Kutxabank, S.A. and subsidiaries

Report on limited review
Condensed consolidated interim financial statements
for the six-month period ended June 30, 2022
Consolidated interim management report

This version of our report is a free translation of the original, which was prepared in Spanish. All possiblecare 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

Report on limited review of condensed consolidated interim financial statements

To the shareholders of Kutxabank, S.A.:

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of Kutxabank, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the statement of financial position as at June 30, 2022, the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six-month period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2022 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union.

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Emphasis of matter

We draw attention to Note 1.3, in which it is mentioned that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2021. Our conclusion is not modified in respect of this matter.

Other matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended June 30, 2022 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the six-month period ended June 30, 2022. Our work is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Kutxabank, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

This report has been prepared at the request of the Parent´s Board of Directors in relation to the publication of the half-yearly financial report.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Guillermo Cavia González

July 29, 2022

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

Condensed consolidated interim financial statements for the six-month period ended 30 June 2022
Consolidated interim management report

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to theGroup in Spain (see Notes 1 and 22). In the event of a discrepancy, the Spanish-language version prevails.

KUTXABANK, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)
CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2022 AND 31 DECEMBER 2021 (*)
(Thousands of euros)

ASSETS	30/06/2022	31/12/2021 (*)
Cash, cash balances at central banks and other demand deposits	**5,519,621**	**5,692,988**
Financial assets held for trading (Note 9)	**92,832**	**61,770**
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 9)	**50,624**	**56,791**
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-	-
Financial assets designated at fair value through profit or loss (Note 9)	**-**	**-**
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income (Note 9)	**5,657,101**	**5,895,291**
Memorandum item: loaned or advanced as collateral with right to sell or pledge	*1,471,544*	*1,311,036*
Financial assets at amortised cost (Note 9)	**51,598,672**	**50,150,177**
Memorandum item: loaned or advanced as collateral with right to sell or pledge	*5,647,221*	*5,273,659*
Derivatives – hedge accounting	**45,850**	**47,854**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Investments in joint ventures and associates	**181,661**	**169,425**
Joint ventures	-	-
Associates	181,661	169,425
Assets under reinsurance and insurance contracts	**28,293**	**27,893**
Tangible assets (Note 11)	**776,330**	**796,070**
Property, plant and equipment	646,290	666,824
For own use	646,290	666,824
Leased out under an operating lease	-	-
Investment property	130,040	129,246
Of which: leased out under an operating lease	*66,305*	*76,352*
Memorandum item: acquired under lease	-	-
Intangible assets (Note 12)	**403,652**	**401,547**
Goodwill	301,457	301,457
Other intangible assets	102,195	100,090
Tax assets	**1,697,316**	**1,744,522**
Current tax assets	22,719	18,046
Deferred tax assets	1,674,597	1,726,476
Other assets (Note 13)	**186,980**	**214,308**
Insurance contracts linked to pensions	-	-
Inventories	90,548	92,719
Other	96,432	121,589
Non-current assets and disposal groups classified as held for sale (Note 10)	**572,801**	**546,040**
TOTAL ASSETS	**66,811,733**	**65,804,676**

LIABILITIES AND EQUITY	30/06/2022	31/12/2021 (*)
Financial liabilities held for trading (Note 14)	**80,658**	**65,578**
Financial liabilities designated at fair valuethrough profit or loss	**-**	**-**
Memorandum item: subordinated liabilities	-	-
Financial liabilities at amortised cost (Note 14)	**58,653,219**	**57,263,411**
Memorandum item: subordinated liabilities	-	-
Derivatives – hedge accounting	**403,085**	**445,861**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Liabilities under insurance and reinsurance Contracts	**598,229**	**621,395**
Provisions (Note 17)	**417,467**	**471,933**
Pensions and other post-employment defined benefit obligations	187,382	225,603
Other long-term employee benefits	46,325	52,886
Pending legal issues and tax litigation	-	-
Commitments and guarantees given	39,830	40,405
Other provisions	143,930	153,039
Tax liabilities	**309,099**	**379,364**
Current tax liabilities	17,057	20,327
Deferred tax liabilities	292,042	359,037
Share capital repayable on demand	**-**	**-**
Other liabilities	**211,048**	**247,169**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**60,672,805**	**59,494,711**
EQUITY		
Shareholders' equity (Note 16)	**5,792,499**	**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	1,110,008	1,070,464
Revaluation reserves	-	-
Other reserves	2,459,324	2,455,123
(-) Treasury shares	-	-
Profit attributable to owners of the Parent	163,167	216,458
(-) Interim dividends	-	-
Accumulated other comprehensive income (Note 16)	**338,985**	**500,336**
Items that will not be reclassified to profit or loss	**359,255**	**420,881**
Actuarial gains or (-) losses on defined benefit Pension plans	(48,964)	(59,181)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in joint ventures and associates	(28)	(32)
Fair value changes of equity instruments measured at fair value through other comprehensive income	408,247	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	**(20,270)**	**79,455**
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	-	-
Hedging derivatives, Cash flow hedges reserve [effective portion]	(29,877)	(53,356)
Fair value changes of debt instruments measured at fair value through other comprehensive income	9,590	132,822
Hedging instruments [not designated elements]	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in joint ventures and associates	-	-
Minority interests [non-controlling interests] (Note 16)	**7,444**	**7,584**
Accumulated other comprehensive income	90	136
Other items	7,354	7,448
TOTAL EQUITY	**6,138,928**	**6,309,965**
TOTAL LIABILITIES AND EQUITY	**66,811,733**	**65,804,676**
MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES		
Loan commitments given (Note 18)	**6,550,500**	**6,671,542**
Financial guarantees given (Note 18)	**356,372**	**421,447**
Other commitments given (Note 18)	**3,943,223**	**3,353,075**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 22 are an integral part of the condensed consolidated balance sheet as at 30 June 2022.

Translation of interim condensed 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 22). In the event of a discrepancy, the Spanish-language version prevails.

KUTXABANK, S.A.

AND SUBSIDIARIES (CONSOLIDATED GROUP) CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021 (*)

(Thousands of euros)

	30/06/2022	30/06/2021 (*)
Interest income (Note 20)	**300,372**	**306,812**
Financial assets at fair value through other comprehensive income	92,630	23,223
Financial assets at amortised cost	285,471	249,995
Other interest income	(77,729)	33,594
Interest expenses (Note 20)	**(20,808)**	**(30,973)**
Expenses on share capital repayable on demand	**-**	**-**
NET INTEREST INCOME	**279,564**	**275,839**
Dividend income	**35,614**	**33,480**
Share of the profit or loss of entities accounted for using the equity method	**11,727**	**1,647**
Fee and commission income (Note 20)	**257,146**	**237,276**
Fee and commission expenses (Note 20)	**(18,484)**	**(16,435)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**6,828**	**(608)**
Financial assets at amortised cost	6,828	(632)
Other financial assets and liabilities	-	24
Gains or losses on financial assets and liabilities held for trading, net	**3,448**	**1,169**
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	3,448	1,169
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 9.2)	**(346)**	**(1,920)**
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	(346)	(1,920)
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, net	**1,214**	**778**
Other operating income (Note 20)	**17,677**	**18,642**
Other operating expenses (Note 20)	**(49,376)**	**(43,128)**
Income from assets under insurance and reinsurance contracts (Note 20)	**117,787**	**120,175**
Expenses of liabilities under insurance and reinsurance contracts (Note 20)	**(40,162)**	**(52,595)**
GROSS INCOME	**622,637**	**574,320**
Administrative expenses	**(282,272)**	**(276,859)**
Staff costs (Note 20)	(206,034)	(204,015)
Other administrative expenses	(76,238)	(72,844)
Depreciation and amortisation charge (Note 10)	**(19,743)**	**(18,509)**
Provisions or reversal of provisions	**(15,713)**	**(11,177)**
Impairment or reversal of impairment and gains or losses due to modifications of cash flows on financial assets notmeasured at fair value through profit or loss and modification gains or losses, net (Note 9)	**(36,443)**	**(73,782)**
Financial assets at fair value through other comprehensive income	(200)	(530)
Financial assets at amortised cost	(36,243)	(73,252)
Impairment or reversal of impairment of investments in joint ventures and associates	**1,144**	**(532)**
Impairment or reversal of impairment on non-financial assets (Notes 11 and 13)	**(9,929)**	**(10,390)**
Tangible assets	(8,888)	(5,756)
Intangible assets	-	-
Other	(1,041)	(4,634)
Gains or losses on derecognition of non-financial assets, net (Notes 4 and 11)	**7,131**	**2,752**
Negative goodwill recognised in profit or loss	**-**	**-**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinuedoperations (Note 10)	**(44,646)**	**(19,605)**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**222,166**	**166,218**
Tax expense or income related to profit or loss from continuing operations	**(58,548)**	**(39,536)**
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**163,618**	**126,682**
Profit or loss after tax from discontinued operations	**-**	**-**
PROFIT FOR THE PERIOD	**163,618**	**126,682**
Attributable to minority interests (non-controlling interests)	**451**	**1,214**
Attributable to owners of the Parent	**163,167**	**125,468**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 22 are an integral part of the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2022.

KUTXABANK, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021 (*)

(Thousands of euros)

	30/06/2022	30/06/2021 (*)
PROFIT FOR THE PERIOD	**163,618**	**126,682**
OTHER COMPREHENSIVE INCOME	**(161,646)**	**(57,956)**
Items that will not be reclassified to profit or loss	**(61,912)**	**(27,883)**
Actuarial gains or losses on defined benefit pension plans	14,139	5,308
Non-current assets and disposal groups held for sale	-	-
Share of other recognised 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	(98,846)	(76,735)
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	22,791	43,552
Items that may be reclassified to profit or loss	**(99,734)**	**(30,073)**
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]	32,610	(20,567)
Valuation gains or losses taken to equity	(5,594)	(15,248)
Transferred to profit or loss	38,204	(5,319)
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	(171,597)	(21,267)
Valuation gains or losses taken to equity	(171,597)	(21,267)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Share of other recognised income and expense of investments in joint ventures and associates	28	(28)
Income tax relating to items that may be reclassified to profit or loss	39,225	11,789
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,972**	**68,726**
Attributable to minority interests (non-controlling interests)	405	1,290
Attributable to owners of the Parent	1,567	67,436

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 22 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2022.

Translation of interim condensed 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 22). In the event of a discrepancy, the Spanish-language versionprevails.

KUTXABANK, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021 (*)

(Thousands of euros)

Statement for the six-month period ended 30 June2022	Share capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit attributable toowners of the Parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interests		Total
												Accumulated other comprehensive	Other items	
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 (see Note 1.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	**2,060,000**	**-**	**-**	**-**	**1,070,464**	**-**	**2,455,123**	**-**	**216,458**	**-**	**500,336**	**136**	**7,448**	**6,309,965**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**163,167**	**-**	**(161,600)**	**(46)**	**451**	**1,972**
Other changes in equity	**-**	**-**	**-**	**-**	**39,544**	**-**	**4,201**	**-**	**(216,458)**	**-**	**249**	**-**	**(545)**	**(173,009)**
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)	-	-	-	-	-	-	-	(517)	(172,946)
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	-	-	-	-	211,973	-	4,236	-	(216,458)	-	249	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	-	(35)	-	-	-	-	-	(28)	(63)
Ending balance at 30 June 2022	**2,060,000**	**-**	**-**	**-**	**1,110,008**	**-**	**2,459,324**	**-**	**163,167**	**-**	**338,985**	**90**	**7,354**	**6,138,928**

Statement for the six-month period ended 30 June2021	Share capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit attributable toowners of the Parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interests		Total
												Accumulated other comprehensive	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 (see Note 1.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	**2,060,000**	**-**	**-**	**-**	**996,498**	**-**	**2,389,693**	**-**	**180,259**	**-**	**650,710**	**6**	**10,553**	**6,287,719**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125,468**	**-**	**(58,032)**	**76**	**1,214**	**68,726**
Other changes in equity	**-**	**-**	**-**	**-**	**151,420**	**-**	**1,839**	**-**	**(180,259)**	**-**	**-**	**-**	**(2,260)**	**(29,260)**
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)	-	-	-	-	(27,000)	-	-	-	-	-	-	-	(2,260)	(29,260)
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	-	-	-	-	178,420	-	1,839	-	(180,259)	-	-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance at 30 June 2021	**2,060,000**	**-**	**-**	**-**	**1,147,918**	**-**	**2,391,532**	**-**	**125,468**	**-**	**592,678**	**82**	**9,507**	**6,327,185**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 22 are an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2022.

Translation of interim condensed 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 22). In the event of a discrepancy, the Spanish-language version prevails.

KUTXABANK, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP) CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021 (*)
(Thousands of euros)

	30/06/2022	30/06/2021 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	163,618	126,682
Adjustments made to obtain the cash flows from operating activities:	98,532	127,432
Depreciation and amortisation charge	19,743	18,509
Other adjustments	78,789	108,923
Net increase/(decrease) in operating assets:	(1,623,619)	(3,995,345)
Financial assets held for trading	(27,614)	16,838
Non-trading financial assets mandatorily at fair value through profit or loss	5,821	4,352
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(32,453)	(306,715)
Financial assets at amortised cost	(1,586,090)	(3,707,898)
Other operating assets	16,717	(1,922)
Net increase/(decrease) in operating liabilities:	1,329,746	2,426,147
Financial liabilities held for trading	15,080	(14,091)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,450,580	2,375,973
Other operating liabilities	(135,914)	64,265
Income tax recovered/(paid)	214	106
Total cash flows from operating activities	**(31,509)**	**(1,314,978)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		
Payments:		
Tangible assets	(18,023)	(9,222)
Intangible assets	(7,777)	(4,326)
Investments in joint ventures and associates	-	(41)
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
	(25,800)	(13,589)
Proceeds:		
Tangible assets	22,270	6,370
Intangible assets	-	-
Investments in joint ventures and associates	676	2,023
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	42,761	191,281
Other proceeds related to investing activities	-	-
	65,707	199,674
Total net cash flows from investing activities	**39,907**	**186,085**
C) CASH FLOWS FROM FINANCING ACTIVITIES		
Payments:		
Dividends	(172,946)	(29,260)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(8,819)	(1,056,833)
	(181,765)	(1,086,093)
Proceeds:		
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	-
	-	-
Total net cash flows from financing activities	**(181,765)**	**(1,086,093)**
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3+4)	**(173,367)**	**(2,214,986)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**5,692,988**	**6,988,147**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (5+6)	**5,519,621**	**4,773,161**
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	258,223	250,223
Cash equivalents at central banks	5,046,444	4,314,718
Other financial assets	214,954	208,220
Less: Bank overdrafts refundable on demand	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 22 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2022.

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Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared inaccordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 22). In the event of a discrepancy, the Spanish-language version prevails.

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

Explanatory notes to the interim condensed consolidated financial statements for the period ended 30 June 2022

1. Introduction, accounting policies and measurement bases applied in the preparation of the interim condensed consolidated financial statements and other information

1.1 Description of the Institution

Kutxabank, S.A. ("the Bank", "Kutxabank" or "the Parent"), a private-law entity subject to the rules and regulations applicable to banks operating in Spain, is the Parent of the Kutxabank Group, which arose from the integration of the three Basque savings banks - Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea ("BBK"), Caja de Ahorros y Monte dePiedad de Guipúzcoa 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 the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October; 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 applicablelegislation 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, transactionsand 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 for in 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 allmanner of marketable securities.

The Group operated through 737 branches at 30 June 2022 (31 December 2021: 774 branches). At 30 June 2022 and 31 December 2021, the Group's entire branch network was located in Spain.

1.2 Integration of Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK), Caja de Ahorros y Monte de Piedad de Guipúzcoa 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, of 3 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 in 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 to companies 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 into 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 outstanding shares, 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%
Caja de Ahorros de Vitoria y Álava - Araba eta Gasteizko Aurrezki Kutxa, FundaciónBancaria	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 Caja de Ahorros de Vitoria y Álava-Araba eta Gasteizko Aurrezki Kutxa, Fundación Bancaria, 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" between the 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 formalised by Kutxabank, S.A., Bilbao Bizkaia Kutxa Fundación Bancaria and Caja de Ahorros de Vitoria y Álava, Fundación Bancaria - Araba eta Gasteizko Aurrezki Kutxa, Banku Fundazioa, 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 financial statements for 2021 of the Bilbao Bizkaia Kutxa Fundación Bancaria Group were approved by the Board of Trustees on 28 April 2022 and filed at the Bizkaia Mercantile Registry.

1.3 Accounting policies and measurement bases applied in the preparation of theinterim condensed consolidated financial statements

The Group's interim condensed consolidated financial statements for the six-month period ended 30 June 2022 were formally prepared by its directors at the Board Meeting held on 28 July 2022. These interim condensed consolidated financial statements were prepared and are presented in accordance with IAS 34, Interim Financial Reporting. In addition, in the preparation of the interim condensed consolidated financial statements, the regulatory framework applicable to the Group was taken into account, namely Bank of Spain Circular 4/2017, of 27 November, which adapts EU-IFRSs for the Spanish credit institution sector, the Spanish Commercial Code and all other Spanish corporate law.

The main purpose of the accompanying interim condensed consolidated financial statements is to provide an explanation of the significant events and changes, taking intoaccount the materiality principle, required for an understanding of the changes in the Group's financial position and results since the date of the last consolidated financial statements of Kutxabank, S.A. and Subsidiaries as at 31 December 2021, without duplicating information contained in the last annual consolidated financial statements prepared.

Accordingly, the accompanying interim condensed consolidated financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRSs") and, therefore, in order to obtain a proper understanding of the information included in these interim condensed consolidated financial statements, they should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021, which were presented in accordance with the EU-IFRSs in force at 31 December 2021, taking into account Bank of Spain Circular 4/2017, of 27 November, and subsequent amendments thereto; and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

The accompanying interim condensed consolidated financial statements were prepared using the same basis of consolidation, accounting policies and measurement bases as those used by the Group in the consolidated financial statements for 2021, which can beconsulted in Note 14 to those consolidated financial statements, so that they present fairly the Group's consolidated equity and consolidated financial position at 30 June 2022 and the consolidated results of its operations and the consolidated cash flows in the period from 1 January to 30 June 2022.

The interim condensed consolidated financial statements and the explanatory notes thereto were prepared from the accounting records kept by the Bank and by each of the other Group entities, and include the adjustments and reclassifications required to unify the accounting policies and measurement bases used by the Group.

All accounting principles and measurement bases with a material effect on the accompanying interim condensed consolidated financial statements were applied in theirpreparation.

In determining the disclosures to be made on the various items in the interim condensed consolidated financial statements or other matters, the Group, in accordance with IAS 34, took into account their materiality in relation to the interim condensed consolidated financial statements.

Standards and interpretations which came into force in 2022

The following IFRSs and modifications to IFRSs and to the related interpretations ("IFRICs") came into force in 2022:

- **IAS 16 (Modification) "Property, plant and equipment: amounts received before 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 the income statment.The modification also clarifies that an entity is testing whether the asset is working properly when it assesses the technical and physical performance of the asset.The financial performance of the asset is not relevant to this assessment. Therefore, an asset could be capable of operating as intended by management and be subject to depreciation before it has achieved the level of operating performance expected by management. The effective date of these modifications is January 1, 2022.

- **IAS 37 (Modification) "Onerous contracts: costs of a contract fulfilling":** The modification explains that the direct cost of fulfilling a contract comprises the associated incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the fulfillment of 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 the assets used to fulfill the contract, rather than on the assets dedicated to that contract. The effective date of these modifications 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 (previously referred to the 2001 CF). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The effective date of these modifications is January 1, 2022.

- **Annual improvements to IFRS. 2018-2020 Cycle:** The modifications affect IFRS 1, IFRS9, 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 modification allows entities that have taken this exemption to also measure the accumulated conversion differences using the amounts accounted for by the parent company, based on the latter's transition date to IFRS.

    - **IFRS 9 "Financial Instruments".** The modification addresses what costs should be included in the 10% test for derecognition of financial liability accounts. The costs or fees could be paid to third parties or to the lender. According to the modification, the costs or fees paid to third parties will not be included in the 10% test.

These standards have not had a significant impact on the consolidated condensed interim financial statements of the Group.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations that had been published by the IASB, not yet force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

Standards, modifications and interpretations	Content of the standard, modification or interpretation	Mandatory application inannual reporting periodsbeginning on or after:
Modifications to IAS 1	Clarifications on the classification of liabilities as current or non-current.	First of January 2023 (1)
Modifications to IAS 12	Clarifications on the obligation to recognize deferred taxes in transactions for which both an asset and a liability are recognized at the time of initial recognition.	First of January 2023 (1)
IFRS 17 - Initial application of IFRS 17 and IFRS 9	Limited scope modifications to the transition requirements of IFRS17.	First of January 2023 (1)
IFRS 17 and modifications – Insurance contracts	Principles of registration, valuation, presentation and breakdown of insurance contracts.	First of January 2023 (2)
Modifications to IAS 1	Accounting policies disclosure.	First of January 2023 (2)
Modifications to IAS 8	Accounting estimates definition.	First of January 2023 (2)
Modifications to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associates or joint ventures.	(3)

(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).

The following is a summary of the standards, amendments and interpretations that have not yet entered into force, but that can be adopted in advance:

- **IFRS 17 "Insurance Contracts":** 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 components. In June 2020, the IASB modified the standard, developing specific amendments and clarifications aimed to facilitate the implementation of the new standard, although they did not change its fundamental principles.

  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.

- **IAS 1 (Amendment) "Disclosure of accounting policies":** IAS 1 has been modified to improve the disclosures of accounting policies so that they provide more useful information to investors and other main users of the financial statements. The effective date of these amendments is January 1, 2023.

- **IAS 8 (Amendment) "Definition of accounting estimates":** IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy. The effective date of these amendments is January 1, 2023.

The following 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 contributions of assets between an investor and its associates and joint ventures, which will depend on 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.

- **IAS 1 (Amendments) "Classification of liabilities as current or non-current":** These amendments clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events subsequent to the year-end date (for example, receipt of a waiver or breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. The effective date of these amendments was January 1, 2022, allowing early adoption. However, in July 2020 there was a modification to change the date of entry into force of the modification to January 1, 2023. These modifications are pending approval by the European Union.

- **IAS 12 (Amendment) "Deferred tax related to assets and liabilities arising 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 initial recognition). Previously, there was some uncertainty as to 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 that, therefore, there is an obligation to recognize deferred taxes on said transactions.

  The amendment enters into force for fiscal years beginning on or after January 1, 2023, although early application is permitted. This modification is pending approval by the European Union.

- **IFRS 17 (Amendment) "Initial application of IFRS 17 and IFRS 9 - Comparative information":** The IASB has published an amendment to IFRS 17 that introduces limited scope modifications to the transition requirements of IFRS 17, "Insurance Contracts" , and does not affect any other requirement of IFRS 17. IFRS 17 and IFRS 9 "Financial Instruments" have different transition requirements. For some insurers, these differences can cause specific accounting mismatches between financial assets and liabilities under contracts of insurance in the comparative information that they present in their financial statements.

This amendment, which is pending adoption by the European Union, is effective for annual periods beginning on or after January 1, 2023. The Directors are in the process of analyzing the impact that these standards will have on the consolidated financial statements of the Group.

In this sense, the possible impact of IFRS 17 on the Group's insurance companies stands out. The Group began working on the implementation of IFRS 17 regulations at the end of 2018. During the last three years, the work related to the definition and adoption of all the technical and methodological decisions required by the new regulations has been completed. Among others, the following aspects have been analyzed and defined: component segregation, contract classification, valuation methods, discount rate, risk adjustment, reinsurance valuation, transition methodology, etc. At the same time, work has been done on the implementation of all the necessary architecture to support the new information, calculation and reporting needs, in such a way that throughout 2022 progress has been made in calculating the impact of the first application and the generation of monthly closings under the new accounting regulations. This process is being subject to continuous review, so as to guarantee the application of the regulations in a timely manner on the date of entry into force, on January 1, 2023.

1.4 Other information

Comparative information

The information relating to 31 December 2021 included in the condensed consolidated balance sheet, and the information relating to the six-month period ended 30 June 2021 included in the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows are presented for comparison purposes only with the information relating to 30 June 2022 and the six- month period then ended.

Information on dividends paid and the distribution of the profit for 2021

The General Shareholders of the Parent Entity, unanimously approved the proposal agreed by its Management Board, at its meeting on April 27, 2022, to allocate the result for the year ended December 31, 2021, amounting to EUR 204,064 thousand, as disclosed:

(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 2021 financial year, was disbursed on April 27, 2022.

Additionally, at its meeting held on February 25, 2022, the General Shareholders' Meeting of the Parent Entity approved the distribution of an additional dividend charged to Voluntary Reserves for a total amount of 42,554 thousand euros, paid in the aforementioned date.

2. Seasonality of the transactions, unusual events and significant changes in the estimates made

2.1 Seasonality of the transactions

In view of the nature of the most significant business activities and operations in which the Group engages, which are mainly characteristic and typical bank activities, it can be stated that its transactions are not affected by seasonal or cyclical factors that might existin other types of businesses.

However, certain of the Group’s income and results, although they do not have a significant effect on the interim condensed consolidated financial statements as at 30 June 2022, have historically had a seasonal or cyclical component in their distribution, or shown a non-linear behaviour, over the course of the year. For instance, this is the case of the contribution to the Single Resolution Fund (hereinafter FUR), which, in application of IFRIC Interpretation 21, is recorded in the consolidated income statement once the payment notification is received in the first half of the year. As indicated in Note 11 of the consolidated annual accounts for 2021, the Group reflects the contribution to be made under the heading “Other operating expenses” in the consolidated income statement, amounting to 15,721 thousand euros in the first half of 2022 (12,428 thousand euros in the first half of 2021) (Note 20.c).

In addition, certain Group results are associated with singular operations which cannot be considered as cyclical or with an uniform behavior pattern over time, such as the results produced by the changes in valuation of fair value portfolios, results or changes in other comprehensive income, the results from the sale of Group shares or debt instruments, those obtained from the dividends received and those obtained from the singular operations performance carried out by the Group.

Accordingly, the following explanatory notes detail a singular operation that occurred during the first half of 2022 regarding the formalization of a private purchase agreement with a third party dated June 24, 2022 by which the transmission of a portfolio of loans that were classified in the portfolio "Financial assets at amortized cost" is agreed and that have been reclassified to the balance sheet heading "Non-current assets and disposal groups that have been classified as held for sale" (see Notes 8 and 9.4).

2.2 Unusual events

During the first half of 2022, no unusual events have been revealed in addition to those disclosed in the condensed consolidated financial statements.

The first half of 2022 has been strongly marked by the conflict between Russia and Ukraine, since growth prospects have worsened that will delay the recovery and there has been a high impact on the rise in prices, leaving inflation runaway.

According to the current economic and geopolitical context, the Group has proceeded to assess the impact that the military conflict in Ukraine could have and the possible extension of the health emergency.

Regarding to the credit exposures directly contracted with individuals and/or legal entities of the countries participating in the conflict, it should be noted that these are marginal levels. As for the indirect effects that could arise from the propagation of the effects associated with the increase in energy and raw materials, and the worsening of the macroeconomic outlook, the Group has proceeded to assess the impact that the military conflict in Ukraine and the possible extension of the health emergency in the main estimates used by the Group (see Notes 2.3 and 22.1.a).

2.3 Significant changes in the estimates made

In preparing the Group's interim condensed consolidated financial statements estimates were made by the Parent's directors on certain occasions in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimatesrelate basically to the following:

- The impairment losses on certain assets;
- The deferred tac assets recoverability assessment;
- Income tax expense;
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments and other long-term obligations to employees;
- The useful life of the tangible and intangible assets;
- The measurement of goodwill arising on consolidation;
- The fair value of certain unquoted assets (see Note 21).

Although the estimates were made on the basis of the best information available at the date the estimates were made on the events analyzed, future events might make it necessary to change these estimates significantly (upwards or downwards). If required, changes in accounting estimates would be applied in accordance with the applicable legislation prospectively, recognizing the effects of any changes in estimates in the consolidated statements of profit or loss for the periods affected.

In this sense, the administrators of the Parent Entity have proceeded to re-evaluate certain estimates made at the close of the 2021 financial year.

a) Impairment of financial assets

The Group has made a series of modifications to reflect the impact of the crisis on impairments due to credit risk in its loan portfolio, estimated in accordance with the IFRS9 standard.

Estimation of risk parameters

As described in Note 14.h) of the consolidated annual accounts, the methodology for the collective calculation of the expected loss is based on the construction of the following risk parameters: Probability of default (PD), severity (LGD) and the exposure at the time of default (EAD), estimated where appropriate from a conversion factor (CCF). The models have been developed based on the historical experience existing in the Group considering all reasonable and documented information and including prospective information.

The Group has carried out an updated calculation of the different risk parameters of its PD and LGD models in accordance with the new internally estimated macroeconomic scenarios in the context of the crisis caused by COVID-19. These scenarios have been applied to the different econometric models that relate the internal parameter (PD, LGD) with the economic situation. The unusual nature of the crisis and its significant effects on certain indicators (mainly on GDP) made it necessary to apply a series of adjustments to them in line with the general principles established in the different publications and guidelines regarding COVID19 and IFRS 9 published. by different organizations (ESMA, EBA, ECB...) during 2020 - including the letter from the ECB to the entities of December 4, 2020-, trying to mitigate "cliff" effects and a possible excessive procyclicality. The purpose of the adjustments was to guarantee that the data were correctly interpreted by the models in whose estimation macroeconomic data of similar magnitude and behavior were not observed.

In June 2022, the Group has updated all the projections of its PD and LGD parameters, setting aside the adjustments applied during the pandemic, as they have become obsolete as they do not respond to the current situation reflected in the most recent macroeconomic scenarios: the projections of the main macroeconomic aggregates (particularly GDP) are within the historical ranges observed in recent years, and are therefore appropriate for use in econometric models without the need to apply smoothing. The modified parameters correspond to the main portfolios modeled by the Group (mortgages, consumption, cards, companies, developers), estimating the coverage of the remaining portfolios based on experience and the information available in the sector on the behavior of these exhibitions.

