fundamental tool and adaptation to the investor profile of each client as an action strategy. It has also contributed to having other investment alternatives that allow transferring a defined return in a specific time horizon. In this sense, the aforementioned rise in rates has allowed the launch of four new funds with a target return to maturity: Kutxabank RF Horizonte 15 FI, Kutxabank RF Horizonte 16 FI, Kutxabank RF Horizonte 17 FI and Kutxabank RF Horizonte 18 FI .

The Kutxabank Group, at the end of 2022, with a total managed assets of more than 31,200 million euros, ranks as the fourth managing group in the sector in investment funds, pension plans and EPSVs. In this regard, in the figures relating to investment funds, it should be noted that Kutxabank has continued to stand out in net deposits throughout the year, remaining in the first three positions in net inflows. Much of this behavior is due to the discretionary portfolio management model that, since its inception just over 16 years ago, has established itself as our main value proposition.

As far as **pension plans** are concerned, this 2022 the catalog of incentives for contributions to plans has been renewed, updating the gifts and making a brochure with a smaller number of articles (due to the lowering of the limit on state contributions). As a novelty, the requirement of an active quota has been incorporated in the profiled plan to access the catalog (thus rewarding customers who commit to saving periodically).

The contribution simulator continues to be the main commercial tool to guide our clients in the most appropriate plan and fee for their personal situation. On the other hand, Online Banking and Mobile Banking continue to grow, and our customers increasingly use these channels to gather information to help them prepare for their retirement.

In the current regulatory context regarding post-employment pension plans, the Group has started to develop an employment pension plan.

In the context of **means of payment**, Covid-19 has redefined payment habits and methods, motivated by the change in consumer behavior, increasing the use of cards as well as online purchases, with special mention to the rise of payments through mobile.

This change in consumer behavior has promoted payment methods adapted to new trends: Buy Now Pay Later, Buy Better, Pay Smart, Social Payments.

All this translates into an increase of more than 17% in billing in businesses with cards and 21% in income derived from the use of cards in businesses.

During 2022, the Plazox service for credit cards has been launched, consisting of offering the deferral of purchases to 3-6-9-12 months at the point of sale through the merchant's POS.

On the other hand, we continue to focus on the strengthening and functional improvement of our offer of digital payment solutions, especially important in the described context.

From the KutxabankPay/CajasurPay app, our customers can make Bizum payments between individuals, make donations to NGOs, and pay for purchases in stores. We continue to promote the acceptance of Bizum in electronic commerce as a complement to card payments and in measures to improve conversion and the user's shopping experience. The growth of electronic commerce has also been seen during this year accelerated by the pandemic situation experienced and stands, in our case, at 19% over the previous year.

At the end of the year, the Kutxabank Group had more than 725,000 Bizum users, 90% of them active in the last quarter, and 50% with an active Bizum password for online purchases. More than 1,600 businesses have a Bizum contract with the Group, and 714 NGOs have enabled the possibility of receiving donations through Bizum in Kutxabank Group accounts. In this regard, a platform has been developed for them to channel donations from individuals called BIZUM HELP.

The KutxabankPay/CajasurPay app also allows customers with an Android device to pay in physical stores with HCE technology, an option that we also offer through other wallets that complement our offer: Apple Pay for users of IOS devices; Samsung Pay and Google Pay for Android device users. Mobile payments have experienced exponential growth and already represent 16% of payments in physical commerce with our cards.

We have also continued to promote payments with Bizum in our virtual stores, as well as actions aimed at activating the DCC in our dataphones.

Likewise, the various institutional voucher programs focused on boosting consumption in the hospitality, commercial, tourist and cultural sectors have been supported with the collaboration of our ticketing technology partner, Impronta.

The Kutxabank Group has continued to commit to adding value to the different customer segments:

Advantages continue to be provided to all holders of our children's savings plans: Gaztedi and Plan A, with activity programs, promotions, raffles and contests, many of them online. All these activities have been hosted in the specific space of the web in which they can be filtered by location and age to guarantee a more comfortable search. The Activities Program can be accessed from the web, Mobile Banking or from the App.

The opening of "Planes Gaztedi/Planes A" has been promoted through the delivery of welcome items, and the incentive campaign for promote the contracting of Investment Funds on behalf of minors, promoting financial education and long-term and final savings. This campaign has been very well received by customers.

At the end of the 2022 financial year, contracts for investment funds and delegated portfolios owned by minors increased by 23% in Kutxabank, reaching 12,523 contracts for minors and 48.3% in Cajasur, closing the year with 2,593 funds. of investment contracted.

Young people have continued to be in the spotlight: with products without commissions and with preferential conditions such as the youth payroll account, the youth mortgage or the youth cash; with a program of discounts and advantages associated with the K26 card; with loyalty actions such as direct gifts to all customers on specific dates or welcome details to the segment. In this sense, the customer acquisition campaign carried out through incentivizing direct debit of payroll has been especially proactive with young people, with specific posters highlighting the economic incentive and with more flexible requirements for the young segment up to 35 years of age. . In addition, products such as the Youth Mortgage up to 95% of the appraisal or purchase value have been highlighted. In the last quarter of the year, the campaign to attract Investment Funds was also launched, trying to promote the culture of gradual savings and investment as a way of obtaining profitability for the future, which has favored the hiring of more than 200 Funds for young customers who are doing it for the first time, supporting them with the incentive of technological items (wireless headphones or smartwacht).

All these campaigns aimed at the segment are carried out under the umbrella of the young Kutxabank brand, kutxabankKorner and cajasurKorner, within the framework of a digital plan that aims to consolidate both entities as a reference bank for young people, promoting the digital channel to establish relationships with them: with an enriched site, with new functionalities in mobile banking or with an intense presence through customer newsletters and on social networks. The dynamization through our profiles in the different networks has been especially active with this group of clients, with various actions with the main objective of increasing the number of fans, so that we have greater reach in our organic publications.

The App is customized for this segment, with simpler and more visual menus, including the products that are most consumed, following market trends and integrating non-financial content such as the Korner space.

The proximity to the university environment is noteworthy through the 4 events with which we have collaborated with Deusto Business Alumni, the DBA Afterwork, which are held in Bilbao, Donostia-San Sebastián and Madrid, as well as online. In this same sense of promoting knowledge and accompanying and helping university students during their academic stage, by virtue of the Agreement between Kutxabank and UNED Bizkaia, the Awards for the best academic records were awarded in June.

As an initiative to stay close to the opinion of young people, the #KutxabankKornerChallenge has been launched; an active survey among young customers and non-customers, through a design thinking dynamic and using games, challenges and competition to find out their opinion on banking products and services. Twenty-five young people from the main university centers in the Basque Country participated.

The elderly are also a priority focus of attention for the Kutxabank Group. Throughout the year we maintain a program aimed at them to retain our loyal customers, including sending information in 100% Kutxabank and 100% Cajasur newsletters, with periodic raffles, offers and permanent discounts. At the beginning of the year, the 2022 Trips for 100% People were launched by Viajes Azul Marino and in September it was reinforced with the Autumn-Winter campaign, with a highly appreciated value offer within the Senior Segment, since it enjoys great prestige. We continue with the Welcome Pension campaigns and the campaign to attract Payroll and Pensions with a gift, the latter relaunching and improving the amount of the economic incentive in the last quarter of 2022.

