Creand©

Consolidated Financial Statements | 2023

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

Auditor's report issued by an independent auditor

To the shareholders of Crèdit Andorrà, SA:

Opinion

We have audited the consolidated financial statements of Crèdit Andorrà, SA (the Parent company) and its subsidiaries (the Group), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, cash flow statement, all consolidated, for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2023, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) that have been also adopted in Andorra (IFRS-Andorra).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor´s responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled with other ethical responsibilities in accordance with the IESBA Code.

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

Other information: Consolidated annual report

The Parent company´s directors are responsible for the other information. The other information comprises the consolidated annual report for year 2023 but does not include the consolidated financial statements or our corresponding audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibility of the directors and the audit and risks commission for the consolidated financial statements

The Parent company´s directors are responsible for the preparation of the accompanying consolidated financial statements, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) that have been also adopted in Andorra (IFRS-Andorra), and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent company´s audit and risks commission is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

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

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company´s audit and risk commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company´s audit and risk commission with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Catalan signed by
Raúl Luño Biarge

March 28, 2024

Financial statements 2023

Creand Group

Creand©

Consolidated financial statements 2023

Statement of financial position – Assets

Creand Group

In thousands of euros	Note	31.12.2023	31.12.2022 (*) (restated)
Cash, cash balances at central banks and other demand deposits	8	**349,122**	**302,620**
Financial assets held for trading	9.1	**55,131**	**60,400**
Derivatives		40,641	51,489
Equity instruments		3,424	3,085
Debt securities		11,066	5,826
Loans and advances		-	-
Non-trading financial assets mandatorily at fair value through profit or loss	9.2	**138,291**	**131,829**
Equity instruments		136,791	127,379
Debt securities		-	-
Loans and advances		1,500	4,450
Financial assets at fair value through profit or loss	10	**242,171**	**151,644**
Debt securities		242,171	151,644
Loans and advances		-	-
Financial assets at fair value through other comprehensive income	11	**296,572**	**280,826**
Equity instruments		11,982	13,582
Debt securities		284,590	267,244
Loans and advances		-	-
Financial assets at amortised cost		**4,546,382**	**5,084,779**
Loans and advances	12	3,029,475	3,307,141
Credit institutions		430,870	683,111
Customers		2,598,605	2,624,030
Debt securities	13	1,516,907	1,777,638
Derivatives - hedge accounting	14	**209**	**1,413**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14	**1,619**	**-**
Investments in joint ventures and associates	3	**88,959**	**89,608**
Assets under insurance and reinsurance contracts	20	**-**	**160**
Tangible assets	15	**203,452**	**208,356**
Property, plant and equipment		153,252	157,871
Investment property		50,200	50,485
Intangible assets	16	**107,579**	**112,887**
Goodwill		72,109	73,762
Other intangible assets		35,470	39,125
Tax assets	45	**15,814**	**18,046**
Current tax assets		415	501
Deferred tax assets		15,399	17,545
Other assets	17	**49,279**	**57,856**
Non-current assets and disposal groups classified as held for sale	18	**90,870**	**89,831**
Total assets		6,185,450	6,590,255

(*) Shown solely for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statement at 31 December 2023

Statement of financial position – Liabilities

Creand Group

In thousands of euros	Note	31.12.2023	31.12.2022 (*) (restated)
Financial liabilities held for trading	9.3	**41,484**	**53,960**
Derivatives		41,484	53,960
Short positions		-	-
Deposits		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities at fair value through profit or loss	10	**334,977**	**168,962**
Deposits		-	-
Debt securities issued		329,017	159,212
Other financial liabilities		5,960	9,750
Financial liabilities at amortised cost	19	**4,873,505**	**5,484,378**
Deposits		4,762,318	5,372,071
Debt securities		51,578	51,582
Other financial liabilities		59,609	60,725
Derivatives - hedge accounting	14	**1,121**	**511**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14	**-**	**20**
Liabilities under insurance and reinsurance contracts	20	**219,886**	**223,660**
Provisions	21	**15,841**	**19,270**
Pensions and other defined post-employment benefit obligations		11,965	11,076
Other long-term employee benefits		1,530	2,446
Provisions for taxes and other legal contingencies		261	338
Commitments and guarantees given		1,046	2,819
Other provisions		1,039	2,591
Tax liabilities	45	**7,847**	**6,553**
Current tax liabilities		2,225	158
Deferred tax liabilities		5,622	6,395
Share capital repayable on demand		-	-
Other liabilities	23	**84,260**	**83,040**
Liabilities included in disposal groups classified as held for sale	18	**-**	**-**
Total liabilities		**5,578,921**	**6,040,354**