To calculate the expected credit loss for June 2022, 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 were coming registering since the end of 2021, accentuated by the conflict. These scenarios have been approved by the Governing Bodies of the Parent Entity in May 2022, updating those that were previously approved in January 2022 for use in financial and capital planning. Based on the variables described in the supervisor's report, a complete and coherent set of variables has been drawn up for Spain, Euskadi and Andalusia.

- The baseline scenario is aligned with the macroeconomic forecasts that various organizations presented in April 2022, especially by the Bank of Spain on April 5, 2022. This scenario is based on the situation at the end of 2021, which anticipated a slowdown in economic growth expected for 2022 and 2023. On this basis, the effect of the war between Russia and Ukraine is included, generating a humanitarian and geopolitical crisis of great magnitude, introducing a high degree of uncertainty in the economic field and disruptions in global trade. The base scenario proposes a lengthening of the conflict without major international escalation but with notable impacts at the economic level, derived from the interruption of the supply of oil in 2022 and gas, especially in 2023, coming from Russia. This translates into a slowdown in growth in 2022 and 2024, postponing the recovery to pre-pandemic levels until 2024.

- For its part, the approved adverse scenario is based on a combination of the adverse scenario approved by the Group in January 2022 with the severe scenario proposed by the Bank of Spain on April 28, 2022. The Group has chosen to consider the most severe projection of each variable or indicator between the two alternatives. This is a very severe scenario that contemplates entering a recession in 2023, with a sharp increase in the unemployment rate and sharp falls in land and housing prices in 2022.

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:

	% Increase (Decrease)								
	Base scenario			Intermediate scenario			Adverse scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Gross Domestic Product (GDP)	5.0%	4.0%	1.7%	5.0%	2.8%	0.6%	5.0%	0.5%	-1,6%
Unemployment rate	13.3%	14.0%	14.0%	13.3%	15.1%	15.6%	13.3%	17.4%	18,8%
Household price index	4.4%	4.3%	3.7%	4.4%	-0.5%	1.9%	4.4%	-6.9%	-1.7%
Land price evolution	12.7%	0.9%	1.4%	12.7%	-2.9%	-0.7%	12.7%	-10.4%	-4.9%
CPI variation	3.1%	10.1%	3.0%	3.1%	10.2%	2.9%	3.1%	10.4%	2.6%

The approach used by the Group consists of first using the most likely scenario (baseline 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 in this year, are 70% for the base, 25% for the intermediate and 5% for the adverse scenario.

Of all the variables used, the GDP in the form of interannual or quarterly variation and the unemployment rate are the most recurrent and significant, with the evolution of the average price of housing and land also being present in some models (especially the LGD with mortgage collateral). During the month of June 2022, an adjustment was also made in the econometric model of the PD of Companies (SMEs and Micro-enterprises) to incorporate the increase in costs via the CPI (variable that accompanies the quarterly variation in GDP together with the unemployment rate). On the other hand, the LGD model with mortgage guarantee of natural persons has also been completely reestimated, recalibrating the econometric model which incorporates the quarterly variation of the GDP, the unemployment rate and the quarterly variation of the housing index (average price).

In addition to the model re-estimates mentioned in the previous paragraph, all PD and LGD models have been updated to the new macroeconomic scenarios. The projections of the parameters are made considering the quarterly expectations of the different aggregates, in each of the base, intermediate and adverse scenarios. In the case of the 12-month PD, the parameter estimates are obtained by averaging the projections in each of the quarters June 2022, September 2022, December 2022 and March 2023, while the lifetime PD considers longer periods (from the third year, a reversion to the average PD of the segment is assumed).

On the other hand, the Kutxabank Group has estimated the additional provision for the potential impact of the increase in the costs of raw materials and energy (gas, electricity, oil, various minerals) in the consolidated income statement of its portfolio of companies. In addition, the coverage percentages used to calculate the collective expected loss of the non-modeled segments have been updated, which are based on the experience and information available in the sector on the behavior of these exposures.

The adaptations due to estimation and updating of the macroeconomic scenarios described in the PD and LGD models, together with the updating of the collective calculation for the non-modeled segments and the analysis carried out of the increase in costs, have led to the recording of additional provisions for impairment for an amount of around 13,713 thousand euros in the first half of 2022.

- Sensitivity of the Expected Loss

  The impact of the different macroeconomic scenarios proposed are captured in the expected loss based on the sensitivity of the risk parameters and associated econometric models, such as has been detailed above. The impact of the different variables on the 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 house prices 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 interrelation between 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 under the base scenario and the adverse scenario are estimated, the expected loss of the portfolio is calculated. under each 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 as a result of the application of different PDs in determining the significant increase in risk due to variation in PD.

  - Exposures in stage 3 change as LGD does under each scenario.

  In this way and according to the scenarios presented, the GDP presents an estimated accumulated variation of +5.70% from December 2021 to December 2023 in the base scenario compared to a fall of -1.10% in the adverse scenario. Regarding the unemployment rate, it increases by 0.7% under the base scenario between December 2021 and December 2023, while it increases by +5.3% in the adverse scenario in the same period. Under these scenarios and the established assumptions, the expected loss of the credit portfolio in the adverse scenario is 285 million euros higher than that of the base scenario (45% increase) as a consequence of the additional deterioration reflected, above all, in the GDP indicators and the unemployment rate.

b) The criteria for classifying credit risk by stages have not changed with respect to those described in note 14.h) of the 2021 consolidated financial statements.

c) Assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits and other long-term commitments to employees.

   The balance of the heading "Provisions" includes the amount of the present value of the post-employment commitments acquired with the staff and other long-term employee benefits. These commitments are valued at the current value of the obligations discounted at the interest rate estimated by the Group. In addition, the growth rates forecast for said commitments, depending on their characteristics and stipulations, may take the evolution of the CPI as a reference.

On June 30, 2022, the calculation of the current value of the commitments for post-employment benefits and other long-term benefits to employees has been updated, for which the Group has reviewed the actuarial assumptions related to the discount rate and to the expected growth of the CPI. Thus, the most significant assumptions used in the actuarial studies as of June 30, 2022 and December 31, 2021 are as follows:

HYPOTHESIS	2021	2022
Technical interest rate	(0,45) - 0,60%	0,50 – 2,3%
Mortality tables	PER 2020_Col_1er	PER 2020_Col_1er
Corrected invalidity tables	EVKM/F 90	EVKM/F 90
Cumulative annual rate of price increase (*)	2,1% for the period 2022-2024, and 2% from 2025 onwards.	10% for 2022, 3% for 2023, 1,8% for 2024 and 2% from 2025 onwards..

(*) The growth rates depend on the characteristics and stipulations of each commitment, considering the Ieconomic indices that serve as a reference for updating each of them. As a rule, the economic index that is taken as a reference in updating wages is the CPI.

The update of the discount rate and the expected evolution of the CPI used in the calculation of the present value of pension commitments have led to a reduction in their value amounting to 21,719 thousand euros.

In relation to the rest of the estimates, during the six-month period ended June 30, 2022, the estimates made at the end of the 2021 financial year have been revised, including both the valuation of goodwill and the recoverability of tax assets. deferred. This review has not resulted in significant changes in the resulting valuations, in addition to those described in this note and those indicated in these condensed consolidated interim financial statements.

3. Consolidated statement of cash flows

The following terms are used in the consolidated statements of cash flows with the meaningsspecified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short- term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of credit institutionsand other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition ofthe equity and liabilities that are not operating activities.

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 recognised 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 30 June 2022 amounted to EUR 5,519,621 thousand (30 June 2021: EUR 4,773,161 thousand).

4. Changes in the composition of the Group

The methods used by the Group for considering an entity to be a Group company, joint venture or associate, together with a description of the consolidation methods and measurement bases applied to each, are those established by International Financial Reporting Standards as adopted by the European Union ("EU-IFRSs"), taking into account Bank of Spain Circular 4/2017, of 27 December, which implements and adapts for the Spanish credit institution sector the International Financial Reporting Standards adopted by the European Union.

Ownership interests in the following companies in the scope of consolidation were sold in the first six months of 2022:

- The Group has established on April 26, 2022 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, SL" and, therefore, the 36.84% stake held by the investee in Zierbena Bizkaia 2002, SL

- "San Mamés Barria, SL" has agreed to increase the share capital by 119 thousand euros through the issue of 118,749 shares with a nominal 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.

The net result generated during the first half of 2022 by the operations described above recorded under the heading "Gains or losses on derecognition of non-financial assets, net" in the accompanying consolidated income statement has resulted in a loss of 1,236 thousands of euros, originating almost entirely from the sale of "Logística Binaria, SL". Additionally, during the first half of 2022 the following transaction took place, which involved a percentage change in an entity in which the Group owns control:

- On June 20, 2022, the Group has acquired 491 shares of "Fineco Sociedad de Valores SA" for an amount of 73 thousand euros. Following this acquisition, the Group has now held 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 it previously held 83.55% in each of them. The described operation has entailed a net equity decrease of Other reserves amounting to 35 thousand euros for the Group.

5. Remuneration of directors and senior executives of the Parent

a) Remuneration of directors

At 30 June 2022, the Bank’s Board of Directors had 16 members (being, as of that date, one of the positions pending coverage), (30 June 2021: 16 members).

The annual aggregate remuneration earned by the members of the Parent's Board of Directors, amounted to EUR 1,363 and EUR 1,168 thousand in the six-month period ended 30 June 2022 and 30 June 2021, the detail being as follows:

Type of remuneration	Thousands of euros	
	30/06/2022	30/06/2021
Remuneration for membership of the Board and/or Board committees	439	403
Salaries	585	532
Cash-based variable remuneration (*)	162	110
Share-based remuneration systems (*) (**)	162	110
Compensation	-	-
Long-term saving systems (***)	15	13
Other concepts	-	-
Total	**1,363**	**1,168**

(*) For comparison purposes, the information set forth in the table above includes the maximum annual variable remuneration that could be accrued in the first half of 2022, and the annual variable remuneration actually accrued in 2021 corresponding to the first half of that year.

(**) In view of the Parent’s unquoted status, the remuneration is settled through replacement equity instruments that represent the changes in Kutxabank’s value.

(***) Certain members of the Parent's Board of Directors are entitled to defined contribution post-employment benefits due to their status as directors. In addition, certain members of the Board of Directors have defined contribution pension rights which were earned in years in which they held positions at the Bank; no amounts were earned in this connection in the first six months of 2022 or the first six months of 2021. These two rights are externalised through insurance policies with non-Group companies and employee benefit entities (EPSVs).

Additionally, in the first half of 2022, 428 thousand euros have been granted as a long-term incentive linked to the 2019-2021 strategic plan, at the end of the multi-year period for evaluating results, and within the maximum limit approved by the General Meeting of shareholders for those three years. The aforementioned amount, like the rest of the variable remuneration items included in the table above, has been subject to the policies of deferral, for 5 years, settlement in the form of instruments and to the ex-post risk adjustment mechanisms in successive years.

Subsequently, the General Shareholders' Meeting of February 25, 2022 approved, at the proposal of the Board of Directors, the remuneration policy for the members of the Board of Directors and, as part of it, the participation of the two directors with executive functions in the supplementary long-term variable remuneration plan established by the Board of Directors linked to the Group's Strategic Plan. Thus, at its meeting held on March 31, 2022, the Board of Directors approved the aforementioned Plan, whose results measurement period will cover the three-year term of the Group's Strategic Plan 2022-2024. Considering the foregoing, the maximum amount that could be allocated to this group for the first half of 2022 for this concept would amount to 131 thousand euros, although the latter is a mere forecast in case of compliance, to the maximum degree of achievement, of all the conditions established in the Plan, subject in any case to the maximum remuneration limit approved by the General Shareholders' Meeting, and to the prudential restrictions in force for all variable remuneration schemes.

In the six-month period ended 30 June 2022, EUR 0.5 thousand of insurance premiums covering the risk of death were paid (in the six-month period ended 30 June 2021: EUR 0.5 thousand).

Also, EUR 207 thousand earned in years prior to 2022 and subject to withholding and/or deferral periods were paid in the six-month period ended 30 June 2021. EUR 310 thousand earned in years prior to 2021 were paid in the six-month period ended 30 June 2021.

The members of the Board of Directors did not earn any remuneration for discharging duties within the governing bodies of Group companies in the first six months of 2022 (first six months of 2021: no remuneration) in addition to the remuneration disclosed above, which was earned at the Parent.

b) Remuneration of senior executives of the Parent

For the purpose of preparing these interim condensed consolidated financial statements, at 30 June 2022 and 2021 and in the six-month periods then ended, there were five senior executives, comprising the general managers and similar executives who discharge their management duties under direct supervision of the managing bodies, the executive committees or the CEO.

The following table shows the remuneration earned by the senior executives of the Parent:

	Thousands of euros	
	30/06/22	30/06/21
Remuneration (*)	864	803
	864	**803**

(*) For comparison purposes, the information set forth in the table above includes the maximum annual variable remuneration that could be accrued in the first half of 2022, and the annual variable remuneration actually accrued in 2021 corresponding to the first half of that year.

The foregoing table includes the annual accrual contributions to defined contribution employee benefit systems, within the semesters ending June 30, 2022 and June 30, 2021. Additionally, defined benefit obligation systems for which the provision recognised at 30 June 2022 amounted to EUR 1,278 thousand (30 June 2021: EUR 1,258 thousand).

Additionally, in the first half of 2022, 1,314 thousand euros have been granted as a long-term incentive linked to the 2019-2021 strategic plan, after the multi-year period for evaluating results has concluded. The aforementioned amount, like the rest of the variable remuneration items included in the table above, has been subject to the policies of deferral, for 5 years, settlement in the form of instruments and to the ex post risk adjustment mechanisms in successive years.

On the other hand, the Board of Directors, at its meeting on March 31, 2022, approved a supplementary long-term variable remuneration plan that includes the 5 members of Senior Management. The period for measuring the results of the aforementioned Plan will cover the three-year term of the Group's Strategic Plan 2022-2024. Considering the foregoing, the maximum amount that could be allocated to this group for the first half of 2022 for this concept would amount to 217 thousand euros, although the latter is a mere forecast in case of compliance, to the maximum degree of achievement, of all the conditions established in the Plan, subject in any case to the prudential restrictions in force for all variable remuneration schemes.

In the six-month period ended 30 June 2022, EUR 1.4 thousand of insurance premiums covering the risk of death were paid (in the six-month period ended 30 June 2021: EUR 1.4 thousand).

Likewise, in the first half of 2022, EUR 131 thousand have been paid subject to retention and/ or deferral periods, accrued in years prior to 2021 and which were already included in the total remuneration for those periods, EUR 107 thousand in the semester ended June 30 2021, which would have been accrued in years prior to 2020.

Moreover, in the six-month periods ended 30 June 2022 and 30 June 2021 no senior executives earned any benefits as a result of the termination of their employment relationship.

6. 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 at least 75% 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 organisational structure at 30 June 2022. The following business segments are distinguished, taking into account mainly the subgroup from which the information originates:

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

The Kutxabank subgroup segment includes the business activities of Kutxabank, which are carried on through the Kutxabank 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 and credit cards, etc. In addition, this segment includes the business activities carried on by certain companies that are considered to be a direct prolongation of the activity carried on by the Parent. Kutxabank's Board of Directors is ultimately responsible for operating 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, S.A.U. is ultimately responsible for operating 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 in this area.

The other business activities segment includes all the business activities not allocated to the aforementioned segments. Ultimate responsibility for operating 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 eachactivity 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 usedby the Group.

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

The sum of the operating segments' statements of profit or loss plus the adjustmentsand 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, broken down by business segment, for the periods ended 30 June 2022 and 2021:

	Thousands of euros						
	30/06/22						
	Kutxabank subgroup	Cajasur Banco subgroup	Insurance companies	Management companies	Other business activities	Adjustments and eliminations	Total Group
Statement of profit or loss							
Net interest income (expense)	**190,377**	**79,888**	**7,070**	**19**	**(3,419)**	**5,629**	**279,564**
Dividend income	35,102	-	324	-	188	-	35,614
Share of the profit or loss of entities accountedfor using the equity method	-	-	-	-	11,727	-	11,727
Net fee and commission income (expenses)	187,204	39,944	(39,919)	48,806	2,733	(106)	238,662
Gains or losses on derecognition or measurement of financial assets and liabilities	15,739	-	-	(225)	18	(5,602)	9,930
Exchange differences, net	999	216	-	-	-	(1)	1,214
Other operating income, other operating expenses and income and expenses underinsurance contracts	(26,387)	(7,239)	77,769	(202)	3,184	(1,199)	45,926
Gross income	**403,034**	**112,809**	**45,244**	**48,398**	**14,431**	**(1,279)**	**622,637**
Staff costs	(140,984)	(54,372)	(3,407)	(5,139)	(2,132)	-	(206,034)
Other administrative expenses	(54,399)	(15,495)	(3,889)	(2,621)	(1,113)	1,279	(76,238)
Depreciation and amortisation charge	(14,192)	(3,291)	(1,281)	(161)	(818)	-	(19,743)
Provisions or reversal of provisions	(9,803)	(7,813)	-	-	1,903	-	(15,713)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(30,436)	(2,793)	-	-	(3,214)	-	(36,443)
Impairment or reversal of impairment on non- financial assets	(7,008)	(707)	-	-	(1,070)	-	(8,785)
Other income and expenses	5,247	(754)	-	-	(42,008)	-	(37,515)
Profit (Loss) before tax	**151,459**	**27,584**	**36,667**	**40,477**	**(34,021)**	**-**	**222,166**
Tax result of continuing activities	(37,218)	(12,580)	(10,280)	(11,320)	12,850	-	(58,548)
Profit (Loss) after tax	**114,241**	**15,004**	**26,387**	**29,157**	**(21,171)**	**-**	**163,618**
Interrupted activities income tax	-	-	-	-	-	-	-
Profit (Loss) for the period	**114,241**	**15,004**	**26,387**	**29,157**	**(21,171)**	**-**	**163,618**
Attributable to minority interest (non-controlling interests)	-	-	-	371	80	-	451
Attributable to parent owners	**114,241**	**15,004**	**26,387**	**28,786**	**(21,251)**	**-**	**163,167**

		Thousands of euros					
		30/06/21					
	Kutxabank subgroup	Cajasur Banco subgroup	Insurance companies	Management companies	Other business activities	Adjustments and eliminations	Total Group
Statement of profit or loss							
Net interest income (expense)	**189,261**	**81,133**	**7,606**	**16**	**(2,034)**	**(143)**	**275,839**
Dividend income	33,085	-	213	-	182	-	33,480
Share of the profit or loss of entities accountedfor using the equity method	-	-	-	-	1,647	-	1,647
Net fee and commission income (expenses)	177,399	38,275	(40,329)	42,254	3,345	(103)	220,841
Gains or losses on derecognition or measurement of financial assets and liabilities	(1,624)	-	-	98	24	143	(1,359)
Exchange differences, net	646	133	-	-	-	(1)	778
Other operating income, other operating expenses and income and expenses underinsurance contracts	(24,871)	(6,368)	67,731	(175)	7,973	(1,196)	43,094
Gross income	**373,896**	**113,173**	**35,221**	**42,193**	**11,137**	**(1,300)**	**574,320**
Staff costs	(139,398)	(54,166)	(3,360)	(4,960)	(2,131)	-	(204,015)
Other administrative expenses	(51,817)	(14,998)	(3,815)	(2,349)	(1,165)	1,300	(72,844)
Depreciation and amortisation charge	(12,900)	(3,037)	(1,311)	(150)	(1,111)	-	(18,509)
Provisions or reversal of provisions	(1,389)	(7,845)	-	-	(1,943)	-	(11,177)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(54,758)	(14,651)	(9)	-	(4,364)	-	(73,782)
Impairment or reversal of impairment on non- financial assets	(5,735)	(79)	(60)	-	(5,048)	-	(10,922)
Other income and expenses	10,609	(1,150)	-	-	(26,312)	-	(16,853)
Profit (Loss) before tax	**118,508**	**17,247**	**26,666**	**34,734**	**(30,937)**	**-**	**166,218**
Tax result of continuing activities	(29,900)	(5,399)	(7,475)	(9,606)	12,844	-	(39,536)
Profit (Loss) after tax	**88,608**	**11,848**	**19,191**	**25,128**	**(18,093)**	**-**	**126,682**
Interrupted activities income tax	-	-	-	-	-	-	-
Profit (Loss) for the period	**88,608**	**11,848**	**19,191**	**25,128**	**(18,093)**	**-**	**126,682**
Attributable to minority interest (non-controlling interests)	-	-	-	344	870	-	1,214
Attributable to parent owners	**88,608**	**11,848**	**19,191**	**24,784**	**(18,963)**	**-**	**125,468**

The detail of the Group's revenue by business segment for the periods ended 30 June 2022 and 2021 is as follows: Revenue is considered to include "Interest Income", "Dividend Income", "Share of the Profit or Loss of Entities Accounted for Using the Equity Method", "Fee and Commission Income", "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 Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss, Net", "Gains or Losses from Hedge Accounting, Net", "Other Operating Income" and "Income from Assets under Insurance and Reinsurance Contracts".

Segments	Thousands of euros	
	Total revenue	
	30/06/22	30/06/21
Kutxabank subgroup	464,370	438,715
Cajasur Banco subgroup	124,736	122,861
Insurance companies	135,151	138,640
Other business activities	88,910	81,104
Management Companies	12,168	18,125
Inter-segment revenue adjustments and eliminations	(86,809)	(84,419)
Total	**738,526**	**715,026**

The Group operates through 737 branches at 30 June 2022 (31 December 2021: 774 branches), all located in Spain.

The geographical distribution of the Group's financial assets is detailed in Notes 9 and 22 to these interim condensed consolidated financial statements. As regards the Group´s income, it is almost generated in Spain.

7. Capital management objectives, policies and processes

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 intoforce on 1 January 2014.

Although these measures have 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 presenteda legislative proposal based on internationally agreed standards (in particular, those issued bythe 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, counterpartyrisk and market risk).

These risk-reduction measures, which were published 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 additionto 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.

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, different regulatory amendments were published with the main objective of making adaptations in response to the serious economic disturbances caused by it. The most relevant amendments were established in Regulation (EU) 2020/873 of the European Parliament and of the Council and included aspects such as the extension for two years of the transitional provisions on the application of IFRS 9, the introduction of a temporary prudential filter on exposures to sovereign bonds, provisional changes in the calculation of the leverage ratio, the postponement until January 1, 2023 of the enforceability of the buffers provided for this indicator for systemic entities, measures to reduce capital requirements in relation with certain loans guaranteed by pensions or salaries, and with loans to SMEs and infrastructure and the extension of the preferential treatment of doubtful loans guaranteed by export credit agencies to other guarantors of the public sector. Additionally, in this same area related to the COVID-19 pandemic, the Delegated Regulation (EU) 2020/2176 of the Commission was published, which modified the current deduction of intangible assets associated with internal developments of computer programs.

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 establishes international standards on the solvency and liquidity requirements applicable to banks. 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. To this end, the European Commission published in October 2021 a proposal to review the EU banking regulations that postpones the entry into force of the changes associated with the final Basel III reforms until January 1, 2025.

The regulatory package The proposal constitutes one of the last steps in this reform of banking regulations and consists of several legislative proposals to modify CRD V and CRR II.

As regards Spain, the most significant legislation comprises Royal Decree-Law 14/2013, of 29November, on urgent measures to adapt Spanish law to European Union legislation in relation to the supervision and capital adequacy of financial institutions, Law 10/2014, of 26 June, onthe regulation, supervision and capital adequacy of credit institutions, Royal Decree 84/2015, of 13 February, implementing the aforementioned law, and Bank of Spain Circular 2/2016, of2 February, completing the adaptation of the Spanish legal system to CRR and CRD IV.

These regulatory texts were complemented by others aimed at the transposition of 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 amend CBE 2/2016, thus ending and for now the adaptation of the supervision and solvency requirements of credit institutions. credit established in European regulations to Spanish regulations.

This legislation governs the minimum capital requirements for Spanish credit institutions -both as stand-alone entities and as consolidated groups- and the criteria for calculating them, as well as the various internal capital adequacy assessment processes they should have in placeand the public information they should disclose to the market.

The minimum capital requirements established by this legislation are calculated on the basis of the Group's exposure to credit risk, to counterparty, position and settlement risk in relation to the financial assets held for trading, to foreign currency and gold position risk, and to operational risk. Additionally, the Group is subject to compliance with the established risk concentration limits and the requirements concerning internal corporate governance, internal capital adequacy assessment, interest rate risk measurement and disclosure of public information to the market. In order to guarantee the fulfillment of the aforementioned objectives, the Group carries out integrated management of these risks.

In addition to strict compliance with current capital adequacy regulations, the Group has strategic guidelines in place for the management of its global risk profile; these guidelines, which are contained in its Risk Appetite Framework, include, inter alia, the establishment of corporate targets and observation and alert thresholds for the main capital ratios. The formalidentification of the capital adequacy levels pursued, combined with the analysis of the risk theGroup assumes in the performance of its business and the evaluation of the adequacy of the infrastructure used to manage and control that risk, make it possible to determine its global risk profile.

The practical execution of the previous aspect entails two different types of action: on the one hand, the management of the 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 the company. consideration of your level of capital consumption.

The adequacy of the Group's capital structure in view of its target global risk profile is overseen by monitoring the changes in the Group's solvency position and by forecasting future trends in the position using a base scenario that includes the assumptions most likely to be met over the next three years, and various stress scenarios designed to evaluate the Group's financial capacity to overcome particularly adverse situations of different kinds.

The main area of capital adequacy management is the consolidated Group of credit institutions.

In addition to complying with the capital requirements stemming from the capital adequacy regulations in force, European banks are required to meet the additional capital requirementslaid down by the supervisory bodies, in the exercise of the powers established in Regulation (EU) 1024/2013. These supervisory requirements differ for each entity, as they depend on the conclusions drawn in each case during the supervisory review and evaluation process (SREP).

On 2 February 2022, the ECB notified Kutxabank of the capital requirements applicable to it from 1 March 2022 onwards, and established minimum thresholds, on a consolidated basis, of 7.675% for the CET1 ratio and 11.70% for the Total Capital Adequacy Ratio. These thresholds encompass, in addition to the regulatory requirements under Pillar 1, a Pillar 2 supervisory requirement of 1.20% and a capital conservation buffer of 2.50%.

At 30 June 2022 and 31 December 2020, the Group's eligible capital exceeded comfortably the minimum regulatory and supervisory capital requirements in force at those dates.

In addition, 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 dated January 24, 2022, according to which the Kutxabank Group must have a volume of own funds and admissible liabilities at a consolidated level of at least 17.28% of the amount of its total exposure to risk (TREA) and 5 .25% 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.

8. Events after the reporting period

Between June 30, 2022 and the date of preparation of these condensed consolidated interim financial statements, no additional event to what is mentioned here or to those described in this report has occurred that significantly affects the Group or the content of these condensed consolidated interim financial statements, except for the one described below.

As of June 30, 2022, the Group holds a 20.27% stake in the capital of Inversiones Zubiatzu, SA, an associated company, which is valued using the equity method, with a book value at that date of 32,245 thousand euros and whose participation in results during the first half of 2022 amounted to 11,665 thousand euros. On July 18, 2022, the sale of 27,255 shares of the company to the investee company itself was formalized, within the framework of a share capital reduction operation through the acquisition of shares for amortization. After the sale and reduction of capital of the investee company, the Kutxabank Group holds 3,025 shares that will represent 5% of its capital and certain conditions, which the Group considers imply the future loss of significant influence in it. For this reason, as of that moment, the investee company will no longer be considered an associate of the Kutxabank Group and, consequently, the book value of the interest will be derecognized from the heading "Investments in joint ventures and associates - Associates" of the consolidated balance sheet statement in which it is recorded as of June 30, 2022, while the interest that the Group holds after the sale will be recorded, at fair value, under the heading "Financial assets at fair value with changes in other comprehensive income" . The operation will entail a reduction in the book value under 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 the sale and 637 thousand euros for valuation at market value after accounting reclassification.

9. Financial assets

The detail of the carrying amount of the financial assets owned by the Group at 30 June 2022 and 31 December 2021 is as follows:

		Thousands of euros (*)			
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designate dat fair value through profit orloss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Balances at 30 June 2022					
Derivatives	77,049	-	-	-	-
Equity instruments	-	33,938	-	1,375,145	-
Debt securities	15,783	16,686	-	4,281,956	2,761,418
Loans and advances					
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	423,831
Customers	-	-	-	-	48,413,423
Total	**92,832**	**50,624**	**-**	**5,657,101**	**51,598,672**
Balances at 31 December 2021					
Derivatives	61,770	-	-	-	-
Equity instruments	-	35,108	-	1,459,429	-
Debt securities	-	21,683	-	4,435,862	2,132,909
Loans and advances					
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	501,109
Customers	-	-	-	-	47,516,159
Total	**61,770**	**56,791**	**-**	**5,895,291**	**50,150,177**

(*) Excluding cash, cash balances at central banks and other demand deposits and hedgingderivatives.

During the first semester of 2022, no asset reclassifications has been made between the categories "Financial assets held for trading"; "Non-trading financial assets mandatorily at fair value through profit or loss"; "Financial assets designated at fair value thorough profit or loss"; "Financial assets at fair value through other comprehensive income" and "Financial assets at amortised cost".

The detail of the fair value of financial assets is disclosed in Note 21.

9.1 Financial assets held for trading

As of June 30, 2022, this heading includes derivative instruments amounting to 77,049 thousand euros and debt securities amounting to 15,783 thousand euros (derivative instruments amounting to 61,770 thousand euros as of December 31, 2021), valued at fair value.

9.2 Non-trading financial assets mandatorily at fair value through profit or loss

The detail of "Non-Trading Financial Assets Mandatorily at Fair Value Through Profit or Loss" in the accompanying condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Debt securities:		
By counterparty:		
Spanish public administrations	-	-
Foreign public administrations	-	-
Issued by credit institutions	16,678	21,675
Other resident sectors	8	8
	16,686	**21,683**
Equity instruments:		
Listed shares	-	-
Unlisted shares	13,109	10,702
Collective Investment Undertakings, Private Equity Entities and EmployeeBenefit Entities	20,829	24,406
	33,938	**35,108**
Loans and advances:		
Customers	-	-
	-	**-**
	50,624	**56,791**

During the first half of 2022, a net loss of EUR 346 thousand (2021: EUR 1,920 thousand) has been recorded under the heading " Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net" of the consolidated financial statement, which mainly responds to the fair value measurement of the financial assets recorded in this portfolio.