We continue working on its digitization through actions through campaigns or with the promotion of the Palabras Mayores blog, the initiation version of our App, which provides an easier and more intuitive experience, as well as with the kutxabankcontigo.es and cajasurcontigo.es that include the main functionalities of the digital tools focused on this segment.

Within our offer, specifically in the field of housing, we have the Pensium program, a service that helps the elderly to maintain their quality of life by facilitating the payment of the residence with the advance of the necessary rentals of their home in the propiety. In September, with the campaign that Pensium launched on various media, including television, to publicize this product, we took the opportunity to spread it among our customers and thus remind them of the service again: with various news items on the blog, banners on the web, newsletters.

Within the framework of the sectoral agreement, from March 15, 2022, the Kutxabank Group carried out different measures to improve the attention to our elderly customers: extension of the face-to-face hours of the cashier's service (from 8:30 a.m. to 2:00 p.m. :00), preferential and free telephone attention.

Conversationes Gente 100% have also been prepared, with an orientation and content that is above all relational at relevant moments in the client's life, with the aim of making them feel our closeness, trust and support for whatever they need. They are intended to be a guide to help orient our proactive commercial action with older customers.

We have participated in various forums around the Silver Economy with the aim of learning about and exploring opportunities of interest around the elderly in which we can enrich our offer for the segment. One of these meetings, led by Adinberri, gave rise to a video that will be disseminated among the participating entities in order to publicize our value offer in greater depth in meeting the financial and service needs of the old people.

The **agricultural sector** has continued with an important activity, thus Cajasur maintains an agricultural business of more than 3,511 million euros among its nearly 65,000 clients.

In the same way and in line with the Group's policy, one of the objectives of the Agrarian Service is the commitment to the economic, social and environmental development of the Andalusian Community, a sustainable business model, common in the Kutxabank Group to which Cajasur belongs. , which integrates ESG criteria (environmental, social, governance) and works to comply with the UN Sustainable Development Goals. Thus, during 2022, the Agrarian Service formalized a total of 133 financing operations encompassed within the ecological and sustainable economy, the so-called green loans, for a global amount of more than 18 million euros.

Regarding **Social Networks**, the Kutxabank Group has exceeded 207,000 followers in 2022, with LinkedIn and Instagram being the most popular social networks. During 2022, more than 2,200 news items have been published. Through social networks we have disseminated our campaigns and activities, and we obtain contact and business opportunities, particularly for mortgage offers.

In a context of constant changes and great technological advances, the Kutxabank Group continues with the challenge of digitization, aware of the need to respond to an increasingly digital client, who is looking for exclusivity and a satisfactory experience.

At the end of the year, 60% of the Group's customers were digital users. The percentage has risen three points compared to the same period of the previous year.

It should be noted that the Kutxabank Group has made a significant effort to incorporate new technological solutions to be present in the day-to-day life of our customers, creating today the digital experience for the customer of the future.

We continue to listen to our customers and apply the "Agile" methodology with the aim of optimizing and accelerating the processes of implementing new services. Some of the improvements and novelties launched this year are: request for certificates, prior video interview appointment for Contak clients, automation of the notification registration process, optimization of the online banking loan contracting process, online management of termox operations or the "llamame" contracting service in *seguro hogar* .

In the App we highlight, among others, the improvements related to accessibility for the blind on Android, the personalization of accounts, the reinforcement of security or the payment of bills. More operations in investment funds (queries, subscriptions and reimbursements) and contracting with the support of the manager. Likewise, we have incorporated new personalized notifications (purchase-sale of securities, card statement collection), the possibility of contracting insurance with the "call me" service, or improvements in the sending and monitoring of the pro forma invoice of the loan contracting process, and other functionalities that allow us to improve efficiency and customer experience, such as the contextual menu of funds with related operations, the request for online certificates or the notices for ID renewal.

The first steps of the new omnichannel mortgage process have been taken for an improved and more complete customer experience with an advanced expense simulator, online pre-approval and optimization of some manager tasks.

Regarding the remote management service, new operations have been added through the omnichannel digital signature both for Individuals (first procedures of the mortgage loan application and evaluation phases) and for Companies (mandatory or optional signature of participants covering different types of signature (indistinct, joint,...) by the manager.

In addition, the video interview system has been promoted with new functionalities, renewed technical means and specific training.Customers who have this service enjoy all the advantages of close and exclusive attention , avoiding unnecessary trips to the offices. Measures continue to help and accompany the client at all times, promoting automated responses and client autonomy and special attention to the elderly group, offering priority attention on the 900 line to the elderly 65 years old, with an initiation version of the app, creation of the Kutxabankcontigo website, as well as digitalization training workshops.

In our commitment to sustainability, the Green MiFID is incorporated, which includes an option in the Suitability Test that allows us to know the profile of clients who wish to invest sustainably.

In this context of major technological changes, the mobile phone is the main key and the percentage of operations and total accesses registered in Grupo Kutxabank's online banking reflects that the mobile phone continues to grow as the preferred device to operate in digital channels (Online Banking, Mobile Banking and KutxabankPay/CajasurPay). Of the 324 million accesses that these channels received during the year, 85% were made through mobile phones, three points more than in the previous year.

They are also consolidated as strategic channels for contracting products. In this sense, digital sales, that is, those that are carried out omnichannel (online banking, mobile banking and remote signature) have increased by 34% compared to the previous year and now account for 43% of total sales for the Cluster.

Regarding self-service elements, the Kutxabank Group continues with the objective of renewing the ATM park. As ATMs are renewed, value-added services such as the contactless reader, which increasingly has more operational capacity, become more widespread. We already have numerous contactless options that offer more agility to our customers in our ATM network, just by bringing the card, mobile phone or smartwatch closer to the reader (quick withdrawal, balance inquiry and movements, cash deposit, transfers and transfers, payment and direct debit of receipts as well as registering and changing the mobile phone or obtaining the access code in the new online banking option), as well as the audio-guided operation for users with visual deficiencies or depositing cash.

As regards the business sphere, initiatives developed such as the digital signature for business procedures and the generation of digital guarantees stand out.

We underline the fully operational operation of the Next Generation platform in online banking that allows funds to be channeled towards value projects and assists companies and individuals in obtaining aid.