(*) Shown solely for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statement at 31 December 2023

Statement of financial position – Net equity

Creand Group

In thousands of euros	Note	31.12.2023	31.12.2022 (*) (restated)
Capital	24	**63,102**	**63,102**
Paid-up capital		63,102	63,102
Unpaid called-up capital		-	-
Share premium	24	**-**	-
Issued equity instruments other than capital		**-**	**-**
Equity component of compound financial instruments		-	-
Other issued equity instruments		-	-
Other equity		**-**	-
Accumulated other comprehensive income	26	**7,043**	**2,248**
Items that will not be reclassified to profit or loss		1,191	2,307
Tangible assets		-	-
Intangible assets		-	-
Actuarial gains and losses on defined benefit pension plans		-926	190
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		2,117	2,117
Ineffectiveness of fair value hedges of equity instruments measured and fair value through changes in 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)		-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk		-	-
Items subject to reclassification to profit or loss		5,852	-59
Hedge of net investments in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		-	-
Fair value changes of debt securities measured at fair value through other comprehensive income		-14,553	-26,426
Fair value changes of insurance products measured at fair value through other comprehensive income		20,405	26,367
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates		-	-
Retained earnings		**-**	-
Revaluation reserves		**-**	-
Other reserves	24	**461,466**	**432,817**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates		111,484	98,596
Other		349,982	334,221
(-) Treasury shares	25	**-**	**-**
Profit or loss attributable to owners of the parent	4	**71,256**	**44,476**
(-) Interim dividends	4	**-**	**-**
Minority interests (non-controlling interest)	27	**3,662**	**7,258**
Accumulated other comprehensive income		-	-
Other items		3,662	7,258
Total net equity		**606,529**	**549,901**
Total net equity and liabilities		**6,185,450**	**6,590,255**

(*) Shown solely for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statement at 31 December 2023

Profit and loss account

Creand Group

In thousands of euros	Note	2023	2022 (*) (restated)
Interest income	34	**173,021**	**98,550**
Financial assets at fair value through other comprehensive income		580	669
Financial assets at amortised cost		150,970	70,982
Other interest income		21,471	26,899
(Interest expenses)	34	**-58,284**	**-25,458**
(Expenses for share capital repayable on demand)		**-**	**-**
Dividend income	35	**553**	**815**
Fee and commission income	36	**116,349**	**120,972**
(Fee and commission expense)	36	**-22,982**	**-21,220**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	**538**	**3,666**
Financial assets at fair value through other comprehensive income		296	3,488
Financial assets at amortised cost		246	178
Financial liabilities at amortised cost		-4	-
Other		-	-
Gains or losses on financial assets and liabilities held for trading, net	37	**841**	**2,251**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or losses		841	2,251
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	37	**275**	**11,706**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or losses		275	11,706
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	37	**2,893**	**1,863**
Gains or losses resulting from hedge accounting, net	14	**-208**	**702**
Exchange rate differences (gain or loss), net	37	**4,087**	**4,726**
Gains or losses on derecognition of non-financial assets, net	37	**-804**	**-601**
Other operating income and expenses	38	**-2,900**	**265**
Other income and expenses of assets and liabilities under insurance or reinsurance contracts	38	**5,296**	**-11,757**
Total operating income, net		**218,675**	**186,480**

Profit and loss account (continued)