9.3 Financial assets at fair value through other comprehensive income

Financial assets classified as at fair value through other comprehensive income are measured at fair value and any changes in value are recognised, net of the related tax effect, in equity under "Accumulated Other Comprehensive Income".

The detail of “Financial Assets at Fair Value Through Other Comprehensive Income” in the accompanying condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/2021
Debt securities:		
Public sector - Spain	3,562,342	3,544,709
Public sector - foreign countries	170,809	292,556
Credit institutions	113,880	117,817
Other fixed-income securities	434,925	480,780
	4,281,956	**4,435,862**
Other equity instruments:		
Listed shares	1,120,095	1,203,642
Unlisted shares	255,050	255,787
	1,375,145	**1,459,429**
	5,657,101	**5,895,291**

As of June 30, 2022 and December 31, 2021, the Group has not recognised any amount for doubtful assets of Debt Securities; All the debt securities included in this heading correspond to assets classified in Stage 1. During the first half of 2022, impairment losses have been recognized for an amount of 200 thousand euros (530 thousand euros during the first half of 2021) recorded under the heading “Impairment or reversal of impairment and gains or losses from changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or losses from change”.

For equity instruments, 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 recognised under “Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income”, except in the case of the instruments the Group has decided to classify under “Non- Trading Financial Assets Mandatorily at Fair Value through Profit or Loss".

During the first six months of the 2022 financial year, dividend income was recognized from equity instruments classified in the portfolio "Financial assets at fair value with changes in other comprehensive income" for an amount of 35,372 thousand euros (33,238 thousand euros, during the first half of 2021), which are recorded under the heading "Income from dividends" in the accompanying consolidated income statement.

Likewise, during the first half of the 2022 financial year, 3,779 shares in Desarrollos Tecnológicos y Logísticos, SA registered under this heading were derecognized due to sale for an amount of 350 thousand euros, which has led to an accumulated loss of 356 thousand euros, which, net of its tax effect, has been recorded under the heading "Other Reserves" of the Equity of the consolidated balance sheet as of June 30, 2022 for an amount of -249 thousand euros, after having been transferred, as a result of its removal, from the heading "Accumulated other comprehensive income - Items that will not be reclassified to results - Changes in the fair value of equity instruments measured at fair value of equity instruments measured at fair value with changes in other comprehensive income". During the first half of 2021 there were no write-offs due to sales and liquidation of equity instruments recorded under this heading.

9.4 Financial assets at amortised cost

The detail of "Financial Assets at Amortised Cost" in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Debt securities	2,761,418	2,132,909
Loans and advances:		
Credit institutions	423,831	501,109
Customers	48,413,423	47,516,159
	51,598,672	**50,150,177**

a) Debt securities

The detail of "Debt Securities" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Debt securities:		
By counterparty:		
Issued by public sector- Spain	1,168,489	938,222
Issued by public sector - foreign countries	1,042,303	695,857
Issued by credit institutions	532,351	480,427
Non-Finantial foreign entities	18,275	18,403
	2,761,418	**2,132,909**

The instruments included in this heading belong to assets classified in Stage 1. During the first half of 2022, impairment losses amounting to 37 thousand euros have been recognized under the heading "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortized cost "from the consolidated income statement.

b) Loans and advances

The detail, by type of instrument, of "Loans and Advances - Credit Institutions" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Reverse repurchase agreements	4,298	-
Other time deposits	419,679	501,354
Valuation adjustments		
Other	(146)	(245)
	423,831	**501,109**

The detail of "Loans and Advances - Customers" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Commercial credit	693,689	513,571
Mortgage loans	33,599,696	33,072,595
Loans with other collateral	165,650	172,493
Other term loans	12,547,502	11,824,928
Finance leases	114,910	111,056
Receivable on demand and other	1,165,098	562,638
Credit Card Loans	431,840	425,565
Non-performing assets	687,080	918,750
Advances other than loans:		
Fees and commissions for financial guarantees	2,943	3,427
Other items	326,305	485,687
	49,734,713	48,090,710
Valuation adjustments:		
Impairment losses	(655,301)	(718,248)
Other valuation adjustments	(665,989)	143,697
	(1,321,290)	(574,551)
	48,413,423	**47,516,159**

The detail, by credit quality, of "Financial Assets at Amortised Cost - Loans and Advances - Customers" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Gross amount		
Stage 1	46,128,464	44,754,435
Stage 2	2,253,180	2,561,222
Stage 3	687,080	918,750
	49,068,724	**48,234,407**
Impairment losses		
Stage 1	(96,206)	(83,437)
Stage 2	(221,709)	(223,277)
Stage 3	(337,386)	(411,534)
	(655,301)	**(718,248)**
Impairment losses		
Collectively assessed	(431,412)	(532,701)
Individually assessed	(223,889)	(185,547)
	(655,301)	**(718,248)**
Carrying amount		
Stage 1	46,032,258	44,670,998
Stage 2	2,031,471	2,337,945
Stage 3	349,694	507,216
	48,413,423	**47,516,159**

The movement during the first half of 2022 of the gross amount of the balance of the heading "Financial assets at amortized cost - Loans and advances - Customers" according to credit quality is as follows:

	Thousands of euros			
	To Stage 1	To Stage 2	To Stage 3	Total
Balance at the beginning of fiscal year 2022	**44,754,435**	**2,561,222**	**918,750**	**48,234,407**
Transfers				
From stage 1	(375,765)	370,608	5,157	-
From stage 2	492,694	(524,749)	32,055	-
From stage 3	26	37,672	(37,698)	-
New financial assets	4,371,042	56,177	2,404	4,429,623
Disposals of financial assets (other than bad debts)	(1,435,738)	(154,587)	(20,181)	(1,610,506)
Transfers of loans to Non-current assets for sale	-	-	(170,108)	(170,108)
Failed	-	-	(17,516)	(17,516)
Risk variation	(1,678,230)	(93,163)	(25,783)	(1,797,176)
Balance June 30, 2022	**46,128,464**	**2,253,180**	**687,080**	**49,068,724**

	Thousands of euros			
	To Stage 1	To Stage 2	To Stage 3	Total
Balance at the beginning of fiscal year 2021	**41,725,442**	**2,185,762**	**1,073,356**	**44,984,560**
Transfers				
From stage 1	(845,598)	840,103	5,495	-
From stage 2	450,945	(482,372)	31,427	-
From stage 3	26	27,395	(27,421)	-
New financial assets	5,226,386	39,617	4,170	5,270,173
Disposals of financial assets (other than bad debts)	(1,320,421)	(58,272)	(51,416)	(1,430,109)
Failed	(37)	(5)	(53,986)	(54,028)
Risk variation	(632,266)	(87,201)	(22,055)	(741,522)
Balance June 30, 2021	**44,604,477**	**2,465,027**	**959,570**	**48,029,074**

On June 24, 2022, the Kutxabank Group has formalized a transfer transaction to a third party of loans classified in the "Financial assets at amortized cost" portfolio, the great majority of which were non-performing expoures or write-offs, as part of Group´s strategy for manaing unproductive asses.

By said sale agreement, the transfer of a portfolio of loans and credits is agreed for a gross amount of 229,099 thousand euros and a sale price of 112,885 thousand euros.

Given that the signing of the signed purchase agreement was made public on July 7, 2022 and the formalization of the effective transfer of these operations is scheduled to take place on July 28, 2022, the operation has not had an impact in the income statement for the first half of 2022. On the other hand, as of June 30, 2022, the gross cost and the value corrections for impairment corresponding to the set of doubtful operations pending transmission have been reclassified to the balance sheet heading "Assets non-current and disposal groups of items that have been classified as held for sale" (see Note 10). The rest of the loans and credits that are part of the portfolio pending transmission as of June 30, 2022 remain as wrtite-offs assets not recorded on the balance sheet.

The detail, by credit quality, of the collateral and guarantees received at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/2022	31/12/2021
Value of colateral		
Stage 1	50,259,897	48,958,643
Stage 2	2,421,338	2,689,300
Stage 3	645,234	837,997
	53,326,469	**52,485,940**
Value of other guarantees		
Stage 1	435,253	431,938
Stage 2	254,569	259,342
Stage 3	6,381	7,264
	696,203	**698,544**
Total value of the collateral and guarantees received	**54,022,672**	**53,184,484**

Non-performing exposure - Stage 3

The detail of "Customers - Non-Performing Exposure" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
By geographical location -		
Spain	680,007	911,516
Other	7,073	7,234
	687,080	**918,750**
By counterparty -		
Public sector	16	7,023
Other resident sectors	679,991	904,493
Other non-resident sectors	7,073	7,234
	687,080	**918,750**
By type -		
Commercial credit	13,793	15,022
Mortgage loans	545,008	765,067
Loans with other collateral	36,176	39,781
Other term loans	75,099	78,215
Finance leases	1,210	1,769
Receivable on demand and other	7,048	9,854
Credit card debts	3,662	3,853
Other financial assets	5,084	5,189
	687,080	**918,750**

The detail of the impairment losses on "Financial Assets at Amortised Cost - Loans and Advances - Impairment Losses" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
By geographical area:		
Spain	(652,361)	(710,159)
Rest of the world	(2,940)	(8,089)
	(655,301)	**(718,248)**
By type of asset covered:		
Loans	(649,567)	(712,343)
Advances that are not loans	(5,734)	(5,905)
	(655,301)	**(718,248)**
By counterparty:		
Other resident sectors	(652,361)	(710,159)
Other non-resident sectors	(2,940)	(8,089)
	(655,301)	**(718,248)**

Following is a detail of the changes in the six-month periods ended 30 June 2022 and 2021 in the impairment losses recognised to cover credit risk:

	Thousands of euros	
	30/06/22	30/06/21
Balance at beginning of six-month period	**(718,248)**	**(725,555)**
Net impairment losses charged to income for the six-month period	(39,672)	(61,240)
Balances reversed relating to instruments derecognised in the six-month period	15,513	33,795
Transfers of loans to Non-current assets for sale (Note 10)	80,863	-
Transfers and other changes	6,243	21,781
Balance at end of six-month period	**(655,301)**	**(731,219)**

At 30 June 2022, the Group recognised charges of EUR 2,046 thousand to the condensed consolidated statement of profit or loss relating to bad debts written off and credits to income of EUR 5,512 thousand relating to previously written-off assets recovered (30 June 2021: EUR 20,233 thousand and EUR 8,230 thousand, respectively).

The following table shows how the changes in financial instruments contributed to changes in the impairment losses recognised from 1 January 2022 to 30 June 2021:

	Thousands of euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022				
Increases due to origination and acquisition	**(83,437)**	**(223,277)**	**(411,534)**	**(718,248)**
Decreases due to derecognition	(12,388)	(149)	(202)	(12,739)
Transfers of loans to Non-current assets for sale (Note 10)	5,058	2,892	3,629	11,579
Changes due to change in credit risk (net)	-	-	80,863	80,863
Changes due to modifications without derecognition (net)	(5,342)	(684)	(26,163)	(32,189)
Decrease in allowance account due to write-offs	22	(492)	523	53
Other adjustments	-	1	15,512	15,513
Balance at 30 June 2022	(119)	-	(14)	(133)
	(96,206)	**(221,709)**	**(337,386)**	**(655,301)**

	Thousands of euros			
	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	(13,052)	(911)	(1,888)	(15,851)
Decreases due to derecognition	5,175	1,769	27,957	34,901
Changes due to change in credit risk (net)	4,613	(52,565)	(8,978)	(56,930)
Changes due to modifications without derecognition (net)	(42)	(2,085)	632	(1,495)
Decrease in allowance account due to write-offs	-	-	33,795	33,795
Other adjustments	(28)	2	(58)	(84)
Balance at 30 June 2021	**(96,580)**	**(229,428)**	**(405,211)**	**(731,219)**

Assets derecognised because their recovery was considered to be remote

Following is a detail of the changes in the first six months of 2022 and 2021 in the Group's impaired financial assets that were not recognised in the interim condensed consolidated balance sheet because their recovery was deemed to be remote ("written-off assets"), even though the Group has not discontinued the actions taken to recover the amounts owed:

	Thousands of euros	
	30/06/22	30/06/21
Balance at beginning of six-month period	**3,744,151**	**3,697,401**
Additions:		
Charged to impairment losses	15,513	33,795
Uncollected past-due income	2,003	20,233
Other additions	16,805	65,059
	34,321	119,087
Recoveries:		
Due to cash collection	(4,684)	(6,624)
Due to asset aproppiation	(1,590)	(2,867)
	(6,274)	(9,491)
Write-offs:		
Due to forgiveness	(16,546)	(15,744)
Due to other causes	(4,431)	(29,801)
	(20,977)	(45,545)
Balance at end of six-month period	**3,751,221**	**3,761,452**

10. Non-current assets and disposal groups classified as held for sale

The detail of "Non-Current Assets and Disposal Groups Classified as Held for Sale" in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Tangible assets:		
Foreclosed assets:		
Residential property	245,040	265,805
Commercial property, rural property and other	168,283	176,190
Buildable urban land and land approved for development	737,888	755,633
	1,151,211	1,197,628
Other non-current assets for sale:		
Other assets	170,108	-
	170,108	-
Impairment losses:		
Awarded	(667,655)	(651,588)
Other assets	(80,863)	-
	(748,518)	(651,588)
	572,801	**546,040**

The changes in the six-month periods ended 30 June 2022 and 2021 in the impairment losses recognised under "Non-Current Assets and Disposal Groups Classified as Held for Sale" in the condensed consolidated balance sheet were as follows:

	Thousands of euros	
	30/06/22	30/06/21
Balance at beginning of six-month period	(651,588)	(673,468)
Net impairment losses charged to income	(52,218)	(47,814)
Transfers (from)/to Financial assets at amortized cost to ANCV Not foreclosed (Note 9.4.)	(80,863)	-
Transfers from/to tangible assets	(412)	(1,332)
Derecognitions due to disposals of assets from foreclosures	24,762	42,488
Maintenance expenses (servicing and other expenses)	11,733	18,702
Other changes	68	(143)
Balance at end of six-month period	**(748,518)**	**(661,567)**

During the first half of 2022, sales of assets from foreclosures were made whose net book value amounted to 35,189 thousand euros (59,221 thousand euros during the first half of 2021), and which have generated a net profit of 7,476 and 10,075 thousand euros, in the first half of the years 2022 and 2021, respectively.

Additionally, during the first half of 2021 there was the sale of other assets classified at the beginning of said year as "Non-current assets and disposal groups that have been classified as held for sale"

Specifically, on June 3 2021, the sale and transfer of 39 trains was formalized with a net book value of 91,634 thousand euros, which had been assigned until that moment under an operating lease system when the existing purchase option on them was exercised, at the same time as the the termination 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 deducting 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 sale amounted to 7,154 thousand euros, while the price stipulated in the sale amounted to 23,063 thousand euros. The capital gain generated, once the expenses associated with the operation were deducted, 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 first half of fiscal year 2021, the profit generated by the sale accounted for under the heading "Gains or losses from non-current assets and disposal groups classified as held for sale not eligible as continuing operations" of 10,329 thousand euros.

11. Tangible assets

The detail of "Tangible Assets" in the condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Property, plant and equipment:		
For own use-		
IT equipment and related fixtures	13,138	10,598
Furniture, vehicles and other fixtures	25,199	26,053
Buildings	599,381	624,794
Assets under construction	16,404	13,333
Other items	1,748	1,775
Impairment losses on property, plant and equipment for own use	(9,580)	(9,729)
	646,290	**666,824**
Leased out under an operating lease	**-**	-
Investment property-		
Buildings	192,954	192,489
Rural land, land lots and buildable land	42,196	40,894
Impairment losses	(105,110)	(104,137)
	130,040	**129,246**
	776,330	**796,070**

In the first six months of 2022, tangible assets were acquired for EUR 18,023 thousand (first six months of 2021: EUR 9,222 thousand). Also, in the first six months of 2022, tangible assets with a net carrying amount of EUR 5,385 thousand were sold (first six months of 2021: EUR 3,616 thousand). These sales gave rise to a gain for the Group of EUR 8,367 thousand at 30 June 2022 (30 June 2021: EUR 2,752 thousand), which is recognised under "Gains or Losses on Derecognition of Non-Financial Assets, Net" in the accompanying condensed consolidated statement of profit or loss.

In the first six months of 2022, net impairment losses of EUR 8,888 thousand were recognised on tangible assets (first six months of 2021: EUR 5,756 thousand).

At 30 June 2022 and 2021, the Group did not have any significant commitments to purchase property, plant and equipment items.

12. Intangible assets

a) Goodwill

The goodwill recognised at 30 June 2022 and 31 December 2021 was allocated to the Retail and Corporate Banking cash-generating unit of Cajasur Banco, S.A.U., which includes retailand business banking and excludes the property business.

The review of indicators of impairment of the cash-generating unit (CGU) to which the goodwill was allocated disclosed the absence of any indication of impairment at 30 June 2022.

b) Other intangible assets

At 30 June 2022 and 2021 no significant changes had arisen as a result of impairmentlosses on other intangible assets.

13. Other assets

"Other Assets" in the condensed consolidated balance sheets includes "Inventories" and "Other", which comprises the assets related to the habitual operations of the financial markets and operations with customers.

The detail of "other assets" in the accompanying condensed consolidated balance sheets is as follows:

	Thousands of euros	
	30/06/22	30/06/21
Inventories	438,354	447,386
Write-downs	(347,806)	(354,667)
	90,548	92,719
Other assets	96,432	121,589
	186,980	**214,308**

The inventories as of June 30, 2022 and 2021 that appear in the table above, are mainly made up of land of different types whose destination, in general, is sale for real estate development and are valued at the lower of cost and the estimated realizable value, as described in note 14.u) of the consolidated annual accounts.

The changes in inventory write-downs in the six-month periods ended 30 June 2022 and 2021 were as follows:

	Thousands of euros	
	30/06/22	30/06/21
Balance at beginning of six-month period	(354,667)	(371,002)
Net write-downs charged to income	(1,041)	(4,634)
Disposals	7,520	2,520
Maintenance expenses (servicing and other expenses)	382	528
Balance at end of six-month period	**(347,806)**	**(372,588)**

During the first half of 2022, inventories were sold for a net book value of 1,798 thousand euros (1,800 thousand euros during the first half of 2021). These sales have generated a result for the Group of 1,815 thousand euros during the first half of 2022 (41 thousand euros in the first half of 2021).

14. Financial liabilities

Following is a detail of the carrying amount of the Group's financial liabilities at 30 June 2022 and 31 December 2021, excluding hedging derivatives, by type and accounting category in which they are classified:

	Thousands of euros					
	30/06/22			31/12/21		
	Financial liabilities held for trading	Financial liabilities designatedat fair value through profit or loss	Financial liabilities at amortised cost	Financial liabilities held for trading	Financial liabilities designatedat fair value through profit or loss	Financial liabilities at amortised cost
Derivatives	76,395	-	-	65,578	-	-
Short positions	4,263	-	-	-	-	-
Deposits						
Central banks	-	-	6,150,716	-	-	6,181,399
Credit institutions	-	-	360,830	-	-	411,610
Customers	-	-	49,298,492	-	-	47,945,203
Debt securities issued	-	-	2,171,977	-	-	2,232,749
Other financial liabilities	-	-	671,204	-	-	492,450
Total	**80,658**	**-**	**58,653,219**	**65,578**	**-**	**57,263,411**

The detail of the fair value of financial liabilities is included in Note 21.

15. Issues, repurchase and redemption of debt securities issued or guaranteed by the Group

15.1 Issue, repurchase and redemption of debt securitiesissued by the Group

Following is a summary of the debt securities issued by the Group in the six-month periods ended 30 June 2022 and 30 June 2021, together with a detail of the securities held in those periods:

	Thousands of euros				
	Beginning outstanding balance 01/01/21	Issues	Repurchases or redemptions	Exchangerate and other adjustments	Ending outstanding balance 30/06/22
Debt securities issued in an EU Member State forwhich it was necessary to file a prospectus	2,232,749	-	(8,819)	(51,953)	2,171,977
Debt securities issued in an EU Member State for which it was not necessary to file a prospectus (*)	827,191	-	-	(12,233)	814,958
Other debt securities issued outside EU MemberStates	-	-	-	-	-
	3,059,940	**-**	**(8,819)**	**(64,186)**	**2,986,935**

(*) Included in "Financial Liabilities at Amortised Cost - Deposits - Customers".

	Thousands of euros				
	Beginning outstanding balance 01/01/21	Issues	Repurchases or redemptions	Exchangerate and other adjustments	Ending outstanding balance 30/06/21
Debt securities issued in an EU Member State forwhich it was necessary to file a prospectus	2,832,773	-	(1,056,833)	(13,016)	1,762,924
Debt securities issued in an EU Member State for which it was not necessary to file a prospectus (*)	860,227	-	-	(5,351)	854,876
Other debt securities issued outside EU MemberStates	-	-	-	-	-
	3,693,000	**-**	**(1,056,833)**	**(18,367)**	**2,617,800**

(*) Included in "Financial Liabilities at Amortised Cost - Deposits - Customers".

For the purposes of the content of the foregoing table, a "prospectus" is understood to be the document describing the final terms and conditions registered when issues are launched under the auspices of a prospectus, as indicated in Legislative Royal Decree 4/2015, of 23 October, approving the Consolidated Spanish Securities Market Law, with respect to the admission of securities to trading on secondary markets, public offerings and initial public offerings and the prospectuses required for such purposes.

During the six-month period ending June 30, 2022, no repayments have been made for maturities of mortgage bond issues (1,050 million nominal euros in the six-month period ending June 30, 2021), only partial repayments of securitization bonds issued.

15.2 Issue, repurchase and redemption of debt securities guaranteed by the Group

In the six-month periods ended 30 June 2022 and 2021 no debt instruments guaranteed by the Group were issued by associates or joint ventures accounted for using the equitymethod or by other non-Group entities.

16. Equity

The detail of "Equity" in the accompanying condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Shareholders' equity	5,792,499	5,802,045
Accumulated other comprehensive income	338,985	500,336
Minority interests (non-controlling interests)	7,444	7,584
	6,138,928	**6,309,965**

a) Shareholders' equity

Share capital

At 30 June 2022 and 31 December 2021, the Parent's share capital amounted to EUR 2,060,000 thousand, represented by 2,060,000 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%
Caja de Ahorros de Vitoria y Àlava - Araba eta Gasteizko Aurrezki Kutxa, Fundación Bancaria	11%

At 30 June 2022 and 31 December 2021, the Parent did not hold any treasury shares.

In the first six months of 2022 there were no quantitative or qualitative changes in the Group's equity other than those indicated in the accompanying condensed consolidated statement of comprehensive income and in the accompanying condensed consolidated statement of changes in equity.

Retained earnings

"Retained Earnings" includes the net amount of the accumulated profits or losses recognised 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 recognised 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 that are transferred from "Other accumulated comprehensive income - Items that will not be reclassified to results" for the eventual results generated in the sale of Equity Instruments classified in the portfolio "Financial assets at fair value with changes in other comprehensive income "(see Note 16.b).

Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred, in any case, to the legal reserve 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. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset 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". At 30 June 20 and 31 December 20, the balance recognised under "Legal Reserve" amounted to EUR 412,000 thousand, which represents 20% of the share capital.

b) Accumulated other comprehensive income

At 30 June 2022, the balance of "Accumulated Other Comprehensive Income" amounted to EUR 338,985 thousand (31 December 2021: EUR 550,336 thousand) and included 338,985 the net amount of the changes in fair value of the equity instruments and debt instruments measured at fair value through other comprehensive income, the share of other recognised income and expense of investments in joint ventures and associates, cash flow hedging derivatives and actuarial gains and losses on defined benefit pension plans.

The changes in the first six months of 2022 in the various items making up "Accumulated Other Comprehensive Income" involved a total increase, net of the related tax effect, of EUR 161,351 thousand relating mainly to fair value changes of equity and debt instruments measured at fair value through other comprehensive income. The main changes in "Accumulated Other Comprehensive Income" in the first six months of 2022 are detailed in the consolidated statement of comprehensive income.

c) Minority interests (non-controlling interests)

Non-controlling interests include the amount of the equity of subsidiaries attributable to equity instruments that do not belong, directly or indirectly, to the Group, including the portion of profit or loss for the period corresponding to them.

The main movements of this heading in the first semester of 2022 are detailed in the total statement of changes in consolidated summarized equity,

17. Provisions and contingent liabilities

Provisions

Provisions are credit balances covering present obligations at the reporting date arising from past events which could give rise to a loss for the Group, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing. Also, contingent liabilities are possible obligations 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 consolidated entities.

The Group's interim condensed consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the interim condensed consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which 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 year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Following is a detail of the Group’s provisions at 30 June 2022 and 31 December 2021:

	Thousands of euros	
	30/06/22	31/12/21
Pensions and other post-employment defined benefit obligations	187,382	225,603
Other long-term employee benefits	46,325	52,886
Commitments and guarantees given	39,830	40,405
Other provisions	143,930	153,039
	417,467	**471,933**

The balance of the heading "Pensions and other post-employment defined benefit obligations" includes the amount of the present value of the post-employment commitments acquired with the personnel. On May 31, 2021 a new Collective Labour Agreement came into force, that regulates the rules governing labor relations and working conditions between the Controlling Entity of the Group and its personnel during the next three-year period. The main modifications of the aforementioned agreement are those relating to the obligations contracted by the Group's Parent Entity in relation to the Medical Assistance Insurance of its employees.

As a result of the aforementioned modification, the Group recorded a reversal of provisions of 18,398 thousand euros which was recorded under the heading Provisions or reversal of provisions in the consolidated income statement for the 6-month period ended June 30 2021.

The total estimated pending cost for post-employment commitments and Other long-term employee benefits amounts to 233,707 and 278,489 thousand euros as of June 30, 2022 and December 31, 2021, respectively.

The heading "Commitments and guarantees granted" includes the amount of the provisions established to cover contingent risks, understood as those operations in which the Group guarantees obligations of a third party, arising as a result of financial guarantees granted or other types of contracts, and contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets. Note 18 includes a breakdown of these provisions by concept.

Contingent risks

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 based on 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 when such 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	
	30/06/2022	31/12/2021
Provision covering products sold andmarketed	57,444	68,223
Other items	86,486	84,816
	143,930	**153,039**

Contingencies due to products sold and marketed

As indicated in Note 34.c) of the consolidated annual accounts for 2021, at the close of the 2021 financial year, various legal proceedings and claims were in progress against the Entity arising from the usual development of its activities, describing the situation as of that date of the most significant.

On June 30, 2022, the Group, due to the increase in litigation during the first six months of the year, either through lawsuits or claims before the SAC, has increased its provisions for contingencies for products sold for a total amount of 12 million euros. euros. Among the main legal causes of this increase, the one related to the mortgage formalization expenses stands out. On January 27, 2021, it is definitively resolved that the all management and appraisal expenses must be returned by the Lenders.

18. Off-balance-sheet exposures

The detail of the Group's exposures and the commitments given by it at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Loan commitments given:		
Drawable by third parties		
By the public sector	1,467,474	1,647,937
By other private sectors	5,083,026	5,023,605
	6,550,500	**6,671,542**
Financial guarantees given	**356,372**	**421,447**
Other commitments given:		
Other guarantees given	2,196,794	2,001,962
Other contingent commitments	1,728,194	1,330,909
Securities subscribed but not paid	2,922	3,443
Irrevocable documentary credits	15,313	16,761
	3,943,223	**3,353,075**

The detail of the value of the loan commitments given, financial guarantees given and other commitments given is as follows:

	Thousands of euros	
	30/06/2022	31/12/2021
Loan commitments given		
Stage 1	6,404,749	6,490,977
Stage 2	141,721	175,656
Stage 3	4,030	4,909
	6,550,500	**6,671,542**
Financial guarantees given		
Stage 1	313,352	374,598
Stage 2	26,420	30,098
Stage 3	16,600	16,751
	356,372	**421,447**
Other commitments given		
Stage 1	3,889,860	3,314,694
Stage 2	47,185	32,445
Stage 3	6,178	5,936
	3,943,223	**3,353,075**

The provisions recorded to cover the commitments of loans, guarantees granted and other commitments granted, calculated by applying similar criteria to those applied to calculate the impairment of financial assets valued at their amortized cost, recorded under the heading "Provisions - Commitments and guarantees granted" in the consolidated balance sheet (Note 17), are the following:

	Thousands of euros	
	30/06/2022	31/12/2021
Loan commitments granted	4,223	4,257
Financial guarantees granted	19,623	21,441
Other commitments granted	15,984	14,707
	39,830	**40,405**

19. Related party transactions

For the purposes of the preparation of these interim condensed consolidated financial statements, the Group's "related parties", in accordance with Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, 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 operating decision-making, as well as those entities or parties which exercise, or have the possibility of exercising, such control or influence over the Group.

All significant inter-company balances at 30 June 2022 and 31 December 2021 and the effect of inter-company transactions during the first six months of 2022 and 2021 were eliminated on consolidation.

The transactions performed by the Group with its related parties are part of the ordinary business of the Group. The lending transactions granted to related entities and persons (except employees) are approved by the Parent's Executive Committee pursuant to the credit risk policies approved by the Board of Directors. The terms and conditions of these transactions do not differ from those applicable to customers, based on the nature of the transaction, or from those applicable to employees of the Parent and of CajaSur Banco, S.A. under the collective agreement.