Branch network

At 31 December 2022, the Kutxabank Group had a **network of 709 branches**, of which 445 belonged to Kutxabank and 264 to Cajasur. The geographical distribution is as follows:

RED DE OFICINAS			
CCAA	Kutxabank	CajaSur	GRUPO
País Vasco	**269**		**269**
Bizkaia	137		137
Gipuzkoa	80		80
Araba	52		52
Andalucía		**264**	**264**
Córdoba		113	113
Jaén		38	38
Resto Andalucía		113	113
Madrid	69		69
C.Valenciana	25		25
Catalunya	26		26
Castilla-León	11		11
Cantabria	8		8
Aragón	7		7
Navarra	7		7
Galicia	7		7
La Rioja	7		7
Castilla-La Mancha	5		5
Murcia	2		2
Asturias	2		2
Total	**445**	**264**	**709**

4. RISK MANAGEMENT

Maintaining an appropriate global risk profile is a key feature in managing the Kutxabank Group, since it ultimately provides the greatest guarantee for the continuity of its business activities over time and, therefore, of its contribution to society, especially through the dividends paid to its owners, the banking foundations.

Risk strategy

In this regard, the strategic guidelines established by the Bank's governance bodies in relation to risk, which were included in the *Kutxabank Group Risk Appetite Framework*, set as a corporate objective the presentation of a medium-low risk profile, based on an appropriate risk management infrastructure (in terms of internal governance and the availability of material and human resources), a capital and liquidity base in line with its business model, and a prudent risk approval and management policy.

The aforementioned document complements the generic definition of the Bank's risk appetite level with the establishment of more specific qualitative and quantitative targets. On the qualitative side, the following basic features that should characterize the Group's risk profile are identified:

- The Group should base its business model on business lines that are viable at long term, supported by its structural strengths and managed with controlled risk levels

- The Group's governance structure should be closely aligned with prevailing international corporate governance standards, and should ensure that its governance bodies can discharge their risk management functions with the required standards of competence and independence

- The Group's risk management infrastructure should encompass all the types of risk to which it is exposed and include control frameworks proportional to their levels of complexity and significance

- The Group should hold a sufficient capital base to comply with the capital requirements associated with its risk portfolio from a three-fold perspective -regulatory, supervisory and internal-, in addition to having a capital buffer that is sufficient to ensure compliance in especially unfavorable scenarios

- The Group should maintain a financial structure that involves a moderate level of dependence on the wholesale financing markets and secures sufficient available liquid assets and alternative sources of financing to guarantee compliance with its payment obligations over a prolonged period of time, even in particularly adverse liquidity scenarios

Also, the *Kutxabank Group Risk Appetite Framework* identifies various risk indicators that mirror, in a summarised fashion, changes in the Group's global risk profile, and for which corporate objectives and observation and warning thresholds are established which, if exceeded, would automatically trigger the related management protocols. By regularly monitoring changes in the risk indicators included in this *Central Set of Indicators*, the Bank's governance bodies can access a summarised, up-to-date view of changes in the Group's global risk profile.

The *Risk Appetite Framework* rounded out its contribution to the Group's risk management strategy by formulating General Risk Management Strategies and designing an overall risk profile monitoring system.

The Group also has specific *Risk Management Manuals* for its most important risk factors, establishing the lines of action to follow in each instance.

Internal governance of risk management

In parallel, the Group has defined the broad lines of the internal governance of its risk management function by means of the *Internal Governance of Risk Management Framework*, which encompasses the following aspects, among others:

- The allocation of roles in the internal governance of Group risk management to the various participants

- Establishment of a corporate risk categorisation schematic

- Detailed definition of the role assumed by the Risk Management Function

- Methodological definition of the phases of the risk management cycle

- Establishment of levels of responsibility in the management of each risk category

- The specific allocation of responsibilities within the organisation for each area of responsibility by combining the risk category definitions with the established levels of responsibility

- Definition of the role allocated to the ICAAP and ILAAP processes within risk management

- Formulation of a risk matter specific market reporting policy

- Formulation of an internal risk culture dissemination policy

The internal governance guidelines of risk management under ordinary conditions, is complemented with a governance model designed to address exceptional situations, which is contained in the Group's Recovery Plan. This recovery plan addresses risk management under various hypothetical scenarios in which, following a sharp deterioration of its "vital signs", although they remain at levels compliant with the regulatory and supervisory capital adequacy and liquidity requirements, the Group would attempt to redress the situation using its own means, under an exceptional, autonomous management approach.

Solvency level

With regard to the capital base that supports the risks to which the Group is exposed, it is worth mentioning that as of December 31, 2022 the Total Capital Ratio of the Kutxabank Group, calculated according to the specifications included in the transitional calendars provided for in current legislation (phased-in version), stood at 17.61%, very similar to the 17.68% with which 2021 closed. In this way, the Group's solvency remains well above the requirements regulatory and supervisory requirements in force for the Kutxabank Group in 2023, which remain set at 11.70% (including a Pillar 2 supervisory requirement of 1.20% and a capital conservation buffer of 2.50%).

The developments in the calculation of the capital adequacy of financial institutions which are contained in Directive 2013/36/EU of the European Parliament and of the Council (known as CRD IV) and its subsequent versions, among which it is worth highlighting the EU Regulation 2019/876 (known as CRR II), as well as 2020/873 EU Regulation, which has introduced additional transitory adjustments in the solvency calculation in response to COVID-19 crisis.

The aforementioned regulation establishes various transitory periods, which result in the solvency ratio data in its phased-in version. from which Regulation (EU) No 575/2013 of the European Parliament and of the Council (known as CRR), are subject to various phase-in periods. If the definitive regulatory specifications were applied as if the aforementioned phase-in periods had already elapsed (*fully loaded* version), the Kutxabank Group's total capital ratio would be 17.21% in 2022.

It is important to point out that all the Group's eligible capital is capital of the highest quality (*Core Tier 1*), and the regulatory and supervisory requirements established by the ECB are for the Core Tier 1 ratio to be 7.675%.

When it comes to measuring the Kutxabank Group's capital adequacy position with respect to other financial institutions, it is essential to bear in mind that in order to calculate its risk-weighted assets the Group uses the standardised approaches envisaged in the legislation which, when compared to institutions that use internal models to perform this calculation, generally leads to higher levels of capital consumption for identical risk exposures. This methodological distortion does not affect the leverage ratio, which stood at 7.71% at 2022 year-end (compared with 8,55% in December 2021), comfortably above the average for the Spanish and European financial industries.

Main risk exposures

Mention must be made of the following in relation to the Group's main risk exposures in 2022:

Credit risks

The current economic context at the beginning of 2023 is marked by high inflation rates and the monetary restriction measures applied by the main central banks to combat them, with the consequent impact on expectations regarding the evolution of the level of economic activity. In fact, the consensus outlook for economic growth for this year is not very positive, with some divergence between those who expect a soft landing for the economy, and those who predict a hard landing, in which some European economies could occasionally fall into negative levels of economic growth. In any case, it is expected that the aggressive path of interest rate hikes undertaken by the main central banks will end up being reflected to a greater or lesser extent in consumption and investment decisions.

In this context, although it is expected that the payment capacity of economic agents will be affected, for the moment the Kutxabank Group has not verified appreciable deterioration in the average quality of its credit exposures.

In this line, the default rate of the Kutxabank Group's credit investment has continued to evolve downwards, closing 2022 at 1.37%, compared to 1.86% with which it had closed the previous year, significantly below than the average for the Spanish financial sector.