Creand Group

In thousands of euros	Note	2023	2022 (*) (restated)
Total operating income, net		218,675	186,480
(Administrative expenses)		**-133,552**	**-139,149**
(Staff expenses)	39	-79,448	-79,612
(Other administrative expenses)	40	-54,104	-59,537
(Depreciation and amortisation)	41	**-21,441**	**-22,880**
(Property, plant and equipment)	15	-10,810	-10,606
(Investment property)	15	-291	-550
(Other intangible assets)	16	-10,340	-11,724
(Provisions or reversal of provisions)	42	**2,013**	**322**
(Commitments and guarantees given)		1,768	893
(Other provisions)		245	-571
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses by modification)	43	**8,465**	**8,342**
(Financial assets at cost)		-	-
(Financial assets at fair value through other comprehensive income)		-3	-1
(Financial assets at amortised cost)		8,468	8,343
(Impairment or reversal of impairment of investments in joint ventures and associates)		**36**	**2**
(Impairment or reversal of the impairment on non-financial assets)		**-28**	**-39**
(Property, plant and equipment)	15	-	-
(Investment property)	15	-	-
(Goodwill)	16	-28	-
(Other intangible assets)	16	-	-
(Other)		-	-39
Negative goodwill recognised in profit or loss	3.6	**-**	**7,501**
Share of gains or losses of investments in subsidiaries, joint ventures and associates	44	**1,446**	**9,748**
Gains or losses from non-current assets and disposal groups held for sale not qualifying as discontinued operations	18	**-179**	**-107**
Profit or loss before tax from continuing operations		75,435	50,220
(Tax expense or income related to profit or loss from continuing operations)	45	-4,101	-5,579
Gains or losses after taxes from continuing operations		71,334	44,641
Gains or losses after taxes from discontinued operations		**-25**	**-87**
Gains or losses before taxes from discontinued activities (see Note 3.6)		-25	-91
(Tax expense or income related to profit or loss from discontinued operations)		-	4
Profit or loss for the year		71,309	44,554
Attributable to minority interests (non-controlling interest)		53	78
Attributable to owners of the parent company		71,256	44,476
Earnings per share (basic) - in euros	4	**79.67**	**49.73**
Earnings per share (diluted) - in euros	4	**79.67**	**49.73**

(*) Shown solely for purposes of comparison (see note 1.3.2)

Notes 1 to 49 are an integral part of the financial statement at 31 December 2023

Statement of comprehensive income

Creand Group

In thousands of euros	Note	2023	2022 (*) (restated)
Profit or loss for the year		71,309	44,554
Other comprehensive income		4,795	-8,257
Items that will not be reclassified to profit or loss	26	-1,116	345
Tangible assets		-	-
Intangible assets		-	-
Actuarial gains or losses on defined benefit pension plans		**-1,240**	**212**
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		-	**171**
Gains or losses resulting from the hedge accounting of equity instruments measured 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 credit risk		-	-
Income tax related to items that will not be reclassified		**124**	**-38**
Items subject to reclassification to profit or loss		5,911	-8,602
Hedges of net investments in foreign operations (effective portion)		-	-
Gains or losses posted to net equity		-	-
Transferred to profit and loss		-	-
Foreign currency translation		-	-
Gains or losses due to foreign exchange posted to net equity		-	-
Transferred to profit and loss		-	-
Hedging derivatives. Cash flow hedges (effective portion)		-	-
Gains or losses posted to net equity		-	-
Transferred to profit and loss		-	-
Transferred to initial carrying amount of hedged items		-	-
Hedging instruments (non-designated items)		-	-
Gains or losses posted to net equity		-	-
Transferred to profit and loss		-	-
Debt instruments at fair value through other comprehensive income		**13,742**	**-39,807**
Gains or losses posted to net equity		14,038	-36,317
Transferred to profit and loss		-296	-3,490
Insurance products at fair value through other comprehensive income		**-6,624**	**29,297**
Gains or losses posted to net equity		-6,624	29,297
Transferred to profit and loss		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Gains or losses posted to net equity		-	-
Transferred to profit and loss		-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates		-	-
Income tax related to items subject to reclassification to profit or loss		**-1,207**	**1,908**
Total comprehensive income for the year		76,104	36,297
Attributable to minority interests (non-controlling interest)		53	78
Attributable to owners of the parent company		76,051	36,219

(*) Shown solely for purposes of comparison (see note 1.3.2)

Notes 1 to 49 are an integral part of the financial statement at 31 December 2023

Statement of changes in equity

Creand Group

31 December 2023

	Net equity attributable to parent company							
	Shareholders' equity					Minority interests		
In thousands of euros	**Capital (Note 24.1)**	**Accumulated other comprehensive income (Note 26)**	**Other reserves (Note 24.2)**	**Profit or loss attributable to owners of the parent**	**(-) Interim dividends (Note 4)**	**Accumulated other comprehensive income (Note 27)**	**Other items**	**Total equity net**
Balance at 31 December 2022	63,102	-11,242	457,254	43,036	-	-	7,258	559,408
Effects of error correction (Note 1.3.1)	-	-	-2,887	-	-	-	-	-2,887
Effects of changes in accounting policies (see Notes 1.2.1 and 1.3.2)	-	13,490	-24,437	1,440	-	-	-	-9,507
								-
Adjusted balance at 1 January 2023	63,102	2,248	429,930	44,476	-	-	7,258	547,014
Capital decrease	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-11,000	-	-	-	-	-11,000
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to net equity	-	-	-	-	-	-	-	-
Transfers among equity components	-	-	44,476	-44,476	-	-	-	-
Other increases or decreases in net equity (see Note 3 and 27)	-	-	-1,940	-	-	-	-3,649	-5,589
Total comprehensive income for the year	-	4,795	-	71,256	-	-	53	76,104
Balance at 31 December 2023	**63,102**	**7,043**	**461,466**	**71,256**	**-**	**-**	**3,662**	**606,529**