In addition to the information on remuneration to the members of the Board of Directors and Senior Management of the Parent Entity, which is presented in Note 5 above, below is the detail of the significant balances maintained between the Group and its associates, joint ventures and other related parties and the effect of the transactions carried out by the Group with them, as well as the significant balances and transactions with individuals linked to the Group as members of the Governing Bodies and Senior Management of the Parent Entity :

	Thousands of euros					
	30/06/22			31/12/21		
	Shareholders	Other related entities	Related individuals	Shareholders	Other related entities	Related individuals
Asset positions:						
Financial assets at amortised cost	39	78,900	64	28	75,493	96
Financial assets not intended for trading compulsorily valued at fair value with changes in profit or loss	-	-	-	-	-	-
Non-trading financial assets mandatorily at fair value throughprofit or loss - Loans and advances	-	2,025	-	-	2,025	-
Trading portfolio - Derivatives	-	209	-	-	96	-
Other assets- Other	186	-	-	34	2	-
Of which: Impairment losses on non-performing financial assets	-	*(1,418)*	-	-	*(43)*	-
Of which: Impairment losses onfinancial assets	-	*(8,418)*	-	-	*(9,248)*	-
	225	**81,134**	**64**	**62**	**77,616**	**96**
Liability positions:						
Deposits	424,770	105,852	4,155	354,984	54,262	3,774
Debt securities issued	-	-	-	-	-	-
Other liabilities - Other	44,122	690	-	24,748	3,517	-
Trading portfolio - Derivatives	-	6	-	-	-	-
Provisions for contingent risks and commitments and other doubtful contingencies	-	-	-	-	-	-
Provisions for contingent risks and commitments and other non-doubtful contingencies	1	4,116	-	1	4,099	-
Other liabilities - Rest	-	273	-	-	199	-
	468,893	**110,937**	**4,155**	**379,733**	**62,077**	**3,774**
Off-balance-sheet exposures:						
Loan commitments given	33	25,386	235	34	22,028	265
Financial guarantees given	-	5,641	-	-	6,849	-
Other commitments given	151	11,887	-	151	6,637	-
	184	**42,914**	**235**	**185**	**35,514**	**265**

	Thousands of euros					
	30/06/22			30/06/21		
	Shareholders	Other related entities	Related individuals	Shareholders	Other related entities	Related individuals
Statement of profit or loss:						
Debit-						
Interest expenses	-	-	-	-	(4)	-
Other operating expenses and administration expenses	-	(2,360)	-	-	(2,129)	-
Impairment (-) or reversal of impairment of doubtful financial assets	-	(12)	-	-	(15)	-
Impairment (-) or reversal of impairment of non-doubtful financial assets	-	722	-	-	(5,181)	-
Provisions (-) or reversal of provisions for guarantees and contingent commitments and other doubtful contingencies	-	-	-	-	512	-
Provisions (-) or reversal of provisions for guarantees and contingent commitments and other non-doubtful contingencies	1	(28)	-	(1)	(268)	-
	1	**(1,678)**	**-**	**(1)**	**(7,085)**	**-**
Credit-						
Interest income	22	523	-	-	473	-
Fee and commission income	62	194	13	62	120	20
Gains or losses (-) when derecognizing financial assets and liabilities and Exchange differences-net	-	108	-	-	(717)	-
Other operating income	171	5	-	185	6	-
	255	**830**	**13**	**247**	**(118)**	**20**

20. Other income statement breakdowns

The breakdown of the following headings of the income statement for the periods ended June 30 2022 and 2021 is as follows:

a) Interest income and expenses

Interest income detail	Thousands of euros	
	30/06/2022	30/06/2021
Central bank deposits	-	5
Credit institutions	-	-
Clientele	224,162	228,260
Debt representative values	145,928	34,268
Doubtful assets	8,532	11,254
Rectification of income from hedging operations	(113,485)	(1,757)
Financial income from liabilities	32,248	32,156
Rest	2,987	2,626
	300,372	**306,812**

Interest income from instruments and portfolios	Thousands of euros	
	30/06/2022	30/06/2021
Interest income from instruments and portfolios	25	7
Non-trading financial assets, mandatorily valued at fair value through profit or loss	496	557
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value with changes in other comprehensive income	92,630	23,223
Financial assets at amortized cost	285,471	249,995
Financial liabilities at amortized cost	32,248	32,156
Rectification of income from hedging operations	(113,485)	(1,757)
Remaining interest income	2,987	2,631
	300,372	**306,812**

Interest expenses	Thousands of euros	
	30/06/2022	30/06/2021
Credit institutions	(52)	(775)
Clientele	(18,267)	(18,002)
Debt securities issued	(11,926)	(17,953)
Expenses reversal for hedging operations	19,442	18,637
Interest cost of pension funds	(439)	(378)
Financial expenses from assets	(4,645)	(6,962)
Rest	(4,921)	(5,540)
	(20,808)	**(30,973)**

b) Commissions income and expenses

Commission income	Thousands of euros	
	30/06/2022	30/06/2021
Guarantees granted	6,760	5,891
Contingent commitments granted	2,615	3,004
currency exchange and foreign banknotes	1,215	32
By payment service	80,285	74,191
By securities service:	-	
Underwriting and placement of securities	728	1,188
Buying and selling of securities	2,443	2,663
Custody of securities	2,076	2,194
Wealth management	145,318	132,371
	241,440	221,534
Non- bank financial products commercialization	4,540	4,898
Other commission	11,166	10,844
	257,146	**237,276**

Commission expenses	Thousands of euros	
	30/06/2022	30/06/2021
Commissions paid for asset management	(12,005)	(11,136)
Commissions paid for payment services	(3,932)	(3,183)
Commissions paid for custody of securities	(421)	(486)
Commissions for brokerages in active and passive operations	(446)	(360)
Other commissions	(1,680)	(1,270)
	(18,484)	**(16,435)**

c) Other operating income and expenses

Other operating income	Thousands of euros	
	30/06/2022	30/06/2021
Real estate promotion and other non-financial services	3,613	1,841
Leasing Companies	-	6,911
Income from exploitation of real estate investments	5,269	4,641
Other products	8,795	5,249
	17,677	**18,642**

Other operating expenses	Thousands of euros	
	30/06/2022	30/06/2021
Real estate promotion	(2,820)	(3,534)
Real estate investment operating expenses	(2,594)	(2,379)
Contribution to the Single Resolution Fund (Note 2.1)	(15,721)	(12,428)
Other concepts	(28,241)	(24,787)
	(49,376)	**(43,128)**

d) Income and expenses from assets under insurance and reinsurance contracts

	Thousands of euros	
	30/06/2022	30/06/2021
Income under insurance and reinsurance contracts		
Written insurance and reinsurance premiums	117,787	120,175
	117,787	**120,175**
Expenses under insurance and reinsurance contracts		
Premiums paid for reinsurance	(7,203)	(7,690)
Benefits paid and other insurance-related expenses	(45,586)	(49,835)
Net provisions for insurance contract liabilities	12,965	5,444
Insurance and reinsurance contract expenses	(338)	(514)
	(40,162)	**(52,595)**

e) Personnel expenses

	Thousands of euros	
	30/06/2022	30/06/2021
Remuneration of active personnel and governing bodies	(150,488)	(148,336)
Social Security fees	(39,310)	(39,598)
Provisions to internal defined benefit plans	(1,753)	(1,629)
Endowments to external defined contribution plans	(7,370)	(7,211)
Severance payments	(69)	(1)
Training expenses	(664)	(778)
Other personnel expenses	(6,380)	(6,462)
	(206,034)	**(204,015)**

Below is a detail of the Group's average workforce corresponding to the semesters ended June 30, 2022 and 2021, broken down by sex:

	Average workforce	
	30/06/22	30/06/21
Men	2,153	2,257
Women	3,259	3,338
Total	**5,412**	**5,595**

The calculation of the average number of employees takes into account the individuals who have or have had effective employment relationship by the end of each semester.

f) Amortization

	Miles de Euros	
	30/06/2022	30/06/2021
Tangible assets		
For own use	12,263	12,398
Investment Property	1,808	1,746
	14,071	14,144
Intangible assets (see Note 2.3)	5,672	4,365
	19,743	**18,509**

21. Fair value of on-balance-sheet financial assets and liabilities

The Group's financial assets are carried at fair value in the consolidated balance sheet, except for financial assets at amortised cost, investments in associates and equity instruments whose market values cannot be measured reliably. Also, the Group's financial liabilities are carried at fair value in the consolidated balance sheet, except for financial liabilities at amortised cost.

The tables below present the fair value of the Group's financial instruments measured at fair value at 30 June 2022 and 31 December 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 organised markets for similar instruments or using 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 on which there is no new relevant information available, cost is used as an approximation to fair value, provided that there are no other external indications of impairment or significant revaluation 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, organised 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 30 June 2022 and 31 December 2021.

At 30 June 2022:

	Thousands of euros				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets-					
Financial assets held for trading	92,832	61,270	31,562	-	92,832
Non-trading financial assets mandatorilyat fair value through profit or loss	50,624	16,528	16,678	17,418	50,624
Financial assets at fair value throughother comprehensive income	5,657,101	5,385,112	16,905	255,084	5,657,101
Financial assets at amortized cost	51,598,672	2,533,471	50,974,950	-	53,508,421
Derivatives - hedge accounting	45,850	-	45,850	-	45,850
Total	**57,445,079**	**7,996,381**	**51,085,945**	**272,502**	**59,354,828**
Liabilities-					
Financial liabilities held for trading	80,658	48,090	31,597	971	80,658
Financial liabilities at amortized cost	58,653,219	-	56,661,568	-	56,661,568
Derivatives - hedge accounting	403,085	-	403,085	-	403,085
Total	**59,136,962**	**48,090**	**57,096,250**	**971**	**57,145,311**

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 mandatorilyat fair value through profit or loss	56,791	16,953	21,675	18,163	56,791
Financial assets at fair value through other comprehensive income	5,895,291	5,618,498	20,972	255,821	5,895,291
Financial assets valued at amortized 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
Amortized 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**

During the first semester of financial year 2022 and during financial year 2021, there have been no transfers between levels 1, 2 and 3 of assets and liabilities that are 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 30 June 2022 and 31 December 2021:

	Level 2			
	Fair value (Thousandsof euros) (Thousandsof euros)		Valuation techniques and assumptions	Inputs
	30/06/22	31/12/21		
Assets-				
Financial assets held for trading	31,562	46,822	(1)	(2)
Financial assets designated at fair value through profit or loss	16,678	21,675	(1)	(2)
Financial assets at fair value with changes in other comprehensive income	16,905	20,972	(1)	(2)
Financial assets at amortized cost - Debt securities	214,132	259,569	(1)	(2)
Financial assets at amortized cost - Loans and advances	50,760,818	52,734,521	(3)	Observable market interest rate
Derivatives - hedge accounting	45,850	47,854	(1)	(2)
Total	**51,085,945**	**53,131,413**		
Liabilities-				
Financial liabilities held for trading	31,597	48,357	(1)	(2)
Financial liabiliteies valued at amortized cost	56,661,568	57,770,093	(3)	Observable market interest rate
Derivatives - hedge accounting	403,085	445,861	(1)	(2)
Total	**57,096,250**	**58,264,311**		

(1) 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 randombehaviour of these instruments.

(2) External market data service, which offers, for each type of risk, the most liquid data obtained from official agencies, organised markets, brokers, market contributors and independent information providers.

(3) Discount of estimated or estimable future flows, considering the contractual maturity dates and interest repricing and early cancellation hypotheses, calculated from the Euribor and IRS curve in their different terms corrected for the counterparty risk associated with the operation.

As of June 30, 2022, financial instruments classified at Level 3 are equity and debt instruments measured using valuation techniques in which one or another significant input is not based on observable market data. The unobservable inputs used in estimating the fair value of these instruments 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 data providers, amongst others.

At 30 June 2022 and 31 December 2021, the perpetuity growth rate interval used for the central scenario for the valuations was 0.5-1% and the discount rate interval, understood to be the weighted average cost of the capital allocated to the business, was 6-12%.

The following is the movement of the balances of financial assets at fair value classified in Level 3 for the periods ended in June 30, 2022 and 2021:

	Miles de Euros	
	30/06/22	30/06/21
Balance at the beginning of the period	**273,984**	**276,331**
Acquisitions	665	345
Changes in fair value recognized in profit or loss (unrealized)	(113)	(2,053)
Changes in fair value recognized in profit or loss (realized)	-	-
Changes in fair value recognized in equity	(908)	88
Losses	(1,126)	(5,006)
Reclassifications from Level 1	-	-
Reclassifications from Level 2	-	-
Reclassifications from Level 3	-	-
Balance at the end of the period	**272,502**	**269,705**

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 relevant deviation in compliance with significant inputs not based on observable market data, such as financial information, projections or underlying internal reports, could give rise to valuations other than those included in this section. However, the sensitivity analysis presented below shows the potential impacts on equity and results as of June 30, 2022, which could have the most likely ranges of values in the event of favorable and unfavorable variations in the most significant observable market inputs.

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.

Depending on the type of assets, methodology and availability of inputs, the Bank reviews every six months the evolution of the main hypotheses and their possible impact on the valuation, and performs a complete update of these valuations annually.

As of June 30, 2022, the effect on the Bank's results and equity, which would derive from modifying the main assumptions used in the valuation of Level 3 financial instruments by other reasonably possible hypotheses, would be as follows:

	Thousands of euros				
	Fair value at 30.06.22	Potential impact on the income statement		Potential impact on Other accumulated comprehensive	
		Favorable scenario	Less favorable scenario	Favorable scenario	Less favorable scenario
Assets					
Financial assets at fair value with changes in other comprehensive income	255,084	-	-	16,496	(12,648)
Financial assets not intended for trading, mandatorily valued at fair value through profit or loss	17,418	1,741	(1,253)	-	-
	272,502	**1,741**	**(1,253)**	**16,496**	**(12,648)**

22. Other disclosures

22.1 Risk management

a) Credit risk

Credit risk is defined as the possibility of the 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 is generally 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 Group lies with the senior executive bodies, i.e.the Executive Committee and the Board of Directors of the Parent, 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 Managerand the Risk Manager as permanent members.

The document on Counterparty Risk Policies of the Kutxabank Group was approved on November 29, 2018 by the Board of Directors of the Parent Entity. Likewise, after the implementation of a new version of the corporte rating, in the second half of 2020 the Retail and Wholesale Credit Risk Admission Policies of Kutxabank and Cajasur were updated. They were approved by the Boards of Directors of both entities on October 29, 2020 in the case of Kutxabank and December 17, 2020 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 indications of financial difficulties of the client established for the identification of the same.

The design and implementation of the credit risk policies and procedures are the responsibility of the Risk Policy, Monitoring and Control unit, 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.

Loan analysis and approval

In order to optimise business opportunities with each customer and guarantee an adequate degree of security, responsibility for loan approval and risk monitoring is shared between the business manager and the risk analyst belonging to the Admission departments (Large Risks, Companies and Retail) that, through effective communication, allows a comprehensive view of the situation of each client and a coordinated risk management by those responsible.

The Credit Risk Admission Policies includes the three basic pillars on which the analysis in the concession is based: client knowledge, payment ability and guarantees quality.

The Policy details the general process for admitting risk to our clients, through the internal scoring models implemented for individuals and internal rating models for companies. All this based on a set of general and specific principles, rules and limitations that managers must respect when granting credit risk operations. In the first quarter of 2020, a new version of the scoring model for the admission of mortgages of individuals was implemented based on advanced methodology of internal models (IRB) and also new versions of the proactive scoring models (behavioral), used among others areas, in the admission of personal loans and credit cards of individuals (based on the classification of pre-granted limits). These new versions of the scoring, mortgage admission and behavior models have been validated and reviewed by the independent control areas: Internal Validation and Internal Audit. They have been reviewed and approved in the corresponding bodies: Models Committee and Board of Directors.

The Kutxabank Group has defined a model of delegated attributions that establishes a risk authorization limit based on the type of risk, type of guarantee, purpose, Loan To Value (LTV) and with a global limit per client / group. In the case of individuals, these limits are also defined based on the opinions issued by the different rating models implemented (scorings). In the case of companies, in view of the powers delegated to business managers, these limits are operational based on the Rating Level (NICAL). These powers are conferred on a personal basis and cannot be delegated.

If the operations exceed the powers delegated to office managers and directors, they are analyzed by the central risk admission area, who authorizes the operations, if applicable, based on their delegated powers, or makes the corresponding proposals to the higher levels for authorization: General Corporate, Financial and Group Director, Chief Executive Officer and Executive Committee / Board of Directors, previously supervised by the Risk Committee for the latter decision-making bodies.

Kutxabank Group uses as fundamental resource in the management of credit risk the credit assets acquired or contracted by the Entity. To proceed with the concession of risks, credit assets are aimed to have real guarantees and another series of credit enhancements in addition to the debtor's own personal guarantee, to proceed with the concession of risks.

Valuation of guarantees

The Kutxabank Group's Policy on Effective Guarantees and Real Collateral Valuation, approved by the Board of Directors on June 25, 2020, defines the type of guarantees that the Group considers effective and the method of valuation and periodicity of the repricing of real guarantees.

Effective guarantees are considered those real and personal guarantees that are valid as risk mitigators based on, among other aspects, the time necessary for the execution of the guarantees, the capacity to carry out the guarantees and the experience in carrying them out.

The collateral received is valued on the basis of its nature. Generally, collateral in the form of real 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 indexingthe value thereof to public industry indices; collateral in the form of securities listed in active markets is valued at the quoted price of these securities, adjusted by a percentage to protect against possible fluctuations in the market value that might jeopardise 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 of measurement.

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 guarantors identified as being of negligible risk or by guarantors considered to be significant customers. Personal guarantees considered effective are included in the calculation, both on an individual and collective basis, of the required allowance for non-performing transactions.

The effective personal guarantees received allow the replacement of the direct owner by the guarantor for the purposes of calculating coverage.

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 the preparation and supervision of various model agreements for the arrangement of standard transactions, which is decentralized across the network.

Risk monitoring and policies

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 using a specific statistical model (proactive or behavioral scoring).

- Monitoring companies: Companies are monitored on a regular basis using an internal rating 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 theautomatic 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 estimated expected loss based on 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 individual monitoring. This implies the 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 (SICR). The Grop has a system for the identification based on a series of indications that imply a change in the accounting classification of the transactions for accounting purposes. This system was reinforced during 2020, including additional specific criteria to detect clients and transactions with possible difficulties derived from the pandemic. These criteria include specific aspects of the COVID-19 crisis, giving greater weight to factors such as the borrower's economic sector or the detection of ERTE income based on the Entity's transactional data. These criteria, as of June 2022, are still valid.

- 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 drilldown 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.

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.

Regarding the internal models for the collective estimation of the provision, since June 2020 the parameters of these models were adapted to the different macroeconomic scenarios defined by the Bank of Spain and other regulators as a result of COVID-19.

In May 2022, a new set of parameters adapted to the macroeconomic scenarios approved by the Kutxabank Group was approved, 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 registering since the end of 2021, accentuated by the conflict. These scenarios have been approved by the Governing Bodies of the Parent Entity in May 2022, updating those that were previously approved in January 2022 for use in financial and capital planning. As detailed in note 2.3, in June 2022 the Group has updated all the projections of its PD and LGD parameters in accordance with the May 2022 scenarios, leaving aside the adjustments applied during the pandemic, as the same have become obsolete by not responding to the current situation reflected in the most recent macroeconomic scenarios.

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 to estimate provisions and for capital adequacy purposes. These models are reviewed by the independent Internal Validation unit, reviewed by Internal Audit as a third line of defense and approved by the corresponding internal bodies. The Internal Model Development and Methodology Unit has a Model Map detailing all the expected loss models with their assigned relevance level (TIER), based on which the periodicity of monitoring and re-estimates is established. The Kutxabank Group has a model risk control environment, in which the Models Committee plays a fundamental role.

In 2019, in order to strengthen the model risk control environment, the Kutxabank Group set up a Models Committee, an executive body responsible for Kutxabank Group model risk. It´s commitment involves the model risk proposal management policies, the preparation of model approval proposals with a higher level of model risk, the determination of the relevance level (TIER) of each model or the resolution of technical discrepancies related to the methodologies used in the models.

Also, Kutxabank Group's Internal Audit department monitors the recommendations and suggestions detailed in the validation reports made by the Internal Validation area. In addition, in 2020, Internal Audit carried out a review of the internal models for calculating the expected loss and, in 2021, a review of the adaptation of these models to COVID-19 as well as the complete review of the collective criteria of the Significant Increase in Risk (ISR), the mortgage LGD of the portfolio of individuals, the 12-month PD of mortgages of individuals as well as the 12-month PD of the portfolio of Companies (SMEs and Micro-enterprises). Finally, at the beginning of 2022, Internal Audit reviewed the non-mortgage LGD model of the Companies and Developers portfolio.

Finally, the Non-performing Assets Management Committee's function is to ensure that an adequate management of non-performing assets is being carried out followinf with the Kutxabank Group's strategy by maintaining a global and transversal vision and periodic monitoring of the fulfillment of objectives defined for the management and reduction of non-performing assets.

Loan recovery

The main responsibility for managing pre-arrears resides in the Business lines. The powers to resolve transactions to change the initial terms and conditions of contracts with financial difficulties reside in the central unit of Recoveries 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 delinquent and the transfer thereof to recovery management specialists who determine the types of recovery procedures that 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 specialise in monitoring and supporting the decentralised recovery management function at branches, which includes pre-delinquencymeasures and support from specialised external companies and lawyers specialising in therecovery of delinquent loans through the courts.

Refinancing

Without prejudice to the above, the 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 guaranteesin 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 centralised 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 ofthe mortgages or of other previously unsecured loans.

The Group has also established for this portfolio a specific system to monitor it on an individual basis and classify it for accounting purposes.

COVID-19 crisis related adopted measures

In order to minimize the COVID-19 pandemic medium and long-term impacts described in note 2.2, the Central Government implemented a battery of measures to support the social and productive environment, minimize the negative impact and ensure the maintenance of the economic activity, which include, among other issues, the establishment of legal and non-legal moratoriums as well as liquidity lines with public guarantee.

The gross amount of the transactions with some type of payment moratorium is presented below, either granted under the protection of 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 that remain in force as of June 30, 2022 and December 31, 2021:

	30 June 2022								
	Number of clients	Thousand of Euros							
		Gross amount							
		Total	Of wich: legal moratorium	Of which: expired	Residual expiration of the moratorium				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances under moratorium	9,583	965,373							
Loans and advances subject to moratorium (granted)	8,578	865,690	348,990	865,690	-	-	-	-	-
Of wich: Households		855,201	338,500	855,201	-	-	-	-	-
of which: Guaranteed by residential properties		801,422	321,626	801,422	-	-	-	-	-
of which: Non-financial corporation		10,489	10,489	10,489	-	-	-	-	-
of which: SMEs		10,099	10,099	10,099	-	-	-	-	-
of which: Secured by commercial real estate		8,566	8,566	8,566	-	-	-	-	-

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 have already expired as of June 30, 2022, amounts to 865,690 thousand euros, of which the gross amount of those classified in Stage 1 amounts to 562,422 thousand euros, 268,200 thousand euros in Stage 2 and 35,068 thousand euros classified in Stage 3. As of June 30, 2022, all operations granted with some type of moratorium have expired.

	31 December 2021								
	Number of clients	Thousand of Euros							
		Gross amount							
		Total	Of wich: legal moratorium	Of which: expired	Residual expiration of the moratorium				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances under moratorium	9,848	1,013,068							
Loans and advances subject to moratorium (granted)	8,810	907,287	367,983	905,378	1,909	-	-	-	-
Of wich: 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 corporation		11,275	11,275	11,219	56	-	-	-	-
of which: SMEs		10,671	10,671	10,615	56	-	-	-	-
of which: Secured by commercial real estate		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 have already expired as of December 31, 2021, amounted to 905,378 thousand euros, of which the gross amount of those classified in 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 gross amount of the moratoriums that were still in force at December 31, 2021 amounted to 1,909 thousand euros, of which the gross amount of those classified in Stage 1 amounts to 1,026 thousand euros and 883 thousand euros classified in Stage 2.

As stated above, the operational described in the previous tables has been carried out following RD 8/2020, 11/2020,25/2020 and 26/2020 as well as the guidelines and sectorial agreements.

Additionally, the Group has granted new operations backed by public support measures to companies and the self-Employed introduced in response to the Covid-19 crisis. The table below presents information as of 30 June 2022 on these operations:

	30 June 2022			
	Thousand of Euros			
	Gross amount		Maximum amount of the guarantee that can be considered	Non-Performing Gross amount
	Gross amount	Of which: refinancing	Public guarantees received	
New operations granted backed by public support measures	500,373	261,667	418,177	5,121
Of which: Self-employed	23,880	7,090	21,357	59
Of which: Guaranteed by residential properties	-	-	-	-
Of Which: Non-Financial corporations	476,416	254,577	396,750	5,062
Of which: SMEs	318,422	150,891	285,709	3,559
Of which: Secured by commercial real state	-	-	-	-

The outstanding gross amount as of June 30, 2022 of operations backed by public support measures for companies and the self-employed introduced in response to the COVID-19 crisis amounts to 500,373 thousand euros, of which the gross amount of those are classified in Stage 1 amounts to 209,821 thousand euros, 285,431 thousand euros in Stage 2 and 5,121 thousand euros classified in Stage 3.

	31 December 2021			
	Thousand of Euros			
	Gross amount		Maximum amount of the guarantee that can be considered	Non-Performing Gross amount
	Gross amount	Of which: refinancing	Public guarantees received	
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 backed 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 classified in Stage 1 amounted to 218,076 thousand euros, 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 the RDL 5/2021. Companies and freelancers have access to these guarantees through their financial institutions, through the formalization of new financing operations or renewal of existing ones, with the endorsement of the ICO in a percentage that, in the case of new operations, ranges from 70% and 80% depending on the characteristics of the affected company or self-employed and that amounts to 60% for renewal operations. The Group pays ICO an annual commission on the guaranteed amounts.

   The number of operations granted by the Group for the self-employed, SMEs and other companies amounted to 2,770 as of June 30, 2022, with an outstanding balance at that date of EUR 345,278 euros, and an ICO guarantee amount of 263,151 thousand euros (2,766 operations as of December 31, 2021, with an outstanding balance at that date of 352,538 thousand euros, and an ICO guarantee amount of 266,073 thousand euros).

b) Additionally, various regional governments, mainly the Basque Government and the Andalusian Government, regarding the Group's scope of action, have also developed extraordinary and urgent measures for financing lines through actions agreements formalized with Elkargi, SGR (in the case of the Basque Government) and SGR Garantía (in the case of the Junta de Andalucía) aimed to meet 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 2,088 as of June 30, 2022, with an amount of 155,095 thousand euros, fully guaranteed with the guarantees received (2,125 operations at 31 December 2021, with an amount of 164,304 thousand euros, fully guaranteed with the guarantees received).

The Group stands that the guarantees ICO, Elkargi, S.G.R and S.G.R. Garantía constitute a substantial part of the guaranteed financing. Additionally, these new operations or renewals of existing credit lines contains substantial modifications of 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 incorporated as an incremental cost in the calculation of the effective interest rate of the operation as indicated in paragraph B5.4.1 of IFRS9, and (ii) the flows expected to be obtained as a result of the possible execution of the guarantee are taken into account when calculating the expected loss of the operation.

Policies and procedures relating to mortgage market activities

Regarding the Mortgage Market and in accordance with the provisions of the First Book of Royal Decree-Law 24/2021 of November 2, which transposes Directive (EU) 2019/2162 of the European Parliament and of the Council of November 27, 2019 on the issuance and public supervision of covered bonds, which amends Directives 2009/65/EC and 2014/59/EU, as well as what is established in its transitory regime (First Transitory Provision) with respect to securities issued previously Upon the entry into force of the First Book, Law 2/1981 of March 25 on the Regulation of the Mortgage Market and additional provision four of Law 5/2015 of April 27 on the promotion of business financing, the Group has established in its different processes the 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 the operations that have a mortgage guarantee.

Also, the new Real Estate Credit Law, which is a transposition of European Union Directive 2014/17, 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 thedeadline.

The Parent's directors are responsible for ensuring the compliance of the policies and procedures approved in relation to the mortgage market. These procedures place particularemphasis on the following points, inter alia:

- A viability analysis must be performed of any authorised or proposed transactions and 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, balance sheets for companies and up-to-date appraisals for mortgage transactions).

- Loan approval powers are delegated taking into consideration the relationship between the loan amount and the appraisal value of the mortgaged property, together with all the additional collateral that might exist to secure the transaction. Based on the type of collateral provided, the policies establish lending limits on the basis of the loan-to-value (LTV) ratio of the transactions.

The Group authorises 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., Tasaciones Inmobiliarias, S.A.

Counterparty risk

With respect to its treasury activities, the Parent has exposure limits per counterparty whichavoid 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 receivables (positive replacement value) and a measure of the potential risk that might arise from the favourable 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 30 June 2022, the deposits received and advanced as collateral amounted to EUR 25,495 thousand and EUR 393,807 thousand, respectively, and these amounts are recognised under "Financial Liabilities at Amortised Cost - Deposits - Credit Institutions" and "Financial Assets at Amortised 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).

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 tools and procedures for a more efficient treatment of customer credit risk in all its processes, whichwill guarantee certain standards in the quality of service and rigour 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 analysingand 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 30 June 2022 and 31 December 2021, almost all the financial assets at current amortized cost had been contracted with counterparties resident in the State.

Following is a detail, for the loans and advances 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 updated value of the Group's collateral at 30 June 2022 and 31 December 2021 (carrying amount):

(Miles de Euros)	TOTAL	Of which: Property mortgage guarantee	Of which: Other collateral	Secured loans. Loan-to-value ratio				
				Less than orequal to 40%	More than 40% and less than orequal to 60%	More than 60% and lessthan or equalto 80%	More than 80% and less than orequal to 100%	More than 100%
30/06/22								
Public sector	5,503,977	29,513	3,483	8,470	13,984	6,584	1,858	2,100
Other financial companies and individual traders	141,728	55,570	12	29,707	24,907	471	61	436
Non-financial companies and individual traders	8,364,853	1,764,858	75,642	739,790	633,138	279,403	52,918	135,251
Construction and property development	317,282	317,223	-	144,237	90,974	24,542	17,873	39,597
Civil engineering construction	309,476	11,137	862	5,815	2,372	2,531	621	660
Other purposes	7,738,095	1,436,498	74,780	589,738	539,792	252,330	34,424	94,994
Large companies	4,964,022	100,044	25,550	26,594	56,457	16,462	4,128	21,953
SMEs and individual traders	2,774,073	1,336,454	49,230	563,144	483,335	235,868	30,296	73,041
Other households	34,074,267	31,254,147	87,691	5,810,681	8,727,866	13,534,162	2,186,545	1,082,584
Residential	30,950,444	30,581,205	61,129	5,488,247	8,540,588	13,428,722	2,153,517	1,031,260
Consumer loans	1,287,358	101,306	7,186	45,624	29,422	18,474	8,242	6,730
Other purposes	1,836,465	571,636	19,376	276,810	157,856	86,966	24,786	44,594
TOTAL	**48,084,825**	**33,104,088**	**166,828**	**6,588,648**	**9,399,895**	**13,820,620**	**2,241,382**	**1,220,371**
Refinancing, refinanced and restructured transactions	1,098,381	632,970	19,180	138,007	172,804	138,239	77,198	125,902

(*) Total balance excluding "Advances that are not Loans" of EUR 328,598 thousand (see Note 9.4).