Likewise, the portfolios linked to public and sector initiatives aimed at supporting the most vulnerable segments during the Covid crisis (moratoriums and guaranteed financing) present a moderate default rate.

On the other hand, the direct exposures of the Kutxabank Group with individuals and/or legal entities from the countries directly participating in the war in Ukraine and with other clients with direct interests in the area are considered marginal.

The Group continues to work on the identification and management of those credit exposures with higher levels of risk. In this sense, by virtue of the macroeconomic projections managed and the eventual vulnerability of the borrowers in the face of the economic situation, the Group has continued devoting relevant amounts to the write-down of its credit exposures, with a net impact of 42.6 million euros on its Income Statement for the year 2022.

Financial risks

With regard to liquidity risk, the bank and its Group have a financing structure strongly based on the stable deposits of their customers, which allows their recourse to wholesale financing to remain at manageable levels. Likewise, its recourse to wholesale financing is characterized by its high diversification in terms of suppliers and maturities.

During 2022, the Group has maintained its comfortable liquidity position, closing the year with an LCR ratio of 233.48% and an NSFR of 133.55%. This strong liquidity position is partly due to the accumulation of customer deposits in a context in which savings rates, although declining, remain high, as well as the TLTRO III financing program launched in 2020 and extended in 2021 by the ECB, which allowed financial institutions to access high volumes of medium-term financing under very favorable conditions.

In addition to monitoring specific liquidity indicators, the management methodology for this type of risk contemplates a series of periodic exercises that attempt to assess the Group's liquidity position in the face of hypothetical adverse situations. These tests show the high capacity of the Group to resist hypothetical crisis situations.

On the other hand, the Group has various levels of exposure to market risk, mainly from its portfolios of debt instruments and equity instruments. The valuations of these portfolios have experienced very pronounced levels of volatility in 2022. While the capital instrument portfolios have ended the year with valuations similar to or even higher than those registered at the end of 2021, the debt instrument portfolios have experienced significant declines in their valuations, as a result of the increase in market IRRs, product of the rise in the interest rate curve of the euro combined with the increase in the credit spreads required by the markets.

Regarding the structural interest rate risk, the Group has continued to monitor the sensitivity of its balance sheet to movements in interest rates, managing the maturity structure and formalizing those hedges that it has considered appropriate, in such a way that it has been possible maintain limited impacts on the financial margin and on the economic value of the Group in the face of different scenarios of curve movements. In 2022, the significant rise in the euro interest rate curve has translated into increases in the current value of the flow portfolio associated with the Group's Balance Sheet.

Operational risks

On the other hand, the Group continues to actively manage the operational risks to which it is exposed. A wide range of risk factors falls under this category, ranging from risks related to physical assets to reputational risks, including legal, regulatory compliance, model, and technological risks, etc.

This type of risk has gained special prominence throughout 2022, especially after the Russian invasion of Ukraine. The economic sanctions approved against Russia, and later Belarus, the implementation of which to a large extent fell on financial institutions, have posed a technological, operational, reputational and regulatory compliance challenge, without any relevant materializations in this area to date.
The main materializations registered by the Group in 2022 have continued to be mainly related to legal risk, within a sectoral context characterized by high litigation.

Other risks

Throughout 2022 the Kutxabank Group continued to work on the design and implementation of specific control frameworks for other categories of risk to which it is exposed owing to its corporate personality, albeit within certain proportionality parameters with respect to the complexity and importance thereof. In this regard, it is worth noting the greater prominence that certain types of risks and specific risk factors are acquiring, among which it is worth mentioning climatic and environmental risk factors, which are being increasingly monitored and managed by the Group.

5. RESEARCH AND DEVELOPMENT

The Kutxabank Group maintained a policy of capitalising on technological resources, which led to improved efficiency and enhanced process rationalisation. Software was developed to provide cost savings, improve the quality of the service provided to customers and meet new technological and functional renewal needs. The Group continued to train its workforce and to adapt it to the new business requirements and to the need for ongoing professional development.

To facilitate this process, a training development strategy focusing on continuous learning, professional development and harnessing the latest technologies was implemented.

6. OUTLOOK FOR 2023

The equity and solvency situation of the Kutxabank Group, its prudent risk hedging policy, its proven low-risk local banking business model, focused on individuals and SMEs, and its proven capacity to generate recurring income, put them in the best position to face and overcome the challenges and difficulties that arise in the 2023 financial year.

7. EVENTS AFTER THE REPORTING PERIOD

The events that took place from 2022 year-end to the date on which these consolidated financial statements were authorised for issue are explained in explanatory Note 13 to the consolidated financial statements.

8. NON-FINANCIAL INFORMATION

The Kutxabank Group is firmly committed to Sustainability, trying to maximize the positive impact of its activity in the economic, social and environmental fields.

This commitment was inherited from the savings banks, which, today converted into banking foundations, are the bank's shareholders (holders of all of its social capital). The Kutxabank Group generates a growing and sustainable result that the Foundations revert to society through its Obra Social.

During 2022 there have been two important milestones in sustainability. The Sustainability Plan for the period 2022-2024 has been approved, which constitutes its roadmap in environmental, social and governance matters. The Sustainability Plan includes 21 initiatives with a direct impact on the SDG13, climate action, as well as another 27 social initiatives with a direct impact on various SDGs (Sustainable Development Goals), highlighting SDG4 quality education, SDG5 gender equality and SDG 12 responsible production and consumption.

Externally, the Group has been **evaluated by the sustainable rating agency Morningstar Sustainalytics** for the first time. It has been ranked in the top 1% of entities in the world, with "negligible" exposure to sustainability risks and "solid overall management" in ESG matters. As a result, it has been ranked 27th out of more than 1,000 banks analyzed worldwide.
The following should also be highlighted:

- The Kutxabank Group has paid 322.7 million euros to the BBK, Kutxa and Vital banking foundations, sole owners of the bank, charged to results and reserves from previous years, and as an interim dividend for the year 2022, of which 150.3 million correspond to the interim dividend charged to the results of the 2022 financial year. Once the complementary dividend proposal of the Board of Directors is ratified by the General Shareholders' Meeting, the total dividend corresponding to the 2022 financial year will amount to 198.3 million euros.

- The annual study on the economic impact of the Kutxabank Group and its Shareholder Foundations has revealed that in a year characterized by slow economic recovery, the negative impact of an unexpected inflationary process and the rise in the price of essential raw materials, the Kutxabank Group and their shareholder Foundations increased the relative weight they maintain in the economy, of which they are one of the main development agents.

- Kutxabank and Cajasur continue to channel resources towards activities that have a positive social and environmental impact. In 2022 it has mobilized 2,384 million euros, above its annual target. During this financial year, work has been done on the definition of the sustainable financing framework for the group's credit institutions, which will be presented during the first quarter of 2023.

- The Group maintains its commitment to reduce its carbon footprint. To this end, credit institutions have promoted energy efficiency measures, through the development of building automation regulation of work centers, the renewal of air conditioning equipment, as well as the improvement of lighting to LED systems. Following the incorporation of these initiatives, the 'sustainable branch' model has been defined, which will be implemented in new or renovated bank branches.