Statement of changes in equity (continued)

Creand Group

31 December 2022 (*)

	Net equity attributable to parent company (*)							
	Shareholders' equity					Minority interests		
In thousands of euros	Capital (Note 24.1)	Accumulated other comprehensive income (Note 26)	Other reserves (Note 24.2)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (Note 26)	Other items	Total equity net
Balance at 31 December 2021	63,102	-173	419,967	32,978	-	-	7,178	523,052
Effects of error correction (Note 1.3.1)	-	-	3,608	-	-	-	-	3,608
Effects of changes in accounting policies (see Notes 1.2.1 and 1.3.2)	-	10,678	-24,436	-	-	-	-	-13,758
Adjusted balance at 1 January 2022	63,102	10,505	399,139	32,978	-	-	7,178	512,902
Capital decrease	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to net equity	-	-	-	-	-	-	-	-
Transfers among equity components	-	-	32,978	-32,978	-	-	-	-
Other increases or decreases in net equity (see Note 3 and 27)	-	-	700	-	-	-	2	702
Total comprehensive income for the year	-	-8,257	-	44,476	-	-	78	36,297
Balance at 31 December 2022 restated	**63,102**	**2,248**	**432,817**	**44,476**	**-**	**-**	**7,258**	**549,901**

(*) Shown solely for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statement at 31 December 2023

Cash flow statement

Creand Group

In thousands of euros	Note	2023	2022 (*) (restated)
Cash flow of operating activities		63,042	-211,744
Profit or loss for the year		**71,256**	**44,476**
Adjustments to obtain cash flow from operating activities		**2,834**	**-23,691**
Depreciation and amortisation	41	21,441	22,880
Other adjustments		-18,607	-46,571
Net increase/decrease of operating assets		**459,486**	**-1,507,822**
Financial assets held for trading		7,282	-34,730
Non-trading financial assets mandatorily at fair value through profit or loss		-13,309	61,249
Financial assets at fair value through profit or loss		-87,634	-56,494
Financial assets at fair value through other comprehensive income		-2,261	32,875
Financial assets at amortised cost		543,958	-1,509,750
Other operating assets		11,450	-972
Net increase/decrease of operating liabilities		**-470,534**	**1,275,738**
Financial liabilities held for trading		-16,210	33,016
Financial liabilities at fair value through profit or loss		166,015	43,052
Financial liabilities at amortised cost		-617,620	1,217,182
Other operating liabilities		-2,719	-17,512
Income tax collections or payments			**-445**
Cash flow of investment activities		-6,324	-70,410
Payments		**-8,761**	**-84,555**
Tangible assets	15	-1,991	-57,672
Intangible assets	16	-6,770	-20,169
Investments in joint ventures and associates		-	-
Subsidiaries and other business units		-	-61
Non-current assets and liabilities classified as held for sale		-	-
Held-to-maturity investments		-	-
Other payments related to investment activity		-	-6,653
Collections		**2,437**	**14,145**
Tangible assets		-	3,856
Intangible assets		-	-
Investments in joint ventures and associates		542	1,850
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		1,895	8,439
Held-to-maturity investments		-	-
Other collections related to investment activity		-	-
Cash flow of financing activities		-11,000	-
Payments		**-11,000**	**-**
Dividends	4	-11,000	-
Debt securities		-	-
Treasury stock amortisation		-	-
Treasury stock acquisition		-	-
Other payments related to financing activity		-	-
Collections			**-**
Debt securities		-	-
Treasury stock issue		-	-
Treasury stock disposal		-	-
Other collections related to financing activity		-	-
Effects of changes in exchange rate		784	-2,471
Net increase (decrease) of cash and cash equivalents (A+B+C+D)		46,502	-284,625
Cash and cash equivalents at the start of the period		302,620	587,245
Cash and cash equivalents at the end of the period		349,122	302,620

(*) Shown solely for purposes of comparison (see note 1.3.2)

Notes 1 to 49 are an integral part of the financial statement at 31 December 2023

Notes to the financial statements

1. Introduction, basis of presentation and other information

1.1. Introduction

Crèdit Andorrà SA (hereinafter, "the Bank", "Entity" or "Parent Company"), authorised in 1949, is a limited company engaged in banking activities, which it carries out as a retail and private bank, subject to the rules and regulations governing financial institutions operating in Andorra. On 11 April 2011, however, the Andorran National Institute of Finance (today the Andorran Financial Authority, "AFA") approved the application to broaden the Bank's corporate purpose to include the investment and ancillary services established in Articles 5 and 6 of Law 13/2010 of 13 May.