(Thousands of euros)	TOTAL	Of which: Property mortgage guarantee	Of which: Other collateral	Secured loans. Loan-to-value ratio				
				Less than orequal to 40%	More than 40% and less than or equal to 60%	More than 60% and lessthan or equalto 80%	More than 80% and less than or equal to 100%	More than 100%
31/12/21								
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, refinanced and restructured transactions	1,226,362	708,212	19,767	141,683	196,438	158,739	85,347	145,772

(*) Total balance excluding "Advances that are not Loans" of EUR 488,401 thousand (see Note 9.4).

Also, following is the detail, by activity sector and geographical area, of the Group's credit risk exposure at 30 June 2022 and 31 December 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 Valuethrough 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" (carrying amount):

(Thousands of euros)	TOTAL	Spain	Other EU countries	Americas	Rest of the world
30/06/22					
Central banks and credit institutions	6,460,038	6,116,241	201,388	57,797	84,612
Public sector	11,535,524	10,313,819	1,221,705	-	-
Central government	5,624,227	4,402,522	1,221,705	-	-
Public sector - other	5,911,297	5,911,297	-	-	-
Other financial companies and individual traders	596,303	304,083	289,647	-	2,573
Non-financial companies and individual traders	12,668,751	12,374,047	224,932	45,544	24,228
Construction and property development	677,547	677,502	-	-	45
Civil engineering construction	487,429	484,385	3,044	-	-
Other purposes	11,503,775	11,212,160	221,888	45,544	24,183
Large companies	8,299,632	8,119,056	152,444	8,719	19,413
SMEs and individual traders	3,204,143	3,093,104	69,444	36,825	4,770
Other households	34,196,001	33,915,380	112,586	27,984	140,051
Residential	30,951,326	30,674,827	110,389	27,230	138,880
Consumer loans	1,287,370	1,285,993	821	135	421
Other purposes	1,957,305	1,954,560	1,376	619	750
TOTAL	**65,456,617**	**63,023,570**	**2,050,258**	**131,325**	**251,464**

(Thousands of euros)	TOTAL	Spain	Other EU countries	Americas	Rest of the world
31/12/21					
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 and individual traders	777,364	375,517	399,493	-	2,354
Non-financial companies and individual traders	12,522,158	12,215,483	230,672	49,409	26,594
Construction and property development	708,207	708,161	-	-	46
Civil engineering construction	499,680	495,958	3,722	-	-
Other purposes	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 30 June 2022 and 31 December 2021 is as follows (carrying amount):

(Thousands of euros)		Autonomous community					
30/06/2022	TOTAL	Basque Country	Andalusia	Madrid	Catalonia	Valencia	Other
Central banks and credit institutions	6,116,241	362,161	5,236	5,275,694	221,545	-	251,605
Public sector	10,313,819	2,268,558	805,704	408,151	37,160	471,225	1,920,499
Central government	*4,402,522*	-	-	-	-	-	-
Public sector – other	*5,911,297*	2,268,558	805,704	408,151	37,160	471,225	1,920,499
Other financial companies and individual traders	304,083	96,399	11,323	193,476	2,422	76	387
Non-financial companies and individual traders	12,374,047	4,846,678	1,120,244	5,120,115	367,245	58,874	860,891
Construction and property development	*677,502*	301,279	82,343	192,155	59,874	3,970	37,881
Civil engineering construction	*484,385*	76,016	26,113	378,902	195	988	2,171
Other purposes	*11,212,160*	4,469,383	1,011,788	4,549,058	307,176	53,916	820,839
Large companies	*8,119,056*	2,990,521	185,057	4,110,274	176,096	17,697	639,411
SMEs and individual traders	*3,093,104*	1,478,862	826,731	438,784	131,080	36,219	181,428
Other households	33,915,380	13,158,185	7,636,105	5,716,869	2,213,527	1,492,534	3,698,160
Residential	30,674,827	11,348,546	6,683,343	5,528,726	2,147,901	1,425,342	3,540,969
Consumer loans	*1,285,993*	575,093	369,939	132,282	51,386	50,721	106,572
Other purposes	*1,954,560*	1,234,546	582,823	55,861	14,240	16,471	50,619
TOTAL	**63,023,570**	**20,731,981**	**9,578,612**	**16,714,305**	**2,841,899**	**2,022,709**	**6,731,542**

(Thousands of euros)		Autonomous community					
31/12/2021	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
Other purposes	*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 30 June 2022 and 31 December 2021 of the Group's current refinancing and restructuring balances, classified on the basis of their accounting status, counterparty and collateral, is as follows:

	30/06/22													
	TOTAL							Of which: STAGE 3						
	Without collateral		With collateral				Accumulated impairment or accumulated fair value losses due to credit risk	Without collateral		Without collateral				Accumulated impairment or accumulated fair value losses due to credit risk
	No. of transactions	Gross amount	No. of transactions	No. of transactions	No. of transactions			No. of transactions	Gross amount	No. of transactions	Gross amount Property mortgage guarantee	Maximum amount ofthe collateral or guarantee that can be considered		
					Property mortgage guarantee	Other collateral						Property mortgage guarantee	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	8	6,965	47	8,971	8,971	-	-	-	-	-	-	-	-	-
Other financial companies and individual traders	5	58	11	1,178	1,050	-	(343)	1	8	5	514	488	-	(320)
Non-financial companies and individual traders	1,870	489,331	1,689	366,171	325,649	3,517	(158,293)	186	40,290	643	153,683	142,833	686	(102,007)
Of which: Financing for construction and property development	*1*	*46*	*284*	*137,237*	*129,156*	-	*(29,796)*	*1*	*46*	*160*	*47,448*	*46,044*	-	*(15,494)*
Other households	1,487	21,266	4,840	439,431	400,325	58	(76,354)	634	6,371	1,722	152,950	132,381	2	(71,767)
Total	**3,370**	**517,620**	**6,587**	**815,751**	**735,995**	**3,575**	**(234,990)**	**821**	**46,669**	**2,370**	**307,147**	**275,702**	**688**	**(174,094)**
Financing classified as non-current assets and disposal groupsclassified as held for sale	-	-	460	50,827	43,070	-	(23,834)	-	-	460	50,827	43,070	-	(23,834)

	31/12/21													
	TOTAL							Of which: STAGE 3						
	Without collateral		With collateral				Accumulated impairment or accumulated fair value losses due to credit risk	Without collateral		With collateral				Accumulated impairment or accumulated fair value losses due to credit risk
	No. of transactions	Gross amount	No. of transactions	Gross amount	Maximum amount of the collateral or guarantee that can be considered			No. of transactions	Gross amount	No. of transactions	Gross amount	Maximum amount of the collateral or guarantee that can be considered		
					Property mortgage guarantee	Other collateral						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 disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

b) *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 Policy Manual, approved by the Parent Entity's Board of Directors, where in relation to Liquidity Risk, among other aspects, the Entity's liquidity risk profile is established, the internal risk governance structure, the specific management policies, the description of the main procedures, the identification of the main functions of said procedures and assignment of responsibilities for them, the description of the main tools used and the structure of management reporting.

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, each month the Parent monitors the liquidity indicators and limits, the eligible liquid assets available at the European Central Bank and its mortgage-backed bond issue capacity. Additionally, it periodically analyzes the results obtained in the liquidity stress exercises carried out to evaluate the adequacy of the liquidity position under different adverse scenarios, in addition to the activation levels and status of the measures available within 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 endeavours 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 regulatory reports on financial institutions' liquidity positions and the development of standardised, 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 quantitative basis two minimum liquidity standards, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), and established compliance with these ratios as being mandatory from 2015 and 2018, respectively, although in the second case the ratio has not yet entered into force. 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 conducted 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.

Funding structure

The detail of the maturities of nominal amounts of wholesale issues to be met by the Group at 30 June 2022 and 31 December 2021 is as follows:

30/06/22	Thousands of euros			
	2022	2023	2024	> 2024
Mortgage bonds (“bonos hipotecarios”) and mortgage-backed bonds (“cédulas hipotecarias”)	474,445	150,000	-	1,253,846
Senior preferred Debt	-	-	-	-
Senior non-preferred Debt	-	-	500,000	500,000
Securitisation issues sold to third parties	-	-	-	136,700
Total maturities – wholesale issues	**474,445**	**150,000**	**500,000**	**1,890,546**

31/12/21	Thousands of euros			
	2021	2022	2023	> 2023
Mortgage bonds (“bonos hipotecarios”) and mortgage-backed bonds (“cédulas hipotecarias”)	474,445	150,000	-	1,253,846
Senior preferred Debt	-	-	-	-
Senior non-preferred Debt	-	-	500,000	500,000
Securitisation issues sold to third parties	-	-	-	148,723
Total maturities – wholesale issues	**474,445**	**150,000**	**500,000**	**1,902,569**

The detail of the available liquid assets and the issue capacity of the Group at 30 June 2022 and 31 December 2021 is as follows:

	Millions of euros	
	30/06/22	31/12/21
Cash and balances with central banks	4,812	5,011
Assets level 1 (HQLA L1)	4,071	3,946
Other marketable assets eligible by the ECB	366	348
Own securities	2,365	2,526
Non-Mortgage Loans	4,244	4,010
Subtotal Eligible Assets under ECB	**15,858**	**15,841**
Deposits in Central Banks	6,151	6,181
Eligible assets under ECB not charged	**9,707**	**9,660**
Other marketable assets not eligible by the ECB	879	946
Eligible securities issuance capacity	21,782	21,206
Total	**32,368**	**31,812**

c) Interest rate and foreign currency risks

Financial entities assume the discrepancy between the different contractual conditions required by fund bidders and applicants while carrying out their intermediation function. By meeting these requirements, entities are exposed to incurring possible losses as a consequence of the effect that an unfavorable evolution of market conditions could have on their open positions for this reason.

Specifically, the Structural Interest Rate Risk is one of the types of risk identified in the corporate risk typology of Kutxabank Group, within the category of financial risks.

Its management scope is delimited by the corporate definition of this type of risk coined in Kutxabank Group. Governance Framework for Risk Management defines Structural Interest Rate Risk in these terms: The possibility that the Group may incur losses in economic value as a result of the effect of adverse movements in interest rates. interest on its present and future ability to obtain financial margins. Positions assigned to trading activity are excluded from 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 the maturity or interest rate revision of the assets and liabilities.

- Yield risk, due to the potential change in the slope and shape of the interest rate curve.

- Basis risk, as consequence of the imperfect correlation between the variations in the interest rates of different instruments with similar maturity and repricing characteristics.

- Optionality in favor of third parties present in some operations. Optionality can be automatic (explicit or implicit) such as interest rate floors or ceilings, or it can be behavioral, generating, for example, real maturities different from those initially foreseen, depending on the evolution of interest rates.

In accordance with the general risk management policies of the Internal Governance Framework for Risk Management, the defense of the Group's value and, therefore, the consolidated management scope, should be the approach with which the global profile is managed. risk of the Group. The ultimate responsibility rests with the Board of Directors of the Parent Entity, being the Assets and Liabilities Committee (ALCO), the collegiate decision-making body competent by delegation of the Board of Directors in matters of financial risks. Additionally, the ALCO of the Parent Entity establishes the forecast of future interest rates, as well as the review of the hypotheses that allow modeling the behavior of the clients and the scenarios against which the possible impact of variations in the anticipated rates must be measured.

Group's strategic guidelines concerning the management of this type of risks are detailed below, which are specified in various management policies, including the following:

- The Structural Interest Rate Risk is inherent to the banking business, and its management should not be synonymous with its elimination. The level of opening of the Group's balance sheet to this type of risk must be compatible with maintaining a medium-low risk profile in this area.

- The Group must have an accurate measurement of its exposure to this risk.

- The measurement will be based on sensitivity metrics of the economic value and the financial margin to adverse hypotheses, for which a wide and adequate range of scenarios will be used.

- The methodologies and models used to measure the Group's exposure to Structural Interest Rate Risk must be properly documented by the area responsible for the measurements.

- The information must reach the governing and decision-making bodies in charge of making the main management decisions in relation to this type of risk in a timely and appropriate manner, so that:

    - Ensure that the Group's level of exposure to this type of risk is compatible with its appetite for risk in this area.

    - Ensure that the sign of the Group's exposure to this type of risk is consistent with their expectations regarding the future behavior of the yield curve.

    - Ensure that the sign of the Group's exposure to this type of risk is consistent with their expectations regarding the future behavior of the yield curve.

Regarding the monitoring system, the Group strictly monitors this risk through the use of different measurement methodologies or techniques, following market practices and the recommendations of regulators:

- Static Repricing Gap Analysis.

- Duration analysis.

- Inventories of operations subject to optionality.

- Simulation of scenarios: analysis of the Sensitivity of the Interest Margin and of the Economic Value of the balance sheet to different interest rate scenarios, for which thresholds and limits are established to open to structural interest rate risk.

Finally, in terms of hedging and mitigation, the Group systematically assesses the convenience of hedging and / or mitigating its level of exposure to this risk, and occasionally executes actions in this regard, mainly by contracting hedges through derivative instruments.

Another different structural risk factor capable of generating the losses both in the Group's financial margin and in its economic value is the Exchange Rate Risk, defined as the potential loss that may occur as a result of adverse movements in exchange rates. of the different currencies in which it operates.

The Group maintains on its balance sheet assets and liabilities in foreign currency as a result of its commercial activity, in addition to the assets or liabilities in foreign currency that arise as a result of the management measures carried out to mitigate exchange rate risk. In this sense, the Group employs a policy of systematic hedging its open positions in foreign currency related to customer operations. Therefore, its openness to exchange rate risk is minimal.

The balance sheet positions in foreign currency have a very small relative weight in the balance sheet, not reaching 1% of assets or liabilities, below the thresholds that are considered to be significant.

d) Market risk

Market risk relates to the possibility of incurring losses on own portfolios as a result of the effect of adverse movements in the main financial risk factors (interest rates, exchange rates, prices, volatilities and merchandise prices) on their portfolios of listed securities and derivative instruments (investment and/or trading).

The scope of market risk management includes all changes in value linked to movements in market prices, regardless of whether these movements are due to the evolution of financial risk factors or changes perceived by the markets regarding credit quality of 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 tooptimise the ratio between the level of risk assumed and the expected return, in keeping with the guidelines established by the Parent's senior executive bodies.

The Asset-Liability Committee is responsible for managing market risk within the frameworkof the aforementioned general guidelines.

Close control of market risk requires the implementation of operating 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 include matters such as segregation of functions, information control, definition of objectives, operating limits and othersecurity-related matters.

The market risk control function in the Group is integrated in the Financial Department, independent of the business areas. Its main activities are: control and monitor the positions with market risk and the counterparty lines; calculate daily the results of the different portfolios; assess positions independently; periodically report market risks to Senior Management; and lastly, controlling the valuation procedures and criteria as well as the risks of the models used and the review of the limit structure.

In addition to procedural matters, market risk control is supported by quantitative tools that provide standardised 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 simulationmodel, 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. For trading activities the time horizon is one day and for the global portfolio 10 days.

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 whenthe 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 regularly carried out the necessary analysis and contrast tests, obtaining the same conclusions that allow verifying the reliability of the model.

The methodology described above is supplemented with stress tests which simulate the behaviour of the aforementioned portfolios in extremely adverse scenarios. The systematic stress scenarios used are in line with the recommendations made by the Derivatives PolicyGroup Committee in 1995 in the "Framework for Voluntary Oversight" working paper. This document introduces a series of recommendations which make it possible to forecast the behaviour of the value of a portfolio in the event of certain extreme behaviours grouped by risk factor. In addition to using these recommended scenarios, stress testing exercises are also performed based on historical scenarios with exceptionally unfavourable trends for theportfolios being analysed.

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 first half of 2022 has been conditioned at all levels by the geopolitical and war 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 the hope of a post-covid economic recovery disappear. In addition, inflationary pressures and the movements of the various central banks in terms of economic policy have generated tensions in the markets.

The Group has no net market risk positions of a structural nature in trading derivatives, since it closes out all its positions in derivatives with customers, either through bank counterparties or through opposite-direction derivatives arranged in organised markets. However, under certain circumstances small net market risk positions in trading derivatives are taken for which a special risk analysis is performed.

During the first half of 2022, the average daily VaR calculated using the parametric model, with a time horizon of one day and a degree of confidence of 99%, of the financial assets held for trading amounted to 55 thousand euros (23 thousand euros in fiscal year 2021).

The market risk management of fixed income instruments is based mainly on monitoring the evolution of two indicators: the exposure subject to market risk measured in Nominal terms and the parametric ten-days 97.5% VaR. The exposure in nominal terms subject to market risk management amounts to 1,136,622 thousand euros as of June 30, 2022 (EUR 1,220,595 thousands as of December 31, 2021).

For the calculation of the global VaR, the use of the Historical Simulation model is chosen, based on which the 10-day average VaR, with a degree of confidence of 97.5%, of the investment portfolio has amounted to EUR 164,914 thousand (EUR 296,392 thousand in financial year 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.

e) *Operational risk*

Operational risk is defined as the risk of the Group 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 is specifically excluded from this definition.

The Group uses a methodology and IT tools developed specifically for managing operational risk, and has personnel devoted exclusively to this task, 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 is chaired by the General Corporate Resources Manager and 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 activated different mitigation measures in order to guarantee the operational continuity of its main activities, both at the level of central services and its branch network. The adoption of these exceptional measures has made it possible to maintain the continuity of the aforementioned activities at very high levels, without significant impacts on the Group's economic value associated with the aforementioned operating difficulties.

During the first half of 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 30 June 2022 were EUR 177,127 thousand (31 December 2021: EUR 177,127 thousand).

22.2 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 changes in 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 specialising 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 specialised team of non-performing loan managers.

a) *Financing for construction, property development and home purchase (Businesses inSpain)*

Following is certain information relating to the Group's exposure to the construction andproperty development sector:

	Thousands of euros		
	Gross carrying amount	Excess over the maximum recoverable amount of the collateral (*)	Cumulative impairmentlosses
30 June 2022			
Financing for construction and property development (including land)	478,074	58,542	(145,066)
Of which: Non-performing	*60,841*	*15,211*	*(22,712)*
31 December 2021			
Financing for construction and propertydevelopment (including land)	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 of the value of the collateral and thegross carrying amount.

The detail, by type of guarantee, of the information included in the foregoing table is as follows:

	Thousands of euros	
	Gross carrying amount	
	30/06/22	31/12/21
Not collateralised by immovable property	**1,057**	**2,300**
Collateralised by immovable property		
Completed buildings and other structures		
Residential	170,889	181,713
Other	24,347	28,279
	195,236	209,992
Buildings and other structures under construction		
Residential	155,574	170,933
Other	195	1,170
	155,769	172,103
Land		
Buildable urban land	77,448	81,169
Other land	48,564	45,008
	126,012	126,177
	477,017	**508,272**
Total	**478,074**	**510,572**

Following are the values of the collateral received and guarantees provided relating to the Group's exposure to the construction and property development sector:

	Thousands of euros	
	30/06/22	31/12/21
Collateral received		
Value of the collateral	1,466,916	1,397,662
Of which: securing non-performing exposures	*66,140*	*81,838*
Value of other guarantees	-	-
Of which: securing non-performing exposures	-	-
Total value of the collateral received	**1,466,916**	**1,397,662**

	Thousands of euros	
	30/06/2022	31/12/2021
Collateral granted		
Guarantees granted for construction and real estate development	281,790	252,920
Amount recorded in the balance sheet liabilities	11,121	11,064

Following is information on the gross carrying amount of the loans granted for construction and property development derecognised as a result of classification as written-off:

	Thousands of euros	
	Gross carrying amount	
	30/06/22	31/12/21
Written-off assets	1,274,188	1,270,021

The maximum credit risk exposure relating to “Financial Assets at Amortised Cost” is as follows:

Memorandum item:	Thousands of euros	
	Carrying amount	
	30/06/22	31/12/21
Loans to customers excluding public sector - businesses in Spain(carrying amount)	42,580,848	42,244,273
Total assets - Total businesses (carrying amount)	66,811,733	65,804,676
Impairment and provisions for exposures classified as standard -Total businesses	337,384	326,024

Also, following is certain information on the Group's home purchase loans:

	Thousands of euros			
	30/06/22		31/12/21	
	Gross carrying amount	Of which: Non-performing	Gross carrying amount	Of which: Non-performing
Home purchase loans				
Without property mortgage	167,157	706	172,863	634
With property mortgage	30,400,465	298,463	30,714,375	436,845
	30,567,622	**299,169**	**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%
30/06/22					
Gross carrying amount	5,303,808	8,386,980	13,342,711	2,199,834	1,167,132
Of which: Non-performing	*20,737*	*30,173*	*50,342*	*48,431*	*148,780*
31/12/21					
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) *Assets foreclosed or received in payment of debts and other non-current assets classified as held for sale*

Following is certain information on the Group's foreclosures portfolio and the Group's other non-current assets and disposal groups classified as held for sale:

	Thousands of euros			
	30/06/22		31/12/21	
	Gross carrying amount	Cumulative impairment losses	Gross carrying amount	Cumulative impairment losses
Property assets arising from financing granted for construction and property development	958,221	(595,072)	1,002,465	(583,215)
Completed buildings and other structures				
Residential	47,877	(30,782)	53,691	(23,554)
Other	79,537	(32,302)	96,381	(34,945)
	127,414	(63,084)	150,072	(58,499)
Buildings and other structures under construction				
Residential	71,296	(48,944)	75,402	(51,099)
Other	21,896	(13,162)	21,896	(13,095)
	93,192	(62,106)	97,298	(64,194)
Land				
Consolidated urban land	150,865	(77,459)	156,218	(78,718)
Rest of land	586,750	(392,423)	598,877	(381,804)
	737,615	(469,882)	755,095	(460,522)
Property assets from home purchase mortgage loans to households	127,734	(56,549)	138,172	(52,266)
Other property assets foreclosed or received in payment of debts	108,442	(30,950)	112,013	(32,339)
Other foreclosed assets	293	(293)	293	(293)
Total foreclosed assets - Businesses in Spain (*)	1,194,690	(682,864)	1,252,943	(668,113)
Other non-current assets held for sale	-	-	-	-
Total	**1,194,690**	**(682,864)**	**1,252,943**	**(668,113)**

(*) Includes foreclosed assets classified as "Tangible Assets - Investment Property" with a carryingamount of EUR 28,270 thousand at 30 June 2022 (31 December 2021: EUR 38,790 thousand).

22.3 Mortgage-market securities

As an issuer of mortgage-backed bonds, the Group presents below certain relevant information 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-backedsecurities 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-backed bonds are securities, the principal and interest of which are specially secured (there being no need for registration in the Property Register) by mortgage in respect of all the mortgages registered in the above companies' name, without prejudice to their unlimited liability.

The mortgage-backed bonds include the holder's financial claim vis-à-vis these companies, secured as indicated in the preceding paragraphs, and may be enforced to claim payment from the issuer after maturity. The holders of these securities have thestatus of special preferential creditors vis-à-vis all other creditors (established in Article 1923.3 of the Spanish Civil Code) in relation to all the mortgage loans and credits registered in the issuer's favour. All holders of these bonds, irrespective of their date of issue, have equal priority of claim with regard to the loans and credits securing them.

The mortgage bond holders would enjoy, in case of bankruptcy, 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.

However, on November 27, 2019, Directive (EU) 2019/2162 of the European Parliament and of the Council on the issuance and public supervision of covered bonds was approved, by which Directives 2009/65/EC and 2014 were modified. /56/EU. This Directive incorporates an entry into force on July 8, 2022 in order to establish minimum standards for the legislation and supervision of so-called covered bonds within the European Union.

The new Directive is classified as a harmonization directive and sets minimum criteria that establish the basic principles on which each member state must develop its own national regulations.

The transposition of Directive (EU) 2019/2162 has been undertaken through Royal Decree Law 24/2021 of November 2, which, as of the date of issuance of this report, is still in the parliamentary process. Ç

The objective of the RDL is none other than to regulate the issuance and supervision of covered bonds carried out either in Spain or outside of Spain by Spanish credit institutions.

This RDL simplifies the legal regime of the mortgage market, collecting the regime of guaranteed bonds in a single legal text. It harmonizes the criteria and conditions of issuance and determines the set of coverage that serves as collateral, the rules applicable in the event of insolvency and resolution of the issuer, the control body of the set of coverage and the obligation to have a liquidity buffer.

Specifically, the RDL incorporates several key aspects, providing greater robustness to the legislative framework:

i. Insolvency/resolution concepts and procedures are clarified.

ii. Some aspects related to the priority of the derivatives that are part of the coverage set and whose counterparts become pari-passu with the bond holders are corrected.

iii. The fundamental requirements of the set of hedging assets that support the guaranteed bond are detailed (type of assets, hedging and valuation requirements, admissibility, liquidity requirements, etc.).

iv. Intra-group structures of grouped guaranteed bonds are regulated.

v. The possibility of automatically extending the maturity structure of the bonds in certain circumstances is also incorporated, provided that it is expressly established in the issue documentation and prior authorization from the Bank of Spain.

vi. Information obligations are established for investors and supervisors and the figure of the Control Body of the Coverage Group is created.

vii. The Bank of Spain is designated as the supervisory body, which will authorize both the Control Body and each Issuance Program. Likewise, a sanctioning regime is established to provide the supervisor with the capacity to react to possible breaches.

The RDL specifically legislates both the three types of bonds currently in existence (mortgage, territorial and internationalization) as well as mortgage, territorial and internationalization bonds.

On the other hand, it is established that the issues of Guaranteed Bonds will not require their registration in the Mercantile Registry and may be admitted to trading in regulated markets and multilateral trading systems in accordance with the Securities Market Law.

2. Information on issues of mortgage-market securities

The value of the mortgage-market securities issued by the Group and outstanding at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/22	31/12/21
Mortgage-backed bonds not issued in a public offering		
Term to maturity of less than 3 years	778,291	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	-	-
	2,278,291	**2,278,291**
Mortgage-backed bonds issued in a public offering		
Term to maturity of less than 3 years	-	-
Term to maturity of between 3 and 5 years	1,100,000	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**
	3,378,291	**3,378,291**

3. Information relating to the issue of mortgage-backed bonds

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	
	30/06/22	31/12/21
Face value of the Group’s outstanding mortgage loans and credits	32,663,627	32,038,870
Face value of the outstanding mortgage loans and credits that would be eligible disregarding the limits for their calculation established in Article 12 of Royal Decree 716/2009, of 24 April	29,929,407	29,199,919
Value of the total amount of the outstanding mortgage loans and credits that are eligible, based on the criteria stipulated in Article 12 of Royal Decree 716/2009, of 24 April	29,866,755	29,135,785

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	32,648,362	29,915,738	32,011,870	29,174,550
Other	15,265	13,669	27,000	25,369
	32,663,627	**29,929,407**	**32,038,870**	**29,199,919**
By payment status:				
Performing	31,940,511	29,720,654	31,279,210	28,941,393
Non-performing	723,116	208,753	759,660	258,526
	32,663,627	**29,929,407**	**32,038,870**	**29,199,919**
By average term to maturity:				
Up to 10 years	2,984,955	2,515,675	3,066,283	2,568,092
10 to 20 years	10,871,036	9,912,145	10,477,025	9,538,854
20 to 30 years	18,384,393	17,231,612	17,967,391	16,713,141
More than 30 years	423,243	269,975	528,171	379,832
	32,663,627	**29,929,407**	**32,038,870**	**29,199,919**
By interest rate formula:				
Fixed	10,410,968	9,769,579	9,075,650	8,481,486
Floating	20,697,578	18,783,792	21,567,825	19,540,479
Hybrid	1,555,081	1,376,036	1,395,395	1,177,954
	32,663,627	**29,929,407**	**32,038,870**	**29,199,919**
By purpose of transactions:				
Business activity - Property development	503,891	205,572	528,350	203,730
Business activity - Other	1,649,197	1,121,589	1,672,889	1,143,280
Household financing	30,510,539	28,602,246	29,837,631	27,852,909
	32,663,627	**29,929,407**	**32,038,870**	**29,199,919**
By guarantee of transactions:				
Completed buildings-residential (*)	30,452,889	28,549,212	29,791,154	27,841,137
Completed buildings-commercial	771,350	483,306	783,174	514,012
Completed buildings-other	599,002	412,313	591,340	378,635
Buildings under construction-housing units (*)	344,326	177,370	340,642	189,257
Buildings under construction-commercial	16,308	11,152	18,285	12,369
Buildings under construction-other	8,784	7,522	9,339	7,205
Land-developed land	221,660	148,742	240,367	99,180
Land-other	249,308	139,790	264,569	158,124
	32,663,627	**29,929,407**	**32,038,870**	**29,199,919**

(*) Of which EUR 1,928,093 thousand and EUR 1,801,415 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 collateralised by state-sponsored housing units at 30 June 2022 (31 December 2021: EUR 1,938,315 thousand and EUR 1,813,616 thousand, respectively).

The face value of all the outstanding mortgage loans and credits that are ineligible because they do not comply with the LTV 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, was EUR 1,195,082 thousand at 30 June 2022 (31 December 2021: EUR 1,247,262 thousand).