- The Group has worked on the circular economy and waste management with the aim of reducing paper consumption. Thanks to digital technology, the use of paper in correspondence has been significantly reduced, with a decrease of 1.2 million shipments per year in credit institutions.

- The Group has adapted to the requirements of the Green Mifid, for which reason it has incorporated sustainability in the relationship with its customers. In this way, the suitability assessment procedures include questions that make it possible to identify environmental, social and good governance (ESG) preferences. Kutxabank Gestión was a pioneer in fully complying with article 8 of the legal text, which classifies those funds that promote environmental, social and good governance (ESG) characteristics in their investment processes.

- The staff of the group's credit institutions have received 24,000 hours of sustainability training in 2022. Among the various face-to-face and online training cycles that have been carried out, the certification in sustainable investments stands out, given in three editions by the Barcelona School of Management.

- As a sign of its commitment to attracting and retaining talent, 70 new professionals have been hired during 2022.

- This year, Cajasur's first collective agreement has been signed, for which the two banking entities of the Group, Kutxabank and Cajasur, have their own agreement. These agreements introduce, among other measures, improvements from the social point of view, especially those aimed at reconciling work and family life, in line with the entity's commitment to equality.

- In terms of equality, Kutxabank has received the Enpresan Bardin Gran Empresa award from CEBEK, the Business Confederation of Bizkaia. These are annual awards that aim to recognize companies that promote equal opportunities for women and men in the workplace. She has also participated in the ''Women in Industry” program organized by the Professional Women's Network (PWN) Bilbao. Kutxabank has renewed its collaboration with that entity since 2018, as evidence of its commitment to equal opportunities in the professional development of the women and men that make up its workforce.

- Kutxabank carries out volunteer actions with the aim of promoting the social development of the territory in which it operates and involving its employees in this objective. Among the actions carried out during 2022, the collaborations with the Blood Donors Association and the BBK Ekin project, an incubation program for social entrepreneurs who develop a business with a positive social impact, stand out.

- In 2022 Kutxabank and Cajasur have renewed their adherence to the 'Funcas Program to Stimulate Financial Education' –'Funcas Educa Program'- for the period 2022/2023, which gives continuity to the collaboration that both institutions have maintained since 2018 in order to to promote the development of activities aimed at increasing financial literacy. 2,658 schoolchildren from 72 public and subsidized centers in the Autonomous Community of Euskadi and Córdoba have participated in the 'Finances for Life' program. The program consists of a participatory simulation game, which makes it easier for students and teachers to work on financial skills and abilities . It is already an established, consolidated and highly valued experience by both teachers and students as an educational and learning tool.

- In 2022, the Kutxabank Group has renegotiated the conditions of 1,968 mortgage loans, subscribed by people and families in difficulties, with whom it has agreed to refinance their contracts, adapting the installments to the current payment capacity through extensions of terms, lack of capital and any other type of refinancing or agreement to facilitate the payment of installments. The management of customers affected by the health crisis who had been granted some type of moratorium and whose situation remains unresolved has also continued. The Kutxabank Group adheres to the Code of Good Practices derived from RDL 6/2012 and at the end of 2022 it has also formalized its adherence to the new CBP derived from RDL 19/2022. In line with this commitment, the requests received and the contracts of clients who have proven to be in a situation of vulnerability have been managed based on the criteria established by the aforementioned RDL.

- During 2022, the banking entities of the Kutxabank Group have made a firm commitment to improve the service for the elderly and move towards a more inclusive economy. Among other measures, they have extended the hours of face-to-face attention to the elderly, and have reinforced the service with the hiring of personnel. In the field of financial training, it is worth highlighting the joint action carried out with foundations to reduce the digital divide for the elderly in financial services.

- In line with the group's commitment to accessibility, the banks' mobile applications are adapted so that people with visual disabilities or accessibility problems can have full autonomy to manage their accounts. Starting this year, the Kutxabank and Cajasur applications can be used by both people with the iOS operating system, accessible from the start, and Android.

- Kutxabank has adhered to the Industrial Entrepreneurship Support Program of the Ministry of Industry, Commerce and Tourism, through the General Secretariat for Industry and SMEs, which is aimed primarily at the creation of new industrial establishments and growth and improvement of the competitiveness of industrial companies – SMEs.

- Kutxabank has renewed the agreement with the Department of Culture and Language Policy of the Basque Government aimed at financial institutions, to promote the use of Basque and guarantee the linguistic rights of consumers and users.

- The Group's work through Cajasur is also closely linked to the conservation of the valuable historical heritage that Córdoba treasures, the financial institution's headquarters, and the Spanish city with the most UNESCO World Heritage Site declarations. Thus, his Foundation owns and manages the Palacio de Viana, which with its more than five centuries of history is a clear example of good practices in heritage management and one of the most relevant cases in Andalusia in organization, conservation, restoration and dissemination. of a monument. In this way, the entity annually pays for different architectural rehabilitation and restoration actions of its valuable artistic collection, within the framework of the multi-annual plans implemented specifically for these purposes. The Palacio de Viana, deeply rooted in its surroundings, is defined in its museological plan as a local museum, maintaining its firm commitment to the city and its firm commitment to culture as a motor for local development.

- The Cajasur foundations dedicate more than 75% of the budget to social programs that serve people with disabilities, illnesses or at risk of social exclusion.

- Cajasur has established a youth entrepreneurship program and more than a hundred internship scholarships with Andalusian universities, which have a high percentage of job placement.

- With regard to corruption and bribery, the group's banking entities have processes and procedures for compliance with current regulations, the formalization, monitoring and control of which falls to the Regulatory Compliance area.

GLOSSARY ATTACHED TO THE DIRECTORS' REPORT

In addition to the financial information contained in this document, prepared in accordance with International Financial Reporting Standards (IFRSs), certain Alternative Performance Measures (APMs) are included, in accordance with the definition in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057 ESMA Guidelines on Alternative Performance Measures).

The ESMA guidelines define an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

The additional information provided by these APMs used by the Kutxabank Group gives the reader additional information but they do not replace the information prepared in accordance with IFRSs. The way in which the Kutxabank Group defines and calculates its APMs may differ from the definitions and calculations of other comparable companies.

Set forth below is the detail of the **Alternative Performance Measures** used and how they are calculated:

Non-performing loans ratio (excluding contingent exposures) (%): quotient resulting from dividing impaired assets relating to loans and advances to customers by gross loans and advances to customers.

Aim: to measure the quality of the lending portfolio.

		dic.-22	dic.-21
Numerador	Activos deteriorados préstamos y anticipos clientela	662.210	918.749
Denominador	Préstamos y anticipos a la clientela brutos	47.310.218	48.245.495
=	**Tasa de morosidad del crédito**	**1,40**	**1,90**

Fuente: Información reservada remitida a Banco de España - Estado F18

Non-performing loans coverage ratio (excluding contingent exposures) (%): quotient resulting from dividing the provisions recognised for asset impairment by impaired assets relating to loans and advances to customers.