The detail of the eligible mortgage loans and credits securing the Group's mortgage- backed bond issues at 30 June 2022 and 31 December 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	
	30/06/22	31/12/21
Home mortgages:		
Transactions with LTV of less than 40%	5,191,474	5,030,362
Transactions with LTV of between 40% and 60%	8,160,691	7,871,822
Transactions with LTV of between 60% and 80%	13,512,980	13,025,913
Transactions with LTV of more than 80%	1,861,437	2,102,297
	28,726,582	**28,030,394**
Other assets received as collateral:		
Transactions with LTV of less than 40%	620,088	593,672
Transactions with LTV of between 40% and 60%	444,958	409,389
Transactions with LTV of more than 60%	137,779	166,464
	1,202,825	**1,169,525**
	29,929,407	**29,199,919**

The detail of the eligible and non-eligible mortgage loans and credits eliminated from the portfolio in the six-month periods ended 30 June 2022 and 2021, with an indication of the percentages relating to the eliminations due to repayment at maturity, early total repayment or other circumstances, is as follows:

30/06/22	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
	Amount	Percentage	Amount	Percentage
Repayment at maturity	419	0.08%	4,205	0.25%
Early total repayment	68,083	12.61%	524,210	31.73%
Other circumstances	471,491	87.31%	1,123,796	68.02%
Total	**539,993**	**100.00%**	**1,652,211**	**100.00%**

30/06/21	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
	Amount	Percentage	Amount	Percentage
Repayment at maturity	1,199	0.19%	3,338	0.22%
Early total repayment	54,234	8.58%	429,134	28.56%
Other circumstances	576,991	91.23%	1,069,925	71.22%
Total	**632,424**	**100.00%**	**1,502,397**	**100.00%**

The detail of the eligible and non-eligible mortgage loans and credits added to the portfolio in the same six-month periods, with an indication of the percentages relating to the additions due to originated transactions or other circumstances, is as follows:

30/06/2022	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
	Amount	Percentage	Amount	Percentage
Originated transactions	381,396	87.62%	2,170,733	91.14%
Other circumstances	53,866	12.38%	210,966	8.86%
Total	**435,262**	**100.00%**	**2,381,699**	**100.00%**

30/06/2021	Thousands of euros			
	Non-eligible portfolio		Eligible portfolio	
	Amount	Percentage	Amount	Percentage
Originated transactions	398,304	86.98%	2,379,782	93.63%
Other circumstances	59,624	13.02%	162,019	6.37%
Total	**457,928**	**100.00%**	**2,541,801**	**100.00%**

4. Information relating to mortgage participation certificates and mortgage transfer certificates

At 30 June 2022 and 31 December 2021, the only mortgage participation certificates (participaciones hipotecarias) or mortgage transfer certificates (certificados de transmisión hipotecaria) held by the Group were those issued by Kutxabank and Cajasur Banco relating to the securitisation programmes.

Further information relating to the mortgage participation certificates and mortgage transfer certificates is presented below:

	Thousands of euros	
	Principal amount	
	30/06/22	31/12/21
Mortgage participation certificates issued	**-**	**-**
Of which: retained on the balance sheet	-	-
Of which: not issued in a public offering	-	-
Mortgage transfer certificates issued	**1,716,432**	**1,855,267**
Of which: retained on the balance sheet	*1,716,432*	*1,855,267*
Of which: not issued in a public offering	*1,716,432*	*1,855,267*

	Average residual maturity (Years)	
	30/06/22	31/12/21
Mortgage shares issued kept on balance	-	-
Mortgage transfer certificates issued	13.25	13.67

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

Condensed Consolidated Interim Management Report for the Half-Year ended 30 June 2022

1. ANALYSIS OF THE ECONOMIC ENVIRONMENT

The Ukraine Crisis, in consequence of the Russian attack, has led the evolution of the **global economy** in the first half of 2022. Both countries are relevant exporters within the global scenario, and its exports have been restricted for different reasons: the decrease in production and the difficulties in distribution as a result of the Ukranian war, and the sanctions that, at an international level, have been imposed to Russia, both financially and in terms of exports of its raw materials. This has resulted in an increase in inflationary pressures that, for other reasons, were already manifesting themselves in the second half of 2021, and an increase in interest rates by central banks. On balance, the economy is in a situation of marked instability, the consequences of which are difficult to foresee.

In the **United States**, the GDP contracted by 0.4% quarter-on-quarter in the first quarter of 2022, a figure that contrasts with the increase of 1.7% in the previous quarter. The negative contribution of the external sector and the change in inventories were the factors that contributed mainly to that figure. However, domestic demand showed a significant growth rate, reflecting the positive performance of private consumption and business investment. Advanced monthly data for the second quarter of 2022 does not show optimistic data, despite the fact that the labor market has shown notable progress throughout the first half of 2022. The June 2022 labor market data provides a solid monthly average of the second quarter of 2022 of creation of 375,000 monthly jobs: these data continue to corroborate a labor market in recovery and with strength. US headline inflation rose in May 2022 to 8.6% (8.3% in April 2022), higher than expected by the consensus of analysts and above what was expected to be the peak of the cycle (the March 2022 record, 8.5%, maximum in the last 40 years). For its part, core inflation moderated slightly, to 6.0%, compared to 6.2% in April 2022 and 6.5% in March 2022. Despite this slight moderation in core inflation, the It is true that the month-on-month advances show a growth dynamic in prices that is much more solid and persistent than expected.

The **Chinese economy** looks set for a significant slowdown. Although it grew by 4.8% year-on-year in the first quarter of 2022, after 4.0% in the previous quarter, the lockdowns carried out in some important industrial and logistics centers in the country pointed in the direction of a possible slowdown of economic activity, which was confirmed by the March 2022 activity data.

As for the **European Union**, before the outbreak of the war, the outlook predicted a prolonged and strong expansionary cycle. But the war scenario is posing unexpected difficulties that were not within the scope of any forecast: the upward pressure on the prices of raw materials in general, and the more than likely restrictions on the availability of energy raw materials, are generating additional disturbances of supply and an increase in uncertainty, so that economic activity is entering a weakening path. It is not only supply chain disruptions and material shortages that are underpinning this weakening: sanctions against Russia, the energy crisis resulting from these sanctions and the impact of inflation levels unknown for decades, which are eroding household purchasing power and the costs of economic sectors, are weighing on growth. The capacity to implement fiscal stimuli is reduced following their recent use during the pandemic and, most importantly, because of the high level of indebtedness in some economies. In summary, forecasts for the coming quarters regarding the evolution of the European Union's economy tend to be gloomier.

As for the **Spanish economy**, the advanced quarterly growth figure for the first quarter of 2022 (0.3%) shows a strong moderation in Spanish economic activity. While this is ultimately a positive figure, the issue lies in the impact of the war conflict and the rise in the price of energy commodities on inflation, which has generated a much greater contraction than expected in private consumption (-3.7%) and in imports of goods and services. The underlying problem is that the mismatch between the evolution of prices and purchasing power leads to a real contraction in household consumption, which slows economic growth.

The figure for household consumption in the first quarter of 2022 (-0.02%) should not be worrying in itself, since household consumption has shown negative growth systematically since 1996 in the first quarter of each year; but in the specific case of the first quarter of 2022, there is a fear that it has "only" fallen by -0.02% because households have used savings to maintain the pace of life. For its part, employment continues to show strength: with 20.1 million people employed, it is at 2008 levels, despite having lost just over 100,000 jobs in the first quarter of 2022.

Against this backdrop, it is difficult to be optimistic about the outlook. It is clear that headline inflation (+10.2% in the advanced data corresponding to June 2022) is going to follow an upward path in the coming months, because the impact on energy commodity prices and on the cost of companies as a result of the war conflict will continue to put upward pressure on headline inflation; and, more worryingly, also on core inflation, as shown by the latest advanced data published for June 2022 (which already stands at 5.5% year-on-year). The reluctance of companies to soften the impact of inflation via margins will have a negative effect on households, due to the continued decline in their purchasing power, reducing the rate of growth in consumption. At the same time, the continuation of the war for longer than initially expected, and with the Chinese economy slowing down, could have a negative impact on the foreign sector, with a more intense moderation in the evolution of exports.

Both the economies of the Basque Country and Andalusia are in a similar situation to that of Spain, although with peculiarities derived from their productive structures, with a greater contribution from the industrial sector in the case of the Basque Country and a greater contribution from agriculture and tourism in the case of Andalusia.

2. BUSINESS TRENDS

Since the beginnings in 2012, the **Kutxabank Group**, borne from the integration of three Basque savings banks (BBK –and Cajasur as part of its group-, Kutxa and Vital) has consolidated its position among the medium-sized institutions in Spain's financial sector. The entity has established a successful local banking approach based on the retail sector, with deep roots and solid pledges in the territories of origin and a strong social commitment.

The first half of 2022 has been strongly marked by the conflict between Russia and Ukraine, since growth prospects have worsened that will delay the recovery and there has been a high impact on the rise in prices, leaving inflation runaway. In this context, moreover, uncertainty has increased, causing instability in the markets and an upturn in risk premiums. Finally, after six years with negative interest rates, the Euribor is already close to 1% in June.

In this context, the Kutxabank Group has faced the current situation by focusing on boosting its commercial activity with a good comparative evolution with respect to the sector. The relevance of its key banking products is evident, 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 default ratios, the firm commitment to digital transformation or the commitment to ESG policies and the marketing of green products.

All of this is 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. The latest results of the Transparency Exercise carried out by the European Banking Authority in 2021 place the Kutxabank Group at the head of the Spanish financial sector in terms of solvency for the seventh consecutive year. Furthermore, according to the "SREP Decision" issued by the European Central Bank, it is the entity with the lowest capital requirement in the Spanish market and the fourth at European level and, on the other hand, according to the Single Resolution Mechanism, it is the entity with one of the lowest MREL ratios at European level based on the information published.

The Kutxabank Group's highlights

DATOS FINANCIEROS

RESULTADOS (miles de €)	jun-21	jun-20	∆% interanual
Margen de Intereses	275.839	272.577	1,2
Margen Básico	496.680	459.589	8,1
Ingresos Core Negocio Bancario	564.411	519.720	8,6
Margen Bruto	574.320	677.955	(15,3)
Margen de Explotación	278.952	361.569	(22,8)
Resultado del Ejercicio	125.468	137.604	(8,8)

BALANCE (miles de €)	jun-21	dic-20	∆% semestral
Activo Total	65.143.404	63.779.530	2,1
Inversión Crediticia Neta	46.889.158	43.977.183	6,6
Inversión Crediticia Bruta	47.447.250	44.514.967	6,6
Depósitos de la Clientela	47.990.459	46.356.345	3,5
....Depósitos Clientela exFinanciación Mayorista	*47.135.583*	*45.496.118*	*3,6*
....Financiación Mayorista	*854.876*	*860.227*	*(0,6)*
Recursos gestionados Fuera de Balance	27.207.902	24.735.626	10,0
Total Recursos de Clientes Gestionados	74.343.485	70.231.744	5,9

RATIOS FINANCIEROS	jun-21
MOROSIDAD	%
Tasa Morosidad (*)	1,95
Tasa Cobertura (*)	77,94
Tasa Morosidad del Crédito	2,00
Tasa Cobertura del Crédito	76,20
EFICIENCIA	%
Gastos de explotación s/ATMs	0,92
Índice de eficiencia	51,43
RENTABILIDAD	%
ROA (**)	0,26
ROE (**)	2,98

OTROS DATOS	GRUPO KUTXABANK	Kutxabank	Cajasur
Nº Empleados (***)	5.202	3.464	1.738
Nº Oficinas	799	502	297
Nº Cajeros	1.659	1.293	366

RATINGS	Largo plazo	Corto plazo
Fitch	BBB+	F2
Moody's	Baa2	P2
Standard & Poor's	BBB	A2

(*) 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

DATOS FINANCIEROS

RESULTADOS (miles de €)	jun-22	jun-21	∆% interanual
Margen de Intereses	279.564	275.839	1,4
Margen Básico	518.226	496.680	4,3
Ingresos Core Negocio Bancario	595.995	564.411	5,6
Margen Bruto	622.637	574.320	8,4
Margen de Explotación	320.622	278.952	14,9
Resultado del Ejercicio	163.167	125.468	30,0

BALANCE (miles de €)	jun-22	dic-21	∆% semestral
Activo Total	66.811.733	65.804.676	1,5
Inversión Crediticia Neta	48.084.825	47.027.758	2,2
Inversión Crediticia Bruta	49.400.381	47.596.408	3,8
Depósitos de la Clientela	49.298.492	47.945.203	2,8
….Depósitos Clientela exFinanciación Mayorista	*48.483.534*	*47.118.012*	*2,9*
….Financiación Mayorista	*814.958*	*827.191*	*(1,5)*
Recursos gestionados Fuera de Balance	26.859.520	28.706.442	(6,4)
Total Recursos de Clientes Gestionados	75.343.054	75.824.454	(0,6)

RATIOS FINANCIEROS	jun-22
MOROSIDAD	%
Tasa Morosidad (*)	1,38
Tasa Cobertura (*)	97,31
Tasa Morosidad del Crédito	1,40
Tasa Cobertura del Crédito	95,35
EFICIENCIA	%
Gastos de explotación s/ATMs	0,92
Índice de eficiencia	48,51
RENTABILIDAD	%
ROA (**)	0,39
ROE (**)	4,37

OTROS DATOS	GRUPO KUTXABANK	Kutxabank	Cajasur
Nº Empleados (***)	4.989	3.309	1.680
Nº Oficinas	737	464	273
Nº Cajeros	1.544	1.207	337

RATINGS	Largo plazo	Corto plazo
Fitch	BBB+	F2
Moody's	Baa1	P2
Standard & Poor's	BBB	A2

(*) 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

Income statement

The Kutxabank Group closed the half-year with a **profit of 163.2 million euros**, 30.0% more than the result achieved in June 2021, above forecasts and with a significant increase in core income from the banking business.

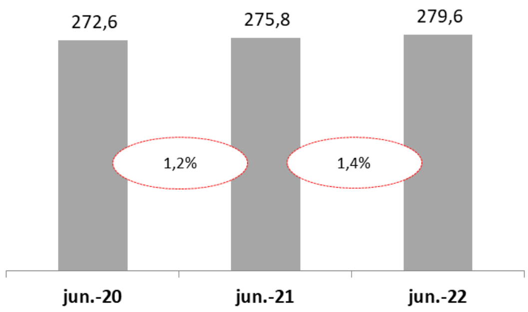
It is worth noting that this positive performance was also achieved in a context marked by the uncertainty arising from the conflict between Russia and Ukraine. In this scenario, global economic growth forecasts have worsened, with inflation soaring to the highest levels in recent decades and with financial markets showing great volatility and instability in recent months.

Miles de €	jun.-22	jun.-21	∆%	s/ ATMs
Margen de Intereses	**279.564**	**275.839**	**1,4**	**0,86**
Ingresos por servicios	238.662	220.841	8,1	0,73
Margen Básico	**518.226**	**496.680**	**4,3**	**1,59**
Ingresos por dividendos	35.614	33.480	6,4	0,11
Resultados de entidades valoradas por el método de la participación	11.727	1.647	612,0	0,04
Resultados netos de operaciones financieras y diferencias de cambio	11.144	(581)	n.a.	0,03
Otros resultados de explotación	45.926	43.094	6,6	0,14
Margen Bruto	**622.637**	**574.320**	**8,4**	**1,90**
Gastos de administración	(282.272)	(276.859)	2,0	(0,86)
Amortización	(19.743)	(18.509)	6,7	(0,06)
Margen de Explotación	**320.622**	**278.952**	**14,9**	**0,98**
Dotación a provisiones (neto)	(15.713)	(11.177)	40,6	(0,05)
Pérdidas por deterioro de activos financieros	(36.443)	(73.782)	(50,6)	(0,11)
Pérdidas por deterioro del resto de activos	(8.785)	(10.922)	(19,6)	(0,03)
Otras ganancias y pérdidas	(37.515)	(16.853)	122,6	(0,11)
. Deterioro de activos no corrientes en venta (activo material)	(52.218)	(47.814)	9,2	(0,16)
. Resto de otras ganancias y pérdidas	14.703	30.961	(52,5)	0,04
Resultado antes de Impuestos	**222.166**	**166.218**	**33,7**	**0,68**
Impuestos sobre beneficios	(58.548)	(39.536)	48,1	(0,18)
Resultado Neto del Ejercicio	**163.618**	**126.682**	**29,2**	**0,50**
Resultado atribuido a la minoría	(451)	(1.214)	(62,9)	(0,00)
Resultado Atribuido al Grupo	**163.167**	**125.468**	**30,0**	**0,50**

* 2021 se presenta, única y exclusivamente, a efectos comparativos

With regard to interest rates, interest rates have normalized so far this year after seven years of negative interest rates. The 1-year Euribor, after an upward trend throughout the six-month period, closed June 2022 at 0.85%, with a positive year-on-year effect of +1.34%. While the European Central Bank's reference rates remain at -0.50%.

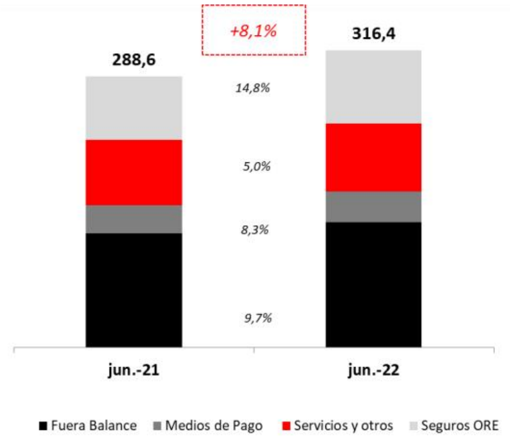
In this environment marked by rising interest rates, the bank's net interest income was above 2021, with an increase of 1.4%, reaching 279.6 million euros. In the same way, the reduction in financial expenses, already at a minimum, continues.



Net interest income amounted to 279.6 million euros.

On the other hand, the weight of Public Debt in interest income remains low. In this context, it should be remembered that, for reasons of management orthodoxy, and in relation to on-balance sheet public debt instruments, the "carry trade" or interest rate arbitrage between the ECB intervention rate and the yield on public debt has been insignificant in Kutxabank (the smallest among Spanish entities supervised by the European Central Bank).

Income from services together with income linked to insurance activity (mostly included under Other operating income) amounted to €316.4 million, 9.7% 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 in the first half of the year, which is offset by the intense commercial effort in both off-balance sheet resources and insurance. Thus, revenues related to off-balance sheet funds grew by +9.7%, together with the increase in the marketing of insurance, which increased its revenues by a significant +14.8%.



Income from services and income related to insurance registered in ORE reached EUR 316.4 million. Insurance activity is particularly noteworthy, growing by 14.8%.

Revenues in the core banking business, as the sum of the basic margin (net interest margin and income from services) and insurance income recognised in ORE, reached €596.0 million, 5.6% above June 2021 and well above forecasts.

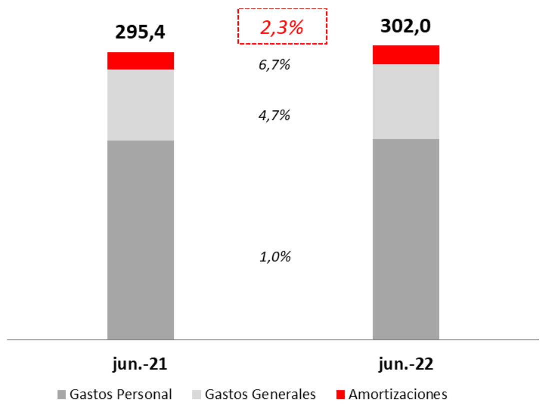
The positive contribution made by **investee portfolio** results remained strong as in the past. The contribution from recurring results in the form of dividends received, and from associates, totalled €47.3 million.

Under the heading **Other operating profit/(loss)**, the above-mentioned positive and growing contribution from the **insurance business** (€77.8 million) rose 14.8% against the first half of 2021. This growth trend is explained by intense and successful commercial activities in this business line, as one of the Group's strategic plan objectives in which all customers' insurance needs are met.

On the other hand, this item of Other operating profit includes, in negative, the cost of the Group's contributions to the Single Resolution Fund, as well as other taxes such as those related to the equity benefit of deferred tax assets, or the tax on customer deposits.

Thus, after the imputed **result from financial operations and exchange differences** (+11.1 million euros), the **Gross Margin** reached 622.6 million euros, 8.4% higher than in 2021. This increase highlights the strength and muscle of the Group's recurring revenues.

Operating expenses, at 302.0 million euros, rose by 2.3%, although below the CPI and below forecasts. This continues to demonstrate the effectiveness of the Bank's policy of cost containment and optimization of resources, and highlights efficiency management as one of its fundamental strategic objectives.



Operating expenses amounted to 302.0 million, 2.3% more than in the previous year, although below the CPI and below expectations.

As a result, the **Operating Margin** was 320.6 million.

Regarding the levels of impairment provisions for the loan portfolio and other assets, the lower deterioration of credit risks, together with the significant efforts already made, will allow ordinary provisions in 2022 to be lower than in the previous year. In total, the amounts endowed amount to 113.2 million, 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 from the sale of real estate and shareholdings recorded under "Other gains and losses" (€14.7 million), the pre-tax result rises to €222.2 million. All in all, after considering the taxation of the results, the Group's **consolidated profit** amounted to €163.2 million, 30.0% higher than in June 2021. The Cajasur Group contributed 14.8 million euros to this result.

Balance sheet

At end-June 2022, the **Kutxabank Group's balance sheet** amounted to €66,812 million, 1.5% above December of the previous year.

On the **assets** side, 72% of the balance sheet corresponds to Loans and advances to customers, a very significant increase of €897 million, or 1.9% over 2021. This increase is only partially offset by the decrease in the item "Cash, cash balances at central banks and other demand deposits", which decreased by 173.4 million euros and thus reduced the percentage of available cash on the bank's balance sheet. Also noteworthy is the increase in the fixed-income portfolio positions in the various "Debt securities" items, which grew by nearly 485 million euros during the year.

On the **liabilities** side, customer deposits accounted for almost three quarters of the balance sheet, increasing by 2.8% compared to June 2021. The bank's cash and cash equivalents decreased by 1.2%, mainly due to lower positions in both central banks and other credit institutions. The remaining liability items do not present significant variations in balances with respect to December 2021.

Finally, incorporating off-balance sheet customer funds, which are strongly conditioned by market volatility, total customer funds under management amounted to 75,343 million euros, a decrease of 0.6% with respect to the end of the previous year.

Miles de €	jun.-22	dic.-21	∆%
Efectivo,saldos en efectivo en bancos centrales y otros depósitos a la vista	5.519.621	5.692.988	(3,0)
Activos financieros mantenidos para negociar	92.832	61.770	50,3
Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados	50.624	56.791	(10,9)
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	5.657.101	5.895.291	(4,0)
Activos financieros a coste amortizado	51.598.672	50.150.177	2,9
Valores representativos de deuda	2.761.418	2.132.909	29,5
Préstamos y anticipos	48.837.254	48.017.268	1,7
. Préstamos y anticipos - Entidades de crédito	423.831	501.109	(15,4)
. Préstamos y anticipos - Clientela	48.413.423	47.516.159	1,9
Derivados- contabilidad de coberturas	45.850	47.854	(4,2)
Inversiones en negocios conjuntos y asociadas	181.661	169.425	7,2
Activos amparados por contratos de seguros y reaseguro	28.293	27.893	1,4
Activos tangibles	776.330	796.070	(2,5)
Activos intangibles	403.652	401.547	0,5
Activos por impuestos	1.697.316	1.744.522	(2,7)
Otros activos	186.980	214.308	(12,8)
de los que existencias	*90.548*	*92.719*	*(2,3)*
Activos no corrientes y grupos enajenables de elementos que se han clasificado como mantenidos para la venta	572.801	546.040	4,9
TOTAL ACTIVO	**66.811.733**	**65.804.676**	**1,5**
Pasivos financieros mantenidos para negociar	80.658	65.578	23,0
Pasivos financieros a coste amortizado	58.653.219	57.263.411	2,4
. Depósitos - Bancos centrales	6.150.716	6.181.399	(0,5)
. Depósitos - Entidades de crédito	360.830	411.610	(12,3)
. Depósitos - Clientela	49.298.492	47.945.203	2,8
. Valores representativos de deuda emitidos	2.171.977	2.232.749	(2,7)
. Otro pasivos financieros	671.204	492.450	36,3
Derivados- contabilidad de coberturas	403.085	445.861	(9,6)
Pasivos amparados por contratos de seguro o reaseguro	598.229	621.395	(3,7)
Provisiones	417.467	471.933	(11,5)
Pasivos por impuestos	309.099	379.364	(18,5)
Otros pasivos	211.048	247.169	(14,6)
TOTAL PASIVO	**60.672.805**	**59.494.711**	**2,0**
Fondos propios	5.792.499	5.802.045	(0,2)
Otro resultado global acumulado	338.985	500.336	(32,2)
Intereses minoritarios	7.444	7.584	(1,8)
TOTAL PATRIMONIO NETO	**6.138.928**	**6.309.965**	**(2,7)**
TOTAL PATRIMONIO NETO Y PASIVO	**66.811.733**	**65.804.676**	**1,5**

* 2021 se presenta, única y exclusivamente, a efectos comparativos

The Kutxabank Group's **net loans and advances to customers** ended June 2022 at €48,413 million, presenting an increase of 1.9% compared to December 2021, which rises to 4.4% if we exclude the amount of doubtful assets. This upward trend is supported by the "Loans to Other Private Sectors" item, which increased by 2.5%, boosted by the strong pace of new mortgage contracts driven by the intense commercial activity that the bank has maintained. Secured loans", which accounts for 77% of "Loans to Other Private Sectors", increased by 515 million, up 1.6%, together with the rise in "Other term loans" (+28 million), "Demand deposits" (+561 million) and "Commercial loans" (+174 million), which offset the 225 million decrease in "Non-performing assets". On the other hand, the evolution of investment in the public sector is also noteworthy, growing by nearly 747 million euros during the year.

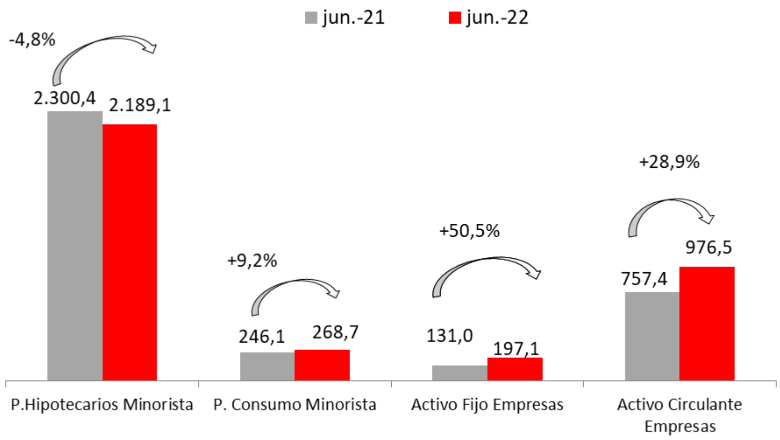
Miles de €	jun.-22	dic.-21	∆%
SECTOR PRIVADO	43.878.077	42.820.674	2,5
Deudores garantía real	33.732.355	33.216.872	1,6
Otros deudores a Plazo	7.130.594	7.102.413	0,4
Deudores a la vista	1.548.418	987.735	56,8
Crédito Comercial	671.992	498.396	34,8
Adquisición temporal de activos	0	0	n.a.
Arrendamientos financieros	112.738	108.720	3,7
Activos dudosos	681.980	906.538	(24,8)
SECTOR PUBLICO	5.522.304	4.775.734	15,6
Sector Público - situación normal	5.522.288	4.768.711	15,8
Activos dudosos Sector Público	16	7.023	(99,8)
INVERSION CREDITICIA BRUTA	**49.400.381**	**47.596.408**	**3,8**
Ajustes por valoración	(1.315.556)	(568.650)	131,3
INVERSION CREDITICIA NETA	**48.084.825**	**47.027.758**	**2,2**
Otros activos financieros	328.598	488.401	(32,7)
CRÉDITO A LA CLIENTELA (*)	**48.413.423**	**47.516.159**	**1,9**
Promemoria: Inc. Cred. Bruta exdudosos	*48.718.385*	*46.682.847*	*4,4*

(*) Se considera solamente el crédito a la clientela incluido en la cartera de activos financieros a coste amortizado.

In a context marked by rising rates and in a highly competitive market, the Kutxabank Group has managed to maintain mortgage installments at a much higher level than the network installments, which consolidates us at the head of the mortgage market. In this way, we managed to close June 2022 with a contracted volume of 2,189.1 million, at levels similar to a remarkable first half of 2021.

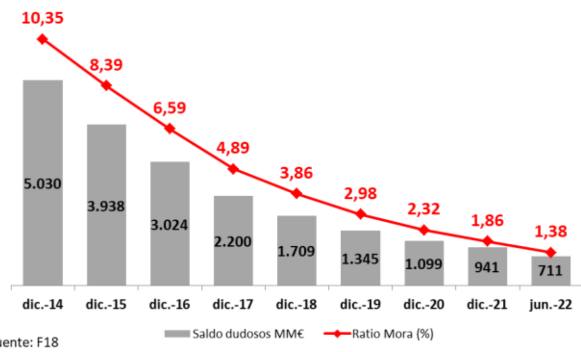
The volume of new consumer loans contracted so far this year reached 268.7 millions, 9.2% higher than in the first half of the previous year.

Likewise, the good performance of the corporate banking business continued despite the market environment, in terms of new fixed asset and working capital order intake. In this sense, new fixed asset order intake has increased by +50.5% and working capital by +28.9%. It is worth noting that between the two, new order intake practically reached 1,200 million euros in the first half of the year. In this area, significant progress was also made in the diversification of resources and products, together with the maintenance of a high level of loan portfolio quality, despite the crisis.



The downward trend in the Kutxabank Group's **NPL ratio** continues, supported by the sale of a portfolio of problematic assets in the first half of the year. The balance of non-performing assets, including contingent risks, decreased by 230 million so far this year, down 24.4%, and supports the continued improvement of the NPL ratio, which in June 2022 is already below 1.40%, reaching 1.38%, 48bp less than the ratio at the end of 2021.