Aim: to measure the extent to which provisions cover the non-performing loans.

		dic.-22	dic.-21
Numerador	Pérdidas por deterioro de activos préstamos y anticipos clientela	676.036	718.071
Denominador	Activos deteriorados préstamos y anticipos clientela	662.210	918.749
=	**Tasa de cobertura del crédito**	**102,09**	**78,16**

Fuente: Información reservada remitida a Banco de España - Estado F18

Non-performing loans ratio (%): quotient resulting from dividing impaired assets relating to loans and advances to customers including those associated with contingent exposures by gross loans and advances to customers plus contingent exposures.

Aim: to measure the quality of the credit risk, which includes both the lending portfolio and contingent exposures.

		dic.-22	dic.-21
Numerador	Activos deteriorados préstamos y anticipos clientela	662.210	918.749
Más	Activos deteriorados riesgos contingentes	23.652	22.665
Denominador	Préstamos y anticipos a la clientela brutos	47.310.218	48.245.495
Más	Riesgos contingentes	2.659.172	2.442.652
=	**Tasa de morosidad**	**1,37**	**1,86**

Fuente: Información reservada remitida a Banco de España - Estado F18

Non-performing loans coverage ratio (%): quotient resulting from dividing the provisions recognised for asset impairment by impaired assets relating to loans and advances to customers, including contingent exposures in both cases.

Aim: to measure the extent to which provisions cover the non-performing loans including contingent exposures.

		dic.-22	dic.-21
Numerador	Pérdidas por deterioro de activos préstamos y anticipos clientela	676.036	718.071
Más	Pérdidas por deterioro de riesgos contingentes	33.712	36.137
Denominador	Activos deteriorados préstamos y anticipos clientela	662.210	918.749
Más	Activos deteriorados riesgos contingentes	23.652	22.665
=	**Tasa de cobertura**	**103,48**	**80,11**

Fuente: Información reservada remitida a Banco de España - Estado F18

Efficiency ratio (%): quotient resulting from dividing operating expenses (staff costs, other administrative expenses and the depreciation and amortization charge) by gross income.

Aim: productivity measure that allows the percentage of resources used to generate operating income to be ascertained

			dic.-22	dic.-21
Numerador		Gastos de personal	414.405	411.286
	Más	Otros gastos de administración	159.315	149.801
	Más	Amortización	39.408	43.832
Denominador		Margen Bruto	1.270.424	1.137.052
=		**Índice de eficiencia**	**48,26**	**53,20**

Fuente: Cuenta consolidada pública

Operating expenses/ATAs (%): quotient resulting from dividing operating expenses (staff costs, other administrative expenses and the depreciation and amortization charge) by average total assets.

Aim: to relativize operating expenses on the balance sheet in order to facilitate comparison between years.

			dic.-22	dic.-21
Numerador		Gastos de personal (1)	414.405	411.286
	Más	Otros gastos de administración (1)	159.315	149.801
	Más	Amortización (1)	39.408	43.832
Denominador		Activos Totales Medios (2)	65.903.711	64.805.114
=		**Gastos de explotación s/ATMs**	**0,93**	**0,93**

(1) Fuente: Cuenta consolidada pública. Datos anualizados en el cálculo del ratio

(2) Media móvil de las observaciones medias trimestrales del epígrafe "Total Activo" del Balance consolidado público correspondientes a los últimos cuatro trimestres

ROA (%): quotient resulting from dividing consolidated profit or loss for the year by average total assets.

Aim: to measure the return on total assets.

		dic.-22	dic.-21
Numerador	Resultado del ejercicio atribuible a los propietarios de la dominante (1)	330.528	216.458
Denominador	Activos Totales Medios (2)	65.903.711	64.805.114
=	**ROA**	**0,50**	**0,33**

(1) Fuente: Cuenta consolidada pública. Suma cuatro últimos trimestres

(2) Media móvil de las observaciones medias trimestrales del epígrafe "Total Activo" del Balance consolidado público correspondientes a los últimos cuatro trimestres

ROE (%): quotient resulting from dividing consolidated profit or loss for the year by average equity.

Aim: to measure the return on equity.

		dic.-22	dic.-21
Numerador	Resultado del ejercicio atribuible a los propietarios de la dominante (1)	330.528	216.458
Denominador	Fondos Propios Medios (2)	5.828.177	5.735.924
=	**ROE**	**5,67**	**3,77**

(1) Fuente: Cuenta consolidada pública. Suma cuatro últimos trimestres

(2) Media móvil de las observaciones medias trimestrales del epígrafe "Fondos propios" del Balance consolidado público correspondientes a los últimos cuatro trimestres

Net fee and commission income or service income: aggregate of fee and commission income and fee and commission expense.

Aim: to measure the net result obtained from the provision of services and sales of products charged through fees and commissions.

		dic.-22	dic.-21
	Ingresos por comisiones	515.948	506.435
Menos	Gastos por comisiones	38.571	35.326
=	**Ingresos por Servicios**	**477.377**	**471.109**

Fuente: Cuenta consolidada pública

Net income from transactions with customers: aggregate of net interest income and net fee and commission income.

Aim: to measure the income relating to typical financial business activity.

		dic.-22	dic.-21
	Margen de Intereses	640.741	559.282
Más	Ingresos por comisiones	515.948	506.435
Menos	Gastos por comisiones	38.571	35.326
=	**Margen Básico**	**1.118.118**	**1.030.391**

Fuente: Cuenta consolidada pública

Recurring contribution of the investee portfolio: aggregate of dividend income and the results of companies accounted for using the equity method.

Aim: to measure the recurring income relating to the holding of ownership interests in investees.

		dic.-22	dic.-21
	Ingresos por dividendos	54.980	52.799
Más	Resultado de entidades valoradas por el método de la participación	12.980	5.561
=	**Contribución recurrente cartera participadas**	**67.960**	**58.360**

Fuente: Cuenta consolidada pública

Net gains/losses on financial assets and liabilities and exchange differences: sum of the various items in the consolidated statement of profit or loss relating to gains or losses on financial assets and liabilities including exchange differences.

Aim: to ascertain the aggregate amount of gains or losses relating to financial business activity associated with market activity.

		dic.-22	dic.-21
	Ganancias o (-) pérdidas al dar de baja en cuentas activos y pasivos financieros no valorados a valor razonable con cambios en resultados, netas	28.638	58
Más	Ganancias o (-) pérdidas por activos y pasivos financieros mantenidos para negociar, netas	6.632	2.784
Más	Ganancias o (-) pérdidas por activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados, netas	10.882	-2.248
Más	Ganancias o (-) pérdidas por activos y pasivos financieros designados a valor razonable con cambios en resultados, netas	0	0
Más	Ganancias o (-) pérdidas resultantes de la contabilidad de coberturas, netas	0	0
Más	Diferencias de cambio [ganancia o (-) pérdida], netas	2.161	1.744
=	**Resultados Netos Operaciones Financieras y Diferencias de Cambio**	**48.313**	**2.338**

Fuente: Cuenta consolidada pública

Other operating income and expenses: sum of the net amount of other operating income and expenses and expenses of assets and liabilities under insurance and reinsurance contracts.