This confirms the maintenance of a level of credit quality well above the average for the financial sector, which closed April 2022 (latest available data) with an NPL ratio of 4.19% for "Loans to Other Private Sectors", 279bp above the comparable NPL ratio of the entity, which amounts to 1.40%. Thus, the Kutxabank Group reaffirms its solid position to face the potential impact of the crisis that may come in the future, together with an exposure to defaults and secured financing well below the sector average and a robust management model that will help mitigate the negative consequences that may arise from the pandemic in the credit quality of the entity.



Fuente: F18

Non-performing assets ratio decreased EUR 230 million in 2022. The NPL ratio, including contingent liabilities, stood at 1.38%, down 48bp year-to-date.

Customer funds managed, not including wholesale issues, amounted to €75,343 million, having decreased 0.6% compared with December 2021. Customer deposits (excluding covered bonds) grew by an outstanding 2.9%, supported by the performance of the public sector (+10.1%) and the positive performance of demand deposits (+4.7%).

As previously mentioned, off-balance sheet funds have been largely affected by the growing instability and volatility of the financial markets, which has had a negative impact on valuations. Despite this, there has been an excellent performance in fund gathering, both in mutual funds and pension plans, whose growth is the result of the successful management of off-balance sheet funds, with delegated portfolios as a fundamental tool and taking advantage of the interest rate situation to provide other investment alternatives to more conservative customers with the issue of two horizon funds.

This excellent result has led the Group to position itself as the entity with the third highest net subscriptions in the first half of the year and to increase its market share in the sector.

Similarly, the good activity in pension plans was maintained with respect to the previous year, despite the complexity of the environment and the reduction of contribution limits in pension plans.

In this way, the entity's firm commitment to investment and pension funds, together with its excellent work in their management, places the Kutxabank Group as the fourth largest fund manager in Spain.

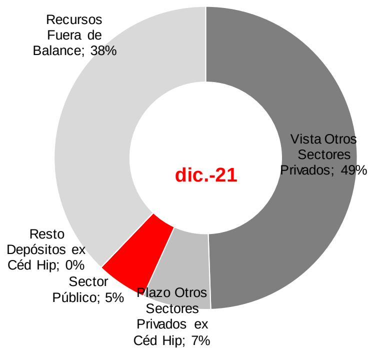
Miles de €	jun.-22	dic.-21	∆%
OTROS SECTORES PRIVADOS	43.920.238	43.047.173	2,0
Depósitos a la vista	39.260.077	37.506.280	4,7
Depósitos a Plazo (ex cédulas hipotecarias)	4.657.828	5.538.959	(15,9)
Cesión Temporal Activos	1.176	1.213	(3,1)
Ajustes por valoración	1.157	721	60,5
SECTOR PUBLICO	4.480.605	4.070.839	10,1
OP MDO MONETARIO ENTIDADES CONTRAPARTIDA	82.691	0	n.a.
DEPÓSITOS DE LA CLIENTELA EX- FINANC MAYORISTA	**48.483.534**	**47.118.012**	**2,9**
Cédulas Hipotecarias	814.958	827.191	(1,5)
DEPÓSITOS DE LA CLIENTELA	**49.298.492**	**47.945.203**	**2,8**

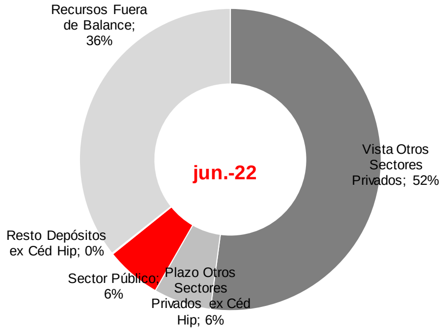
Miles de €	jun.-22	dic.-21	∆%
Fondos de Inversión	12.699.775	12.975.922	(2,1)
EPSVs y Fondos de Pensiones	7.607.497	8.416.573	(9,6)
Carteras de Clientes gestionadas discrecionalmente	10.316.605	10.839.295	(4,8)
Comercializados pero no gestionados por el Grupo	89.814	103.842	(13,5)
RECURSOS GESTIONADOS FUERA DE BALANCE (*)	**30.713.691**	**32.335.632**	**(5,0)**

Miles de €	jun.-22	dic.-21	∆%
Depósitos de la Clientela Ex - Financiación Mayorista	48.483.534	47.118.012	2,9
Recursos gestionados Fuera de Balance (*)	26.859.520	28.706.442	(6,4)
RECURSOS DE CLIENTES GESTIONADOS	**75.343.054**	**75.824.454**	**(0,6)**

(*) 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.

Charts showing the distribution of customer funds managed and off-balance-sheet funds





Kutxabank also has a **financial asset portfolio** of EUR 8,667 million, of which EUR 7,076 million relates to fixed-income securities, which grew 7.4% on December 2021. Equity instruments, including both "available for sale instruments" and "Investments in joint ventures and associates", amounted to EUR 1,591 million, having fallen slightly by 4.4% against the previous year. This portfolio reflects the Bank's commitment to the industrial and social fabric in its local areas. Although investments are generally strategic and clearly long-term, the portfolio is continuously under review and in sync with the cycles of the projects in which the Bank has interests, and with capital levels, while also managing concentration risk.

CARTERA ACTIVOS FINANCIEROS			
Miles de €	jun.-22	dic.-21	∆%
Activos fros mantenidos para negociar			
Valores representativos de deuda	15.783	0	n.a.
Activos fros no destinados a negociación valorados obligatoriamente a VR con cambios en resultados			
Instrumentos de patrimonio	33.938	35.108	(3,3)
Valores representativos de deuda	16.686	21.683	(23,0)
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	1.375.145	1.459.429	-5,8
Valores representativos de deuda	4.281.956	4.435.862	-3,5
Activos fros a coste amortizado			
Valores representativos de deuda	2.761.418	2.132.909	29,5
Inversiones en negocios conjuntos y asociadas	181.661	169.425	7,2
CARTERA DE ACTIVOS FINANCIEROS	**8.666.587**	**8.254.416**	**5,0**

The Kutxabank Group's **Equity** at end-June 2022 amounts to €6,140 million, 2.7% lowe than the previous year-end.

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 in the market, or, of course, among customers. Thus, in the Transparency Exercise carried out by the European Banking Authority in 2021, the Kutxabank Group was once again at the head of the Spanish financial sector in terms of solvency.

Miles de €	jun.-22	dic.-21	∆%
Fondos propios	5.792.499	5.802.045	(0,2)
Capital Social	2.060.000	2.060.000	0,0
Reservas	3.569.332	3.525.587	1,2
Resultado atribuido al grupo	163.167	216.458	(24,6)
Dividendo a cuenta	0	0	n.a.
Otro resultado global acumulado	338.985	500.336	(32,2)
Intereses minoritarios	7.444	7.584	(1,8)
PATRIMONIO NETO	**6.138.928**	**6.309.965**	**(2,7)**

3. COMMERCIAL ACTIVITY

The **mortgage market** starts the year in line with the path set in 2021, driven by the increase in the state market, both in the number of sales and in the average price of housing, which translates into an increase of over 30% in the volume of euros that these sales represent with respect to the same period of the previous year.

This activity in sales and purchases is reflected in the demand for mortgage financing, which is also growing in the whole of Spain in terms of volume of euros at rates of over 20%.

The rapid and unforeseen recovery of interest rates, and the high competition that has led certain entities to market mortgages below the IRS curve, has not been an impediment to maintaining Kutxabank's strength in the mortgage market, which has led it to formalize nearly 13,300 mortgages for an amount close to 2,200 million euros, at levels similar to a remarkable first half of 2021, and which confirm Kutxabank as one of the reference entities in the mortgage field.

During the health crisis, the Group adapted its entire mortgage proposal to the Royal Decree Laws enacted by the Government to support customers affected by the pandemic, diligently applying the legal moratoriums, promoting and adhering to the sectoral moratoriums and taking advantage of the different agreements with the aim of alleviating the financial burden of its customers. Throughout 2022, the entity has maintained its commitment to support its customers through the management of extensions of legal moratoriums.

The Group has a wide range of products aimed at housing and maintains a wide range of mortgages marketed, with different options in terms of fixed, mixed or variable interest rates, repayment terms and payment methods. During this semester, it has developed a new modality to reduce the impact that an aggressive rise in the Euribor could have on customers (Euribor Variable Decreasing). It also has the broadest and most flexible bonus plan on the market, which is aligned with the bank's commitment to the defense of the environment and energy sustainability through the green bonus, which subsidizes the acquisition of homes with highly rated 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. These agreements seek to respond to the most digital customers and attract potential customers who demand a remote service, but always supported by the bank's branch network. All mortgage prescribers agree in highlighting the attractiveness of the Kutxabank Group's offer, and in positioning it among the reference entities in the mortgage world. This is why the number of applications received through these channels continues to increase, together with the constant formalization of mortgage operations, which is an important source of business.

The results of business with a digital origin have also had a negative impact due to the pressure on prices mentioned above, despite which 15% of our formalization has this origin. In the mortgage area, we continue to maintain digital content aimed at capturing business opportunities, such as the Housing Guide, simulators, the Landing of new construction or the Landing mortgage process (mortgage milestones).

The contracting carried out by the commercial network through the Vcard digital tool continues to stand out, representing practically 25% of total contracting, generating a volume of close to 550 million euros thanks to the proactivity of the commercial network. Since 2018, we accumulated a volume of €2,325 million in Mortgage Loans formalized with Vcard origin.

In terms of forms received through our digital mortgage content (simulators, housing guide, etc), more than €300 million have been formalized.

In total, more than €950 million in digitally originated mortgage loans (Vcard, PH Web and Portals) have been formalized. This represents 47% of the total volume contracted in Kutxabank (80% in the Expansion network).

The activity developed in the area of **consumer loans** has closed the semester with a figure of over 268 million euros in new consumer loans in the retail networks, which represents a growth of close to 10% compared to last year. The incorporation of technological channels to this lending activity has continued, which has allowed us to continue increasing the number of people who formalize financing transactions through online and mobile banking. Efforts have also continued to focus on the number of people who can benefit from the so-called 'pre-approved' loans, whose portfolio reaches 1.52 million customers and a total of 34,966 million euros.

Throughout the year, the Kutxabank Group has also continued to **support companies** with liquidity and working capital financing, in many cases under agreements signed with various administrations. Both Kutxabank and Cajasur have also 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.

It is worth mentioning the signing of a collaboration agreement with the Biscayan Federation of Metal Companies. Likewise, we maintain the Kutxabank Next agreements with the Basque employers' associations and Cajasur Next with the Confederación de Empresarios de Córdoba and the University of Córdoba, signed in 2021. The main objective of all these agreements is to boost and support the recovery of companies, by designing a plan to make optimal use of the Next Generation Funds together with complementary financing.

The Kutxabank Next and Cajasur Next tools, launched in the last quarter of 2021, have been given more content to facilitate access to information on Next Generation grants. Customers who have registered with the tool receive monthly newsletters with specific information on the subsidies 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, economic and treasury reports, infographics or financial bits, as well as current campaigns always with forms that are easy to access for customers or potential customers, all with the aim of giving increasing weight to results-oriented digital marketing. During this first half of the year, news about Next Generation and the communication of these grants have gained relevant weight in the newsletters.

On the other hand, **the Kutxabank Business Plan** has continued, with an intense commercial activity of teams and branches: the commercial loans contracted in the first half of the year in Kutxabank has exceeded 39.5 million euros (+4% vs. June 2021). In the case of Cajasur, commercial loan contracting exceeded 4.5 million euros (+18% vs. June 2021).

With regard to our **businesses**, the recovery of activity with respect to the previous year has allowed us to increase the turnover of our POS in the first half of 2022 by 14.98% with respect to the same period of the previous year, and specifically the turnover of virtual POS has grown by 87.45%.

In addition, the Kutxabank Group has continued to market the BIZUM NEGOCIOS solution launched last year, which has been contracted by more than 1,000 businesses. This solution allows payment through Bizum both in person -through a QR code- and in remote sales, by sending the customer an e-mail or SMS.

A campaign has also been launched aimed at businesses in Araba to publicize the agreement between Kutxabank and Billin to facilitate adaptation to TicketBai.

Likewise, since September 2021, thanks to plazox, more than 23,000 Kutxabank Group businesses have the possibility of offering their customers, through the POS, the possibility of deferring their purchases to 3, 6, 9 and 12 months. The deferral is done unassisted through the dataphone, without paperwork, and in a secure and transparent manner for the end user, and is available to holders of credit cards issued by plazox member banks.

As for the **Insurance business**, we have continued to strengthen the integral insurance of our customers by providing our commercial network with tools for both attracting and defending them. In this sense, in addition to continuing to offer managers the possibility of adjusting customer premiums based on discretionary discounts, based on the degree of loyalty, new actions have been developed to attract new policies.

In terms of attracting new customers, we have carried out home and car insurance campaigns with very relevant promotional incentives, the first one providing insurance bonuses outside mortgage operations: "half a year of home insurance, free" and the second one aimed at attracting policies from competitors, improving the insurance premiums of our customers in other companies: "bring your car insurance, and we will lower the price".

Likewise, with the aim of completing and improving our Home Insurance offer, we have launched the marketing of a new complement called "Premium Pack". The new Pack extends and improves the coverages and services covered in the Home insurance, turning the current policy into a high-end product, in line with other premium products of the competition.

This first half of the year volatility has returned to the **markets**, both in equity and fixed income assets. With respect to fixed income, it should be noted that in this fiscal year 2022 the downward trend in interest rates of the last few years has been interrupted, as they have rebounded sharply. This has occurred in both government bonds and interbank bonds, which has had a negative impact on valuations. The main equity indices also accumulated losses at the end of the first half of the year.

In spite of all this, the strength shown by net subscriptions in mutual funds in this period stands out. In general, the key has been to provide alternatives with greater added value, with **delegated portfolios** as a fundamental tool and the adaptation to the investment profile of each client as an action strategy. It has also helped to have other investment alternatives that make it possible to transfer a defined return over a specific time horizon. In this sense, the aforementioned rise in interest rates has allowed the launch of two new **funds** with a target return to maturity, namely Kutxabank RF Horizonte 15 FI and Kutxabank RF Horizonte 16 FI.

The Kutxabank Group, at the end of the semester, with total assets under management of over 30,500 million euros, is the fourth largest management group in the sector in mutual funds, pension plans and EPSVs. In this respect, in the figures relating to mutual funds, it should be noted that Kutxabank has continued to stand out in net fundraising throughout this semester, remaining in the top three positions in terms of net inflows. A large part of this performance is due to the discretionary portfolio management model which, since its inception more than 16 years ago, has established itself as our main value proposition.

As mentioned above, in the area of investment products, the Non-Independent Advisory Service, together with the Discretionary Delegated Portfolio Management Service, continue to be the Group's greatest value-added proposals.

As far as **pension plans** are concerned, in 2022 the catalog of incentives for contributions to plans has been renewed, updating the gifts and reducing the number of items in the brochure (as a result of the lowering of the limit on state contributions). As a novelty, we have incorporated the requirement of an active contribution in a profiled plan to access the catalog (thus rewarding clients who commit to saving with us).

The contribution simulator continues to be the main commercial tool for guiding our customers on the plan and the most suitable contribution for their personal situation. On the other hand, Online Banking and Mobile Banking continue to boom, and our customers are increasingly turning to these channels to gather information to help them prepare for their retirement.

In the current regulatory context concerning post-employment pension plans, the Group has begun to develop an occupational pension plan.

In the context of **payment methods**, 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 of the boom in mobile payments. This change in consumer behavior has boosted payment methods adapted to the new trends: Buy Now Pay Later, Buy Better, Pay Smart, Social Payments.

All this has resulted in an increase of more than 22% in card-operated merchant invoicing and 29% in revenues derived from the use of cards at merchants.

During the first half of the year, the Plazox service for credit cards was launched, offering a 3-6-9-12 month deferral of purchases at the point of sale through the merchant's POS.

On the other hand, we continue to focus on strengthening and improving the functionality of our digital payment solutions, which are especially important in the context described above.

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 e-commerce as a complement to card payments and in measures to improve conversion and the user's shopping experience. The growth of e-commerce has also been accelerated this year by the pandemic situation we have experienced, and in our case, it is 23% higher than in the previous year.

At the end of the first half of the year, the Kutxabank Group had more than 695,000 Bizum users, 90% of them active in the last quarter, and 50% with an active Bizum key for online purchases. More than 2,000 businesses have a Bizum contract with us, and more than 650 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. Bizum is also operational in 11,000 Loterías y Apuestas del Estado points of sale to facilitate the payment of bets and the collection of prizes.

The KutxabankPay/CajasurPay app also allows customers with an Android device to pay at physical merchants 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 users of Android devices. Mobile payments have experienced exponential growth and now represent 17% of payments in physical commerce with our cards.

We have also continued to promote Bizum payments in our virtual merchants, as well as actions aimed at activating the DCC in our data-phones.

We have also supported the various institutional voucher programs focused on boosting consumption in the hospitality, commercial, tourism and cultural sectors with the collaboration of our ticketing technology partner, Impronta.

The Kutxabank Group has continued its commitment to provide value to the different customer segments:

It continues to provide advantages to all holders of our **child's savings plans**: Gaztedi and Plan A, with programs of activities, promotions, sweepstakes and contests, many of them online. All these activities have been housed in the specific area of the website where they can be filtered by location and age to ensure a more convenient search. The Activities Program can be accessed from the website, Mobile Banking or from the App.

The opening of Gaztedi/Planes A Plans has been promoted through the delivery of welcome articles, and the incentive campaign to promote the contracting of Investment Funds on behalf of minors has been maintained, encouraging financial education and long-term and finalist savings. The contracting of the Funds is accompanied by the accident insurance that provides coverage to the holders of investment funds who are minors, and which makes it possible to complete the 200 euros of the insurance of the Gaztedi/A Plan with another 300 euros of monthly payment to the minor in the event of the death of the legal representatives. This campaign has been very well received by customers.

In the first half of 2022, investment fund contracts and delegated portfolios with ownership by minors increased by 16.84% at Kutxabank and 37.58% at Cajasur.

Young people have continued to be the call center: with products without commissions and with preferential conditions such as the young person's salary account, the young person's mortgage or the young person's cash; with a program of discounts and advantages associated with the K26 card; with loyalty actions such as direct gifts to all customers on special dates or welcome details for the segment. All under the umbrella of Kutxabank's youth brand, kutxabankKorner and cajasurKorner, within the framework of a digital plan that aims to consolidate both entities as a reference bank for young people, strengthening the digital channel to relate with them: with an enriched website, with new functionalities in mobile banking or with an intense presence through customer newsletters and social networks. The dynamization through our profiles in the different networks has been especially active with this group of customers, with varied 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 they consume most, following market trends and integrating non-financial content such as the Korner space.

It is worth highlighting the proximity to the university environment through the two events with which we have collaborated with Deusto Business Alumni, the DBA Afterwork, 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, under the Agreement between Kutxabank and UNED Bizkaia, in June the Awards were presented to the best academic records.

As an initiative to stay close to the opinion of young people, the #KutxabankKornerChallenge was 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 universities in the Basque Country took part.

The **elderly** are also a priority focus of attention for the Kutxabank Group. Throughout the year we maintain a program aimed at them to build loyalty among our linked customers, including the sending of information in newsletters 100% Kutxabank and 100% Cajasur, with periodic raffles, offers and permanent discounts. At the beginning of the year, Viajes 2022 for 100% People was launched by Viajes Azul Marino, with a highly appreciated value offer within the **Senior Segment**, as it enjoys great prestige. We continued with the Pension Welcome campaigns and the campaign to attract Payrolls and Pensions with gifts.

We continue to work on their digitalization by means of actions through campaigns or with the promotion of the blog Palabras Mayores, the initiation version of our App, which provides an easier and more intuitive experience, as well as with the spaces kutxabankcontigo.es and cajasurcontigo.es, which include the main functionalities of our digital tools focused on this segment.

Within the framework of the sector agreement, as of March 15, 2022, the Kutxabank Group carried out different measures to improve the attention to our elderly customers: extension of the cashier's service hours (from 8:30 am to 2:00 pm), preferential and free telephone attention.

The Gente 100% Conversations have also been developed, with a mainly relational orientation and content at relevant moments in the customer's life, with the aim of making them feel our closeness, trust and support for whatever they may need. They are intended to be a guide to help us orient our proactive commercial actions with elderly customers.

We have participated in various forums on the Silver Economy in order to learn about and explore opportunities of interest for the elderly in which we can enrich our offer for this segment. One of these meetings, with the help of Adinberri, gave rise to a video that will be distributed among the participating entities in order to make our value offer in meeting the financial and service needs of the elderly more widely known.

In a year in which geopolitical and health tensions continue to be in the international news, in terms of the uncertainty it generates in economic terms, the **agricultutal industry** has continued to prove itself as one of the essential pillars in its contribution to the Spanish economy, as shown by the latest data for 2021, contributing almost 100,000 million euros in 2021 to the Spanish economy and generating 2.3 million jobs.

In 2021 it accounts for 9.2% of the total GDP of the Spanish economy. Although the sector's weight in the economy has fallen by four tenths in 2021, it is four tenths higher than it was before the pandemic in 2019 (8.8%).

Despite the complicated economic situation, financing to agricultural, livestock and fishing activities increased by 3% in 2021. This contrasts with the 0.7% reduction in the total balance of credit to companies in Spain in the last financial year. Contrary to the bulk of companies, primary sector companies as a whole have continued with an upward trend in their indebtedness, since 2015. Even so, credit to these companies barely represents 4% of total financing to all productive activities, which at the end of 2021, totaled just over 571,000 million euros.

As for the sector's non-performing loans, in the last year, the amount of non-performing loans granted to the primary sector has been reduced from 1,230 to 1,189 million euros, which has led to a decrease of three tenths in the non-performing loan ratio, standing at 5.2% compared to the 5.5% recorded as of December 2020.

With these figures, the Kutxabank Group's support to the sector is demonstrated for yet another year, placing its agricultural business volume at 3,538 million euros, identifying more than 60,000 customers related to the agri-food sector, of which 14,561 meet the criteria for being linked to the Entity by March 2022, representing a ratio of 21% with respect to the Entity's total agricultural customers at the close of 2021.

Regarding **Media**, 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 the 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 **digitalization**, aware of the need to respond to an increasingly digital customer, who seeks exclusivity and a satisfactory experience.

At the end of the first half of 2022, 59% of the Group's customers were digital users. The percentage was 4 points higher than in 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 in order to optimize and accelerate the implementation processes of new services. Some of the improvements and new features launched during this first half of the year are: certificate requests, video interview appointments for Contak customers, optimization of the loan contracting process in online banking or the "call me" contracting service for home insurance.

In the App we highlight, among others, the improvements related to accessibility for the blind in Android, investment funds (reimbursement and consultation of movements), sending of ID card updates, payment of bills, management of notifications, "call me" insurance contracting service, contextual menu of funds, measures to reinforce security, personalization of accounts or sending of pro forma invoice in the loan contracting process.

With respect to the remote management service, new operations have been added through FDO for both Individuals (mortgage loan procedures) and Companies (mandatory or optional signature of intervening parties, covering different types of signature: indistinct, joint, etc.) by the manager.

In addition, the video-interview system has been promoted with renewed technical means and specific training. Customers who use this service enjoy all the advantages of close and exclusive attention, avoiding unnecessary trips to the offices.

We are continuing with measures to assist and accompany the customer at all times, promoting automated responses and customer autonomy.

In this context of major technological changes, the cell phone is the main key and the percentage of transactions and total accesses recorded in the Kutxabank Group's online banking reflects that the cell phone continues to grow as the preferred device for accessing digital banking channels. Of the 124 million accesses received by the Group's mobile banking portals and Apps during the year, 89% were made through cell phones, two points more than in the previous year.

Online and mobile banking are consolidating their position as strategic channels for contracting products. Digital sales, those carried out in an omnichannel manner (online banking, mobile banking and remote signature) have increased by 13% with respect to the previous year and now account for 42% of the Group's total sales.

In terms of self-service elements, the Kutxabank Group continues with the objective of renewing the ATM fleet. As ATMs are being renewed, value-added services such as audio-guided operations for visually impaired users, cash deposit or contactless readers are becoming more widespread. We already have numerous contactless options that offer more agility to our customers in our ATM network, just by bringing the card, cell phone or smartwatch close to the reader (quick withdrawal, balance and movements consultation, cash deposit as well as the possibility of making transfers, and payment and direct debit of bills).

In the area of Kutxabank Corporate Online Banking, we highlight the implementation of the Next Generation platform to reinforce our objective of accompanying companies in their digital transformation, with a competitive offer of solutions and services.

Branch network

At 30 June 2022, the Kutxabank Group has a **network of 737 branches**, 464 owned by Kutxabank and 273 by Cajasur. They are distributed geographically as follows:

RED DE OFICINAS			
CCAA	**Kutxabank**	**CajaSur**	**GRUPO**
País Vasco	**274**		**274**
Bizkaia	140		140
Gipuzkoa	82		82
Araba	52		52
Andalucía		**273**	**273**
Córdoba		115	115
Jaén		42	42
Resto Andalucía		116	116
Madrid	75		75
C.Valenciana	26		26
Catalunya	30		30
Castilla-León	12		12
Cantabria	8		8
Aragón	7		7
Navarra	7		7
Galicia	9		9
La Rioja	7		7
Castilla-La Mancha	5		5
Murcia	2		2
Asturias	2		2
Total	**464**	**273**	**737**

4. RISK MANAGEMENT

An appropriate overall risk profile is a key aspect of the Kutxabank Group's management approach, since it is ultimately the best guarantee of business continuity over time and, by extension, of our contribution to society, particularly through dividends paid to our owners, the banking foundations.

Risk strategy

The strategic guidelines put in place by the Bank's governing bodies in relation to risk, forming part of the *Kutxabank Group's Risk Appetite Framework*, establish a medium-low risk profile as a corporate objective, based on a prudent risk acceptance policy, capital and liquidity bases suited to the business model, and an appropriate risk management infrastructure in terms of internal governance and the availability of material and human resources.

This document supplements the general risk appetite approach by defining more specific qualitative and quantitative goals. In qualitative terms, the Group's risk profile must reflect the following basic characteristics:

- The Group must base its business model on business lines that are viable in the long term, supported by its structural strengths and managed using controlled risk levels.
- The Group's governance structure must be very closely aligned with the main international governance standards and guarantee that its governing bodies have the necessary training and independence to carry out their risk management functions.

- The Group's risk management infrastructure must encompass all the types of risk to which it is exposed and include control frameworks that are in proportion to the complexity and relevance of the risks.
- The Group must maintain a capital base that is sufficient to fulfil capital adequacy requirements applicable to its risk portfolio, from the triple regulatory, supervisory and internal perspective, while holding sufficient capital surpluses to guarantee fulfilment in particularly unfavourable scenarios
- The Group must maintain a financial structure reflecting a moderate level of dependence on wholesale funding markets, including sufficient available liquid assets and alternative funding sources to assure that its payment commitments can be met over a long period of time, even in particularly adverse scenarios from a liquidity viewpoint

In addition, the Kutxabank Group's *Risk Appetite Framework* identifies various risk indicators able to reflect overall risk profile trends in a summarised form, establishing corporate targets and observation and early warning thresholds the breach of which would automatically trigger the corresponding management protocols. The regular monitoring of the risk indicators included in these batteries of indicators assures that the Bank's governing bodies can have an up-to-date view of trends in the Group's overall risk profile.

The *Risk Appetite Framework*'s contribution to the Group's risk management strategy is completed by general risk management policies and the overall risk profile monitoring system.

The Group has specific management policy manuals for the most relevant risk types, indicating the actions to be implemented in each case.

Internal risk management governance

In parallel, the Group defines the main aspects of internal risk management governance through the *Internal Risk Management Governance Framework*, including the following content:

- Assignment of the Group's internal risk management governance roles to those involved;
- Definition of corporate risk types;
- Detailed description of the role to be played by the Risk Management Function;
- Methodological definition of the risk management cycle phases;
- Definition of levels of responsibility for managing each type of risk;
- Assignment of specific responsibilities within the organisation for each area of responsibility thanks to the combination of the risk types defined and the levels established;
- Definition of the risk management role assigned to the ICAAP and the ILAAP;
- Preparation of a policy for reporting to the market on risks;
- Preparation of a policy for disseminating the internal risk culture.

These general internal risk management governance guidelines are supplemented by governance measures for exceptional situations set out in the Group's Recovery Plan. This document addresses risk management under various hypothetical scenarios in which, after a sharp deterioration of the Group's vital signs, but still meeting regulatory and supervisory solvency and liquidity requirements, efforts would be made to turn the situation around using the Group's own resources through exceptional autonomous management.

Solvency level

As regards the capital base with which the Group overcomes the risks to which it is exposed, at 31 December 2021 the Kutxabank Group's total capital ratio, calculated according to the specifications set out in the transitional time frames envisaged in prevailing legislation (phased-in version), was 17.68%, and well above the regulatory and supervisory requirement of 11.7% stipulated by the ECB for the Kutxabank Group in 2022 (including a 1.20% supervisory pillar 2 requirement and a 2.5% capital conservation buffer).

It is important to point out that all the Group's eligible capital comprises core tier 1 capital, for which the ECB has established the regulatory and supervisory requirement at 7.675%.

The solvency of financial institutions is calculated in accordance with Directive 2013/36/EU of the European Parliament and of the Council (CRD IV) and Regulation (EU) no. 575/2013 of the European Parliament and of the Council (CRR), as well as subsequent amendments, and by Regulation (EU) no. 2020/873, which brought in additional transitional adjustments to the solvency calculation in response to the Covid-19 pandemic.

This legislation stipulates various transitional periods giving rise to the phased-in solvency ratio. Applying the definitive legal specifications as if the transitional periods had already elapsed (fully-loaded version), the Kutxabank Group's total capital ratio would have been 17.27% at 31 December 2021.

When assessing the Kutxabank Group's relative solvency position in comparison with other financial institutions, it is essential to bear in mind that the Group's risk-weighted assets are calculated using the standard approaches set out in legislation. In general, in relation to institutions that employ internal models in the calculation, this entails higher levels of capital consumption for identical risk exposures. Such methodological distortion does not affect the leverage ratio, which closed 2021 at 8.55%, well above the average for the Spanish and European financial sectors.

The movements experienced by the financial markets during the first half of 2022, as a result of the outbreak of the war in Ukraine and the events that followed, have contributed to reducing the capital gains in the Group's securities portfolios. However, its solvency continued to evolve well above the regulatory and supervisory requirements applicable to it.

Main risk exposures

In relation to the aforementioned armed conflict and its negative consequences for European economic activity, the Kutxabank Group has been exhaustively monitoring the real and potential impacts derived from this new crisis. Below are some notes on the evolution of the main risk categories:

Credit risks

Despite the simultaneous confluence of the crises associated with the Covid-19 pandemic and the war in Ukraine, the Group's credit exposures continue to show a good payment behavior, which determines the continuity of the downward trend in its non-performing loans. If we add to this the agreement reached in June for the sale of a portfolio of doubtful mortgage assets, we can see that the Group's NPL ratio closed the half-year at 1.38%, the lowest historical minimum since its inception in 2012 and one of the lowest levels recorded in the Spanish financial system.

As regards the Group's credit exposures directly contracted with individuals and/or legal entities in the countries involved in the conflict, it should be noted that these are absolutely marginal levels.

This does not mean that in the more or less near future there will be no second-wave impacts affecting the average quality of the Group's loan portfolio, as a consequence of the general deterioration of the macroeconomic context in which it carries out its activity, but the fact is that for the time being there has been no change of trend in this area. In any case, the conservative nature of the aforementioned portfolio, with a very significant weight of mortgage operations, and the prudent policy of accounting reorganization implemented by the Group, allow us to view with moderate optimism the levels of credit risk materialization foreseen for the coming quarters.

Financial risks

Regarding liquidity risk, the Bank and its group have a financing structure strongly based on their working capital and stable deposits from their customers, which allows their recourse to wholesale financing to be kept at manageable levels, and with a high diversification in terms of financing providers and maturities.

Since the beginning of the pandemic, and despite the intensification of its credit activity, the Group has been strengthening its liquidity position, under the ECB's financing programs (TLTRO), which have allowed financial institutions to access high volumes of medium-term financing under very favorable conditions.

On the other hand, the Group has various levels of exposure to market risk, mainly from its portfolios of debt instruments and equity instruments. Throughout the first half of 2022, these exposures have recorded some noteworthy impacts as a result of the increases in euro interest rates and in the risk premiums associated with most fixed-income assets, especially sovereign bonds of southern European countries.

Regarding interest rate risk, the Group continues to manage the maturity structure and repricing of its assets and liabilities based on interest rate expectations. In this sense, the beginning of the normalization of the euro interest rate curve improves expectations in this area for all financial institutions.

Other risks

Since the beginning of the war in Ukraine, the Group has not recorded noteworthy risk materializations in other potentially problematic areas associated with the conflict, such as regulatory compliance risk and reputational risk, both linked especially to the implementation of the sanctions imposed on Russia and Belarus, or cybersecurity.

On the other hand, during the first half of 2022, the Kutxabank Group has continued to deepen in the design and implementation of specific control frameworks for other risk categories present in its corporate typology, within parameters of proportionality with respect to their complexity and relevance. In this regard, it is worth highlighting the greater importance being given to certain types of risks and specific risk factors, including climate and environmental risk factors, which are being increasingly monitored and managed by the Group.

5. RESEARCH AND DEVELOPMENT

The Kutxabank Group has maintained a policy of taking advantage of technological resources with good results in improving efficiency and streamlining processes. Applications have been developed to save costs, improve the quality of the service provided to customers and meet new technological and functional renewal needs. The Group has continued with its efforts to train and adapt its personnel to the new business needs and the continuous development of its professionals.

To facilitate this process, we have promoted a training development strategy focused on continuous learning, professional development and taking advantage of the benefits of new technologies.

6. OUTLOOK FOR 2022

The Kutxabank Group's equity and solvency situation, 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, place it in the best position to face and overcome the challenges and difficulties that will arise in the second half of 2022.

7. EVENTS AFTER THE REPORTING PERIOD

The events that occurred between the end of the first half of 2022 and the date of preparation of these financial statements are explained in Note 8 of the consolidated explanatory notes.

8. NON-FINANCIAL INFORMATION

The Kutxabank Group is firmly committed to Corporate Social Responsibility; a commitment inherited from the savings banks, which today, converted into banking foundations, are the bank's shareholders (holders of all its share capital).

Kutxabank generates a growing and sustainable result that the Foundations return to society through their Social Work. The Bank's objective is to maximize the positive impact of its activity in the economic, social and, especially at the present time, environmental spheres.

In this respect, Kutxabank has continued to make progress in defining the Bank's internal taxonomy, and has participated in the Climate Stress Test developed this year by the European Central Bank. It should be noted that the Group has been carrying out internal sensitivity tests in the face of different climate scenarios for 3 years. The Group has continued to make progress in its demanding sustainability agenda and, in this half year, in terms of transparency, in addition to the Tax Strategy and the Total Tax Contribution, it has published for the first time the TFCD (Climate Risk Report). In addition, during the year the roadmap for environmental and climate risk management was updated in line with the expectations defined in the ECB Guide.

It is also worth noting the following:

- Kutxabank has allocated 60% of the net profit achieved in 2021, a total of 129.9 million euros, to the shareholder banking foundations. Since 2020, and thanks to its strengthened position in solvency and capital, Kutxabank has distributed the highest percentage of remuneration in the financial system to the BBK, Kutxa and Vital Foundations. This year, Kutxabank also paid an extraordinary dividend of 42 million in February out of the 2019 results that could not be distributed due to the restrictions on profit distribution established by the European Central Bank. Thus, so far this year, the remuneration distributed by the banking Group to its shareholders exceeds 171 million.

- The annual study on the economic impact of Kutxabank and its shareholder Foundations has shown that in a year characterized by the slow economic recovery, the negative impact of an unexpected inflationary process and the increase in the price of essential raw materials, the Kutxabank Group and its shareholder Foundations increased the relative weight they maintain in the economy, of which they are one of the main agents of development.

- Kutxabank continues to channel resources towards activities that have a positive social and environmental impact and in 2022 mobilized more than 1,000 million euros in various projects that develop renewable energy generation initiatives and are committed to the transition towards a low-carbon economy.

- The commitment to the environment is also reflected in the improvement of energy efficiency in its daily activity, in the continuous review of its energy consumption and in the ongoing process of reducing waste and paper consumption.

- Kutxabank manages a surface area of close to 1,000 hectares of forest, located in Araba, Bizkaia and Gipuzkoa, which is home to a wide variety of ecosystems rich in biodiversity. The administration and management of these forests means that in practice Kutxabank has achieved a 'negative carbon footprint', since Kutxabank's own resources absorb more carbon dioxide than the Bank emits into the atmosphere through the consumption of fossil fuels (natural gas and diesel), electricity and the transport of its staff.

- As part of its strategic commitment to reduce the carbon footprint generated by its activity, Kutxabank will gradually replace all credit and debit cards, which will henceforth be made entirely of recycled plastic materials from construction, plastic bags and expired cards.

- As a sign of its commitment to attracting and retaining talent, Kutxabank has recruited 89 new professionals during 2022.

- During the first half of the year, Cajasur signed its first collective bargaining agreement, meaning that the Group's two banks, Kutxabank and Cajasur, now have their own collective bargaining agreements. 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 company's commitment to equality.

- In the area of equality, it received the Enpresan Bardin Gran Empresa award from CEBEK, the Business Confederation of Bizkaia. These are annual awards which aim to recognize companies that promote equal opportunities for women and men in the workplace. It has also participated in the ''Women in Industry" program organized by Professional Women's Network (PWN) Bilbao. Kutxabank has renewed its collaboration with that entity since 2018 as a sign of its commitment to equal opportunities in the professional development of the women and men who make up its workforce.

- Kutxabank promotes 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 Association of Blood Donors and the BBK Ekin project, an incubation program for social entrepreneurs who develop a business with a positive social impact, stand out. In addition, for the third consecutive year, Kutxabank professionals have collaborated with the master's degree in Bitcoin and Blockchain Technology of the UPV/EHU and will allocate the economic resources generated by this collaboration to endow the scholarship that the Bank will give to one of the people participating in the master's degree.

- In 2022 the Kutxabank Group has renewed its adhesion 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 with the aim of promoting the development of activities aimed at increasing the financial culture of Spaniards

- In this regard, during the 2021-2022 academic year, 2,790 schoolchildren from 74 public and subsidized centers in the Autonomous Community of the Basque Country and Cordoba have participated in the 'Finances for Life' program that Kutxabank has been promoting for six years. The program consists of a participatory simulation game that enables students and teachers to work on financial competencies and skills. It is already a well-established experience, consolidated and very positively valued by both teachers and students as an educational and learning tool.

- During 2022 Kutxabank has made a firm commitment to improve service to the elderly people and move towards a more inclusive economy. Among other measures, the Bank has extended the opening hours for on-site attention to the elderly, and has reinforced the service with the hiring of personnel. It is also carrying out training in this area for the staff and a pioneering training program in digital tools aimed at the elderly.

- In line with the Bank's commitment to accessibility, the Bank's mobile applications are adapted so that people with visual disabilities or accessibility problems can have full autonomy to manage their accounts, with the help of the Kutxabank 'app' and the technology integrated in the cell phones themselves. As of this year, the Kutxabank app can be used both by people with iOS operating systems, accessible from the beginning, and Android, which has been incorporated this year.

- Kutxabank has joined the Industrial Entrepreneurship Support Program of the Ministry of Industry, Trade and Tourism, through the General Secretariat for Industry and SMEs, which is mainly aimed at the creation of new industrial establishments and the growth and improvement of the competitiveness of industrial companies -SMEs-.

- Kutxabank has renewed the agreement with the Department of Culture and Linguistic Policy of the Basque Government aimed at financial institutions, to promote the use of the Basque language and guarantee the linguistic rights of consumers and users.

- The work of the Kutxabank Group through Cajasur is also closely linked to the conservation of the valuable historical heritage treasured by Cordoba, the financial institution's headquarters and the Spanish city with the most Unesco World Heritage Site declarations. Thus, its Foundation owns and manages the Palacio de Viana, which with its more than five centuries of history is a clear example of good practice in heritage management and one of the most relevant cases in Andalusia in the 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-year plans implemented specifically for these purposes. The Palacio de Viana, deeply rooted in its environment, defines itself in its museological plan as a museum of the territory, maintaining its firm commitment to the city and its firm commitment to culture as an engine of local development.

- But the efforts of Cajasur's foundations are not limited to its cultural and heritage activities; it also makes a major effort in social programs, devoting more than 75% of its aid budget to projects of this nature.

- The groups to which Cajasur's foundations have lent their collaboration basically attend to people with disabilities, illnesses or at risk of social exclusion.

- On the other hand, Cajasur has established a youth entrepreneurship program and more than one hundred internship scholarships with Andalusian universities, which have a high percentage of employment insertion.

With regard to corruption and bribery, the Group has processes and procedures for compliance with current regulations, the formalization, monitoring and control of which is the responsibility of the Regulatory Compliance area, which reports directly to the Group's Executive Chairmanship and also reports directly to the Board of Directors and the Audit and Compliance Committee of Kutxabank.

GLOSSARY ACCOMPANYING THE MANAGEMENT REPORT

Besides the financial information set out in this document, prepared in accordance with International Financial Reporting Standards (IFRS), certain Alternative Performance Measures (APMs) are included, as defined in the ESMA (European Securities Market Authority) Guidelines on Alternative Performance Measures published on 30 June 2015 (ESMA/2015/1057, ESMA Guidelines).

According to the APM Guidelines, an APM is 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 on the APMs employed by the Kutxabank Group provides the reader with further details but is no substitute for the information prepared under IFRS. The way in which the Kutxabank Group defines and calculates its APMs may differ from the definitions and calculations of other comparable companies.

There follows a breakdown of the **Alternative Performance Measures** employed and the calculation method:

Non-performing loan ratio (portfolio) (%): quotient of impaired loans and advances to customers to gross loans and advances to customers.

Purpose: measure the quality of the loan portfolio.

		jun.-22	dic.-21
Numerador	Activos deteriorados préstamos y anticipos clientela	688.484	918.749
Denominador	Préstamos y anticipos a la clientela brutos	49.086.288	48.245.495
=	**Tasa de morosidad del crédito**	**1,40**	**1,90**

Fuente: Información reservada remitida a Banco de España - Estado F18

Loan loss coverage ratio (%): quotient of provisions recognised for impaired loans to impaired loans and advances to customers.

Purpose: measure the extent to which doubtful loans are covered by provisions.

		jun.-22	dic.-21
Numerador	Pérdidas por deterioro de activos préstamos y anticipos clientela	656.499	718.071
Denominador	Activos deteriorados préstamos y anticipos clientela	688.484	918.749
=	**Tasa de cobertura del crédito**	**95,35**	**78,16**

Fuente: Información reservada remitida a Banco de España - Estado F18

Non-performing loan ratio (%): quotient of impaired loans and advances to customers including those associated with contingent risks to gross loans and advances to customers plus contingent risks.

Purpose: measure credit risk quality, including both the loan portfolio and contingent risks.

			jun.-22	dic.-21
Numerador		Activos deteriorados préstamos y anticipos clientela	688.484	918.749
	Más	Activos deteriorados riesgos contingentes	22.756	22.665
Denominador		Préstamos y anticipos a la clientela brutos	49.086.288	48.245.495
	Más	Riesgos contingentes	2.572.815	2.442.652
=		**Tasa de morosidad**	**1,38**	**1,86**

Fuente: Información reservada remitida a Banco de España - Estado F18

Coverage ratio (%): quotient of provisions recognised for impaired loans to impaired loans and advances to customers, including contingent risks in both cases.

Purpose: measure the extent to which doubtful loans including contingent risks are covered by provisions.

			jun.-22	dic.-21
Numerador		Pérdidas por deterioro de activos préstamos y anticipos clientela	656.499	718.071
	Más	Pérdidas por deterioro de riesgos contingentes	35.596	36.137
Denominador		Activos deteriorados préstamos y anticipos clientela	688.484	918.749
	Más	Activos deteriorados riesgos contingentes	22.756	22.665
=		**Tasa de cobertura**	**97,31**	**80,11**

Fuente: Información reservada remitida a Banco de España - Estado F18

Efficiency ratio: quotient of operating expenses (staff costs, other administrative overheads and depreciation/amortisation) to gross income.

Purpose: productivity measure identifying the percentage of resources employed to generate operating income.

			jun.-22	jun.-21
		Gastos de personal	206.034	204.015
Numerador	Más	Otros gastos de administración	76.238	72.844
	Más	Amortización	19.743	18.509
Denominador		Margen Bruto	622.637	574.320
=		**Índice de eficiencia**	**48,51**	**51,43**

Fuente: Cuenta consolidada pública

Operating expenses/ATAs (%): quotient of operating expenses (staff costs, other administrative overheads and depreciation/amortisation) to average total assets.

Purpose: measure that identifies operating expenses in the balance sheet in relative terms so as to facilitate comparability between periods.

			jun.-22	jun.-21
		Gastos de personal (1)	206.034	204.015
Numerador	Más	Otros gastos de administración (1)	76.238	72.844
	Más	Amortización (1)	19.743	18.509
Denominador		Activos Totales Medios (2)	65.374.772	64.222.394
=		**Gastos de explotación s/ATMs**	**0,92**	**0,92**

(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 of consolidated results for the year to average total assets.

Purpose: measure the return on total assets.

		jun.-22	jun.-21
Numerador	Resultado del ejercicio atribuible a los propietarios de la dominante (1)	254.157	168.125
Denominador	Activos Totales Medios (2)	65.374.772	64.222.394
=	**ROA**	**0,39**	**0,26**

(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 of consolidated results for the year to average equity.

Purpose: measure the return on equity.

		jun.-22	jun.-21
Numerador	Resultado del ejercicio atribuible a los propietarios de la dominante (1)	254.157	168.125
Denominador	Fondos Propios Medios (2)	5.809.667	5.637.088
=	**ROE**	**4,37**	**2,98**

(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 or commission income or income from services: aggregate of net fee and commission income and expense.

Purpose: measure the net result from the provision of services and selling of products invoiced via fees and commissions.

		jun.-22	jun.-21
	Ingresos por comisiones	257.146	237.276
Menos	Gastos por comisiones	18.484	16.435
=	**Ingresos por Servicios**	**238.662**	**220.841**

Fuente: Cuenta consolidada pública

Basic margin: aggregate of net interest income and net fee and commission income.

Purpose: measure of income from typical financial activities.

		jun.-22	jun.-21
	Margen de Intereses	279.564	275.839
Más	Ingresos por comisiones	257.146	237.276
Menos	Gastos por comisiones	18.484	16.435
=	**Margen Básico**	**518.226**	**496.680**

Fuente: Cuenta consolidada pública

Recurring contribution investee portfolio: aggregate of dividend income and equity-accounted results.

Purpose: measure the recurring contribution of income from shareholdings.

		jun.-22	jun.-21
	Ingresos por dividendos	35.614	33.480
Más	Resultado de entidades valoradas por el método de la participación	11.727	1.647
=	**Contribución recurrente cartera participadas**	**47.341**	**35.127**

Fuente: Cuenta consolidada pública

Net gains/(losses) on financial assets and liabilities and exchange differences: sum of the consolidated income statement items related to gains or losses from financial transactions, including exchange gains or losses.

Purpose: determine the aggregate results of financial activities in markets.

		jun.-22	jun.-21
	Ganancias o (-) pérdidas al dar de baja en cuentas activos y pasivos financieros no valorados a valor razonable con cambios en resultados, netas	6.828	-608
Más	Ganancias o (-) pérdidas por activos y pasivos financieros mantenidos para negociar, netas	3.448	1.169
Más	Ganancias o (-) pérdidas por activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados, netas	-346	-1.920
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	1.214	778
=	**Resultados Netos Operaciones Financieras y Diferencias de Cambio**	**11.144**	**-581**

Fuente: Cuenta consolidada pública

Other operating profit/(loss): sum of the net amounts of other operating income and expenses and income and expenses from assets and liabilities under insurance or reinsurance contracts.

Purpose: measure income and expenses related to the business but not from financial activities.

		jun.-22	jun.-21
	Otros ingresos de explotación	17.677	18.642
Menos	Otros gastos de explotación	49.376	43.128
Más	Ingresos de activos amparados por contratos de seguro o reaseguro	117.787	120.175
Menos	Gastos de pasivos amparados por contratos de seguro o reaseguro	40.162	52.595
=	**Otros Resultados de Explotación**	**45.926**	**43.094**

Fuente: Cuenta consolidada pública

Insurance business: sum of net income and expenses from assets and liabilities under insurance or reinsurance contracts and the insurance company's contribution to other financial income.

Purpose: reflect the total impact of the contribution from the insurance business on Other operating profit/(loss).

		jun.-22	jun.-21
	Ingresos de activos amparados por contratos de seguro o reaseguro (1)	117.787	120.175
Menos	Gastos de pasivos amparados por contratos de seguro o reaseguro (1)	40.162	52.595
Más	Aportación compañía aseguradora en Otros ingresos de explotación (2)	144	151
=	**Negocio Asegurador**	**77.769**	**67.731**

(1) Fuente: Cuenta consolidada pública

(2) Fuente: Datos de gestión propios

Income from services plus insurance: sum of net fee and commission income and the results contributed by the insurance business.

Purpose: measure the net result from the provision of services and selling of products invoiced via fees and commissions plus the contribution from the insurance business included in other operating profit/(loss).

		jun.-22	jun.-21
Más	Ingresos por Servicios (1)	238.662	220.841
Más	Negocio Asegurador (1)	77.769	67.731
=	**Ingresos por servicios más seguros**	**316.431**	**288.572**

(1) MAR. Ver su definición y cálculo ya explicados anteriormente

Core banking business income: sum of net interest income, net fee and commission income, and the contribution from the insurance business.

Purpose: measure of income from financial and insurance activities deemed to be recurring.

		jun.-22	jun.-21
	Margen de Intereses (1)	279.564	275.839
Más	Ingresos por Servicios (2)	238.662	220.841
Más	Negocio Asegurador (2)	77.769	67.731
=	**Ingresos core negocio bancario**	**595.995**	**564.411**

(1) Fuente: Cuenta consolidada pública

(2) MAR. Ver su definición y cálculo ya explicados anteriormente

Gross income: sum of the basic margin (net interest income and net fee and commission income), the recurring contribution from investees, net gains/(losses) on financial assets and liabilities and exchange differences, and other operating profit/(loss).

Purpose: reflect the Group's business results before expenses and write-downs.

		jun.-22	jun.-21
	Margen Básico	518.226	496.680
Más	Ingresos por dividendos	35.614	33.480
Más	Resultado de entidades valoradas por el método de la participación	11.727	1.647
Más	Resultados Netos Operaciones Financieras y Diferencias de Cambio	11.144	-581
Más	Otros Resultados de Explotación	45.926	43.094
=	**Margen Bruto**	**622.637**	**574.320**

Fuente: Cuenta consolidada pública

Operating expenses: sum of staff costs, other administrative overheads and depreciation/amortisation.

Purpose: indicator of expenses incurred during the financial year.

		jun.-22	jun.-21
	Gastos de administración	282.272	276.859
Más	Amortización	19.743	18.509
=	**Gastos de Explotación**	**302.015**	**295.368**

Fuente: Cuenta consolidada pública

Net operating profit: gross income less operating expenses.

Purpose: reflect the Group's business results before write-downs.

		jun.-22	jun.-21
	Margen Bruto	622.637	574.320
Menos	Gastos de Explotación	302.015	295.368
=	**Margen de Explotación**	**320.622**	**278.952**

Fuente: Cuenta consolidada pública

Transfers to provisions (net): recognition or reversal of provisions.

Purpose: reflect net amounts transferred during the year to provisions for pensions, early retirement, taxes and contingent risks in anticipation of future impacts.

		jun.-22	jun.-21
	Provisiones o (-) reversión de provisiones	15.713	11.177
=	**Dotación a provisiones**	**15.713**	**11.177**

Fuente: Cuenta consolidada pública

Financial asset impairment losses: impairment of financial assets not carried at fair value through profit or loss.

Purpose: reflect the impairment or reversal of impairment of loans and receivables and of other financial assets during the period.

		jun.-22	jun.-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	36.443	73.782
=	**Pérdidas por deterioro de activos financieros**	**36.443**	**73.782**

Fuente: Cuenta consolidada pública

Impairment losses on other assets: sum of the impairment of investments in joint ventures or associates and the impairment of non-financial assets.

Purpose: reflect the impairment or reversal of impairment of investments in joint ventures or associates and in non-financial assets during the period.

		jun.-22	jun.-21
	Deterioro del valor o (-) reversión del deterioro del valor de inversiones en negocios conjuntos o asociadas	-1.144	532
Más	Deterioro del valor o (-) reversión del deterioro del valor de activos no financieros	9.929	10.390
=	**Pérdidas por deterioro del resto de activos**	**8.785**	**10.922**

Fuente: Cuenta consolidada pública

Other gains and losses: sum of gains and losses on the derecognition of non-financial assets and shareholdings, and results from the disposal of other non-current assets held for sale (including impairment losses).

Purpose: indicator of the impact on results of the derecognition or disposal of assets unrelated to ordinary activities.

		jun.-22	jun.-21
	Ganancias o (-) pérdidas al dar de baja en cuentas activos no financieros, netas	7.131	2.752
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	-44.646	-19.605
=	**Otras Ganancias y Pérdidas**	**-37.515**	**-16.853**

Fuente: Cuenta consolidada pública

Rest of other gains and losses: sum of gains and losses on the derecognition of non-financial assets and shareholdings, and results from the disposal of other non-current assets held for sale.

Purpose: indicator of the impact on results of the derecognition or disposal of assets unrelated to ordinary activities.

		jun.-22	jun.-21
	Ganancias o (-) pérdidas al dar de baja en cuentas activos no financieros, netas (1)	7.131	2.752
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)	-44.646	-19.605
Menos	Deterioros de Activos no corrientes en venta (activo material) (2)	-52.218	-47.814
=	**Resto Otras Ganancias y Pérdidas**	**14.703**	**30.961**

(1) Fuente: Cuenta consolidada pública

(2) Fuente: nota 10 estados financieros intermedios consolidados

Write-downs: sum of transfers to provisions and impairment losses on financial assets, other assets and non-current assets held for sale.

Purpose: reflect the Group's volume of write-downs and impairment losses.

		jun.-22	jun.-21
	Dotación a provisiones (1)	15.713	11.177
Más	Pérdidas por deterioro de activos financieros (1)	36.443	73.782
Más	Pérdidas por deterioro del resto de activos (1)	8.785	10.922
Más	Deterioros de Activos no corrientes en venta (activo material) (2)	52.218	47.814
=	**Saneamientos**	**113.159**	**143.695**

(1) MAR. Ver su definición y cálculo ya explicados anteriormente

(2) Fuente: nota 10 estados financieros intermedios consolidados

Available cash, term deposits and marketable securities: aggregate of cash, cash balances with central banks, other demand deposits and loans and advances to central banks and credit institutions.

Purpose: aggregate indicator of positions in cash and in central banks and credit institutions.

		jun.-22	dic.-21
	Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista	5.519.621	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	423.831	501.109
=	**Tesorería Activa**	**5.943.452**	**6.194.097**

Fuente: Balance consolidado público

Loans and advances to customers: loans and advances to customers.

Purpose: reflect the amount of loans and advances to customers, including other financial assets and net of valuation adjustments.

		jun.-22	dic.-21
	Activos financieros a coste amortizado / Préstamos y anticipos / Clientela	48.413.423	47.516.159
=	**Crédito a la clientela**	**48.413.423**	**47.516.159**

Fuente: Balance consolidado público

Net loans and receivables: loans and advances to customers excluding advances other than loans.

Purpose: reflect the amount of loans to customers net of valuation adjustments without including other financial assets.

		jun.-22	dic.-21
	Activos financieros a coste amortizado / Préstamos y anticipos / Clientela (1)	48.413.423	47.516.159
Menos	Anticipos distintos de préstamos (2)	328.598	488.401
=	**Inversión Crediticia Neta**	**48.084.825**	**47.027.758**

(1) Fuente: Balance consolidado público

(2) Fuente: Datos de gestión propios

Gross loans and receivables: loans and advances to customers excluding advances other than loans and valuation adjustments.

Purpose: reflect the gross amount of loans to customers without including other financial assets.

		jun.-22	dic.-21
	Activos financieros a coste amortizado / Préstamos y anticipos / Clientela (1)	48.413.423	47.516.159
Menos	Anticipos distintos de préstamos (2)	328.598	488.401
Menos	Ajustes por valoración (2)	-1.315.556	-568.650
=	**Inversión Crediticia Bruta**	**49.400.381**	**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.

Purpose: indicator of the total amount of financial assets in the balance sheet.

		jun.-22	dic.-21
	Activos financieros mantenidos para negociar		
Más	Valores representativos de deuda	15.783	0
	Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados		
Más	Instrumentos de patrimonio	33.938	35.108
Más	Valores representativos de deuda	16.686	21.683
	Activos financieros a valor razonable con cambios en otro resultado global		
Más	Instrumentos de patrimonio	1.375.145	1.459.429
Más	Valores representativos de deuda	4.281.956	4.435.862
	Activos financieros a coste amortizado		
Más	Valores representativos de deuda	2.761.418	2.132.909
Más	Inversiones en negocios conjuntos y asociadas	181.661	169.425
=	**Cartera de Activos Financieros**	**8.666.587**	**8.254.416**

Fuente: Balance consolidado público

Fixed income in financial asset portfolio: aggregate amount of debt securities.

Purpose: indicator of the debt securities in the balance sheet.

		jun.-22	dic.-21
	Activos financieros mantenidos para negociar		
Más	Valores representativos de deuda	15.783	0
	Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados		
Más	Valores representativos de deuda	16.686	21.683
	Activos financieros a valor razonable con cambios en otro resultado global		
Más	Valores representativos de deuda	4.281.956	4.435.862
	Activos financieros a coste amortizado		
Más	Valores representativos de deuda	2.761.418	2.132.909
=	**Renta Fija en Cartera de Activos Financieros**	**7.075.843**	**6.590.454**

Fuente: Balance consolidado público

Equities in financial asset portfolio: aggregate of equity instruments and investments in joint ventures and associates.

Purpose: indicator of the total amount of equity instruments and investments in joint ventures and associates in the balance sheet.

		jun.-22	dic.-21
	Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados		
Más	Instrumentos de patrimonio	33.938	35.108
	Activos financieros a valor razonable con cambios en otro resultado global		
Más	Instrumentos de patrimonio	1.375.145	1.459.429
Más	Inversiones en negocios conjuntos y asociadas	181.661	169.425
=	**Renta Variable en Cartera de Activos Financieros**	**1.590.744**	**1.663.962**

Fuente: Balance consolidado público

Short-term financial obligations (including dividends payable): aggregate of deposits from central banks and from credit institutions.

Purpose: aggregate indicator of positions of central banks and credit institutions.

		jun.-22	dic.-21
Más	Pasivos financieros a coste amortizado / Depósitos / Bancos Centrales	6.150.716	6.181.399
Más	Pasivos financieros a coste amortizado / Depósitos / Entidades de Crédito	360.830	411.610
=	**Tesorería Pasiva**	**6.511.546**	**6.593.009**

Fuente: Balance consolidado público

Customer funds managed: aggregate amount of customer deposits, excluding covered bonds recognised under term deposits, and off-balance-sheet funds (investment funds, voluntary contribution pension fund (EPSVs) and pension funds, mixed insurance and other).

Purpose: determine the total balance of customer funds managed by the Group both on- and off-balance-sheet.

		jun.-22	dic.-21
Más	Pasivos financieros a coste amortizado / Depósitos / Clientela (1)	49.298.492	47.945.203
Menos	Cédulas hipotecarias registradas en Depósitos de la Clientela (2)	814.958	827.191
Más	Recursos Fuera de Balance (Fondos de inversión , EPSVs y Fondos de pensiones, Seguros mixtos y otros) (2)	26.859.520	28.706.442
=	**Recursos de Clientes Gestionados**	**75.343.054**	**75.824.454**

(1) Fuente: Balance consolidado público

(2) Fuente: Datos de gestión propios