Aim: to measure the income and expenses relating to business activity that do not originate from financial business activity.

		dic.-22	dic.-21
	Otros ingresos de explotación	32.493	43.576
Menos	Otros gastos de explotación	146.491	132.623
Más	Ingresos de activos amparados por contratos de seguro o reaseguro	211.553	225.836
Menos	Gastos de pasivos amparados por contratos de seguro o reaseguro	61.522	90.826
=	**Otros Resultados de Explotación**	**36.033**	**45.963**

Fuente: Cuenta consolidada pública

Insurance business: sum of the net amount of income and expenses of assets and liabilities under insurance and reinsurance contracts and the contribution of the insurance companies to other finance income.

Aim: to reflect the total impact on "Other Operating Income and Expenses" of the contribution of the insurance business.

		dic.-22	dic.-21
	Ingresos de activos amparados por contratos de seguro o reaseguro (1)	211.553	225.836
Menos	Gastos de pasivos amparados por contratos de seguro o reaseguro (1)	61.522	90.826
Más	Aportación compañía aseguradora en Otros ingresos de explotación (2)	289	309
=	**Negocio Asegurador**	**150.320**	**135.319**

(1) Fuente: Cuenta consolidada pública

(2) Fuente: Datos de gestión propios

Service income plus insurance: sum of the net fee and commission income and the contribution to profit or loss of the insurance business.

Aim: to measure the net result obtained from the provision of services and sales of products charged through fees and commissions including the contribution of the insurance business included in other operating income and expenses.

		dic.-22	dic.-21
Más	Ingresos por Servicios (1)	477.377	471.109
Más	Negocio Asegurador (1)	150.320	135.319
=	**Ingresos por servicios más seguros**	**627.697**	**606.428**

(1) MAR. Ver su definición y cálculo ya explicados anteriormente

Income from core banking business: sum of net interest income, net fee and commission income and the contribution of the insurance business.

Aim: to measure the income relating to typical financial and insurance business activity considered recurring.

		dic.-22	dic.-21
	Margen de Intereses (1)	640.741	559.282
Más	Ingresos por Servicios (2)	477.377	471.109
Más	Negocio Asegurador (2)	150.320	135.319
=	**Ingresos core negocio bancario**	**1.268.438**	**1.165.710**

(1) Fuente: Cuenta consolidada pública

(2) MAR. Ver su definición y cálculo ya explicados anteriormente

Gross income: sum of net income from transactions with customers (net interest income and net fee and commission income), the recurring contribution of the investees, net gains or losses on financial assets and liabilities and exchange differences and other operating income and expenses.

Aim: to reflect the profit or loss obtained by the Group from its business activity before expenses and write-downs.

		dic.-22	dic.-21
	Margen Básico	1.118.118	1.030.391
Más	Ingresos por dividendos	54.980	52.799
Más	Resultado de entidades valoradas por el método de la participación	12.980	5.561
Más	Resultados Netos Operaciones Financieras y Diferencias de Cambio	48.313	2.338
Más	Otros Resultados de Explotación	36.033	45.963
=	**Margen Bruto**	**1.270.424**	**1.137.052**

Fuente: Cuenta consolidada pública

Operating expenses: sum of staff costs, other administrative expenses and the depreciation and amortization charge.

Aim: to indicate the expenses incurred in the year.

		dic.-22	dic.-21
	Gastos de administración	573.720	561.087
Más	Amortización	39.408	43.832
=	**Gastos de Explotación**	**613.128**	**604.919**

Fuente: Cuenta consolidada pública

Profit or loss from operations: gross income less operating expenses.

Aim: to reflect the profit or loss obtained by the Group from its business activity before write-downs.

		dic.-22	dic.-21
	Margen Bruto	1.270.424	1.137.052
Menos	Gastos de Explotación	613.128	604.919
=	**Margen de Explotación**	**657.296**	**532.133**

Fuente: Cuenta consolidada pública

Provisions (net): provisions or reversal of provisions.

Aim: to reflect the net amounts recognised in the year of provisions for pensions, pre-retirements, taxes and contingent liabilities in anticipating of future impacts.

		dic.-22	dic.-21
	Provisiones o (-) reversión de provisiones	56.760	98.457
=	**Dotación a provisiones**	**56.760**	**98.457**

Fuente: Cuenta consolidada pública

Impairment losses on financial assets: impairment or reversal of impairment on financial assets not measured at fair value through profit or loss.

Aim: to reflect impairment or reversal of impairment of loans and receivables and other financial assets that include write-downs recognised in the year.

		dic.-22	dic.-21
	Deterioro del valor o (-) reversión del deterioro del valor y ganancias o pérdidas por modificaciones de flujos de caja de activos financieros no valorados a valor razonable con cambios en resultados y pérdidas o (-) ganancias netas por modificación	62.629	71.296
=	**Pérdidas por deterioro de activos financieros**	**62.629**	**71.296**

Fuente: Cuenta consolidada pública

Impairment losses on other assets: sum of impairment losses of investments in joint ventures and associates and impairment losses on non-financial assets.

Aim: to reflect impairment or reversal of impairment of investments in joint ventures and associates and impairment on non-financial assets recognised in the year.

		dic.-22	dic.-21
	Deterioro del valor o (-) reversión del deterioro del valor de inversiones en negocios conjuntos o asociadas	-1.200	532
Más	Deterioro del valor o (-) reversión del deterioro del valor de activos no financieros	19.722	18.944
=	**Pérdidas por deterioro del resto de activos**	**18.522**	**19.476**

Fuente: Cuenta consolidada pública

Other gains and losses: sum of gains or losses on derecognition of non-financial assets and investments and gains or losses on disposal of other non-current assets held for sale (including impairment losses).

Aim: to indicate the impact on profit or loss of the derecognition or disposal of assets not related to ordinary business activities.

		dic.-22	dic.-21
	Ganancias o (-) pérdidas al dar de baja en cuentas activos no financieros, netas	14.595	4.610
Más	Ganancias o (-) pérdidas procedentes de activos no corrientes y grupos enajenables de elementos clasificados como mantenidos para la venta no admisibles como actividades interrumpidas	-76.702	-52.640
=	**Otras Ganancias y Pérdidas**	**-62.107**	**-48.030**

Fuente: Cuenta consolidada pública

Other gains and losses (excluding impairment losses): sum of gains or losses on derecognition of non-financial assets and investments and gains or losses on disposal of other non-current assets held for sale.

Aim: to indicate the impact on profit or loss of the derecognition or disposal of assets not related to ordinary business activities.

		dic.-22	dic.-21
	Ganancias o (-) pérdidas al dar de baja en cuentas activos no financieros, netas (1)	14.595	4.610
Más	Ganancias o (-) pérdidas procedentes de activos no corrientes y grupos enajenables de elementos clasificados como mantenidos para la venta no admisibles como actividades interrumpidas (1)	-76.702	-52.640
Menos	Deterioros de Activos no corrientes en venta (activo material) (2)	-94.355	-89.448
=	**Resto Otras Ganancias y Pérdidas**	**32.248**	**41.418**

(1) Fuente: Cuenta consolidada pública

(2) Fuente: nota 63 cuentas anuales consolidadas

Write-downs: sum of provisions and impairment losses on financial assets, other assets and other non-current assets held for sale.

Aim: to reflect the volume of write-downs and impairment losses recognised by the Group.

		dic.-22	dic.-21
	Dotación a provisiones (1)	56.760	98.457
Más	Pérdidas por deterioro de activos financieros (1)	62.629	71.296
Más	Pérdidas por deterioro del resto de activos (1)	18.522	19.476
Más	Deterioros de Activos no corrientes en venta (activo material) (2)	94.355	89.448
=	**Saneamientos**	**232.266**	**278.677**

(1) MAR. Ver su definición y cálculo ya explicados anteriormente

(2) Fuente: nota 63 cuentas anuales consolidadas

Cash or near-cash assets: aggregate of cash, cash balances at central banks and other demand deposits and loans and advances to central banks and credit institutions.

Aim: to indicate the aggregate amount of cash positions and balances at central banks and credit institutions.

		dic.-22	dic.-21
	Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista	6.526.325	5.692.988
Más	Activos financieros a coste amortizado / Préstamos y anticipos / Bancos Centrales	0	0
Más	Activos financieros a coste amortizado / Préstamos y anticipos / Entidades de Crédito	585.478	501.109
=	**Tesorería Activa**	**7.111.803**	**6.194.097**

Fuente: Balance consolidado público

Loans and advances to customers: loans and advances to customers.

Aim: to reflect the amount of loans and advances to customers including other financial assets and net valuation adjustments.

		dic.-22	dic.-21
	Activos financieros a coste amortizado / Préstamos y anticipos / Clientela	46.627.332	47.516.159
=	**Crédito a la clientela**	**46.627.332**	**47.516.159**

Fuente: Balance consolidado público

Loans and receivables - net: loans and advances to customers excluding advances other than loans.

Aim: to reflect the amount of loans to customers net of valuation adjustments but not taking into account other financial assets.

		dic.-22	dic.-21
	Activos financieros a coste amortizado / Préstamos y anticipos / Clientela (1)	46.627.332	47.516.159
Menos	Anticipos distintos de préstamos (2)	485.722	488.401
=	**Inversión Crediticia Neta**	**46.141.610**	**47.027.758**

(1) Fuente: Balance consolidado público

(2) Fuente: Datos de gestión propios

Loans and receivables - gross: loans and advances to customers excluding advances other than loans and valuation adjustments.

Aim: to reflect the gross amount of loans to customers without taking into account other financial assets.

		dic.-22	dic.-21
	Activos financieros a coste amortizado / Préstamos y anticipos / Clientela (1)	46.627.332	47.516.159
Menos	Anticipos distintos de préstamos (2)	485.722	488.401
Menos	Ajustes por valoración (2)	-1.557.927	-568.650
=	**Inversión Crediticia Bruta**	**47.699.537**	**47.596.408**

(1) Fuente: Balance consolidado público

(2) Fuente: Datos de gestión propios

Financial asset portfolio: aggregate of equity instruments, debt securities and investments in joint ventures and associates.

Aim: to indicate the total amount of financial assets on the balance sheet.

		dic.-22	dic.-21
	Activos financieros mantenidos para negociar		
Más	Valores representativos de deuda	0	0
	Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados		
Más	Instrumentos de patrimonio	23.880	35.108
Más	Valores representativos de deuda	14.850	21.683
	Activos financieros a valor razonable con cambios en otro resultado global		
Más	Instrumentos de patrimonio	1.480.453	1.459.429
Más	Valores representativos de deuda	3.930.614	4.435.862
	Activos financieros a coste amortizado		
Más	Valores representativos de deuda	3.688.125	2.132.909
Más	Inversiones en negocios conjuntos y asociadas	147.356	169.425
=	**Cartera de Activos Financieros**	**9.285.278**	**8.254.416**

Fuente: Balance consolidado público

Fixed-income portfolio: aggregate of debt securities.

Aim: to indicate the amount of debt securities on the balance sheet.

		dic.-22	dic.-21
	Activos financieros mantenidos para negociar		
Más	Valores representativos de deuda	0	0
	Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados		
Más	Valores representativos de deuda	14.850	21.683
	Activos financieros a valor razonable con cambios en otro resultado global		
Más	Valores representativos de deuda	3.930.614	4.435.862
	Activos financieros a coste amortizado		
Más	Valores representativos de deuda	3.688.125	2.132.909
=	**Renta Fija en Cartera de Activos Financieros**	**7.633.589**	**6.590.454**

Fuente: Balance consolidado público

Equity securities portfolio: aggregate of equity instruments and investments in joint ventures and associates.

Aim: to indicate the total amount of equity instruments and investments in joint ventures and associates on the balance sheet.

		dic.-22	dic.-21
	Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados		
Más	Instrumentos de patrimonio	23.880	35.108
	Activos financieros a valor razonable con cambios en otro resultado global		
Más	Instrumentos de patrimonio	1.480.453	1.459.429
Más	Inversiones en negocios conjuntos y asociadas	147.356	169.425
=	**Renta Variable en Cartera de Activos Financieros**	**1.651.689**	**1.663.962**

Fuente: Balance consolidado público

Short-term financial liabilities: aggregate of deposits from central banks and credit institutions.

Aim: to indicate the aggregate amount of deposits from central banks and credit institutions.

		dic.-22	dic.-21
Más	Pasivos financieros a coste amortizado / Depósitos / Bancos Centrales	6.153.014	6.181.399
Más	Pasivos financieros a coste amortizado / Depósitos / Entidades de Crédito	210.340	411.610
=	**Tesorería Pasiva**	**6.363.354**	**6.593.009**

Fuente: Balance consolidado público

Customer funds under management: aggregate of customer deposits excluding mortgage-backed bonds ("cédulas hipotecarias") recognised under time deposits and off-balance-sheet funds (investment funds, EPSVs and pension funds, combined insurance and other).

Aim: to ascertain the total balance of on- and off-balance sheet customer funds managed by the Group.

		dic.-22	dic.-21
Más	Pasivos financieros a coste amortizado / Depósitos / Clientela (1)	49.293.488	47.945.203
Menos	Cédulas hipotecarias registradas en Depósitos de la Clientela (2)	309.914	827.191
Más	Recursos Fuera de Balance (Fondos de inversión , EPSVs y Fondos de pensiones, Seguros mixtos y otros) (2)	28.058.717	28.706.442
=	**Recursos de Clientes Gestionados**	**77.042.291**	**75.824.454**

(1) Fuente: Balance consolidado público

(2) Fuente: Datos de gestión propios