The Bank's registered offices are at Avinguda Meritxell, 80, Andorra la Vella, Principality of Andorra.

As recorded in the Companies Register of the Principality of Andorra, the Entity is the owner of the following companies: 905491-E, 907176-C, 909313-L, 910111-Y, 911727-W, 911728-V, 911729-U, 911730-P, 911731-N, 920683-J and 921634-M, under the name of Crèdit Andorrà.

Crèdit Andorrà , SA is the parent company of the subsidiaries set out in Note 3, which, together with the Bank, comprise Crèdit Andorrà Group (hereinafter "the Group" or "Crèdit Andorrà Group").

In the month of May 2023, Crèdit Andorrà, SA completed the process of rolling out the new "Creand" corporate brand, under which it has unified all the national and international businesses in which it operates. Therefore, Crèdit Andorrà, SA may also be referred to as "Creand", and the Crèdit Andorrà Group as "the Creand Group".

1.2. Basis of presentation

The Group's consolidated financial statements have been drawn up by the Board of Directors of the Bank in accordance with the regulatory framework for financial reporting applicable to the Group, which is established in (1) the Decree of 22 December 2016, approving the accounting framework applicable to the entities operating in the Andorran financial system and to the collective investment institutions under Andorran law in accordance with the International Financial Reporting Standards adopted in the European Union (EU-IFRS) that have since been adopted by Andorra (Andorra-IFRS), and subsequent amendments (Decree of 12 December 2018, Decree of 27 March 2019, Decree of 29 July 2020, Decree of 24 February 2021, Decree of 15 December 2021, Decree of 22 December 2022 and Decree of 20 March 2024).

The financial statements have been drawn up based on accounting records maintained by the Bank and the entities making up the Group, and are presented according to the applicable regulatory framework for financial reporting, such that they present a true and fair view of the Group's equity, financial position, profit and loss and cash flow during the corresponding financial year.

Unless expressly indicated otherwise, the figures are presented in thousands of euros, rounded up or down to the nearest thousand, as the euro is the Group's functional and presentation currency.

The Andorran Financial Authority (AFA) is the body responsible for the supervision and control of the entities in the Andorran financial system, as well as the implementation of the regulatory framework for financial reporting applicable to the Group.

The financial statements of the Group, the Bank and almost all the entities forming part of the Group for the year ended 31 December 2023 are pending approval by their respective general shareholders' meetings. Nevertheless, the Bank's Board of Directors believes they will be approved without any changes.

On 27 April 2023, the Bank's General Shareholders' Meeting approved the individual and consolidated financial statements corresponding to the 2022 financial year.

The consolidated financial statements of the Crèdit Andorrà Group for 2023 attached have been prepared with the same principles, accounting policies and criteria as those applied in the consolidated financial statements for the year 2022, except for the regulatory changes that entered into force on 1 January 2023, detailed in Section 1.2.1. "Mandatory standards, amendments and interpretations for financial years beginning on or after 1 January 2023". Therefore, their preparation was based on the International Financial Reporting Standards adopted by the European Union (EU-IFRS), which have since been fully adopted by Andorra (Andorra-IFRS) through the Decree dated 22 December 2016, the Decree dated 12 December 2018 and the Decree dated 27 March 2019, the Decree dated 29 July 2020, the Decree dated 24 February 2021, the Decree dated 15 December 2021, the Decree dated 22 December 2022 and the Decree dated 20 March 2024.

However, on 21 December 2018, the AFA published the Supervisory Guide on applying IFRS 9: Credit risk management (hereinafter, the Guide), updated on 3 November 2020. As detailed in the "Introduction" section, the Guide covers supervisory expectations and good practices in the implementation of IFRS 9 by Andorran banking entities and in credit risk management. This guide is available on the Andorran Financial Authority website (https://www.afa.ad/ca/assets/normativa/niif_9).

Notes 2 and 3 summarise the most significant principles, accounting policies and valuation criteria applied in preparing these consolidated financial statements. No mandatory accounting principle or valuation criterion with a material effect on these consolidated financial statements has been excluded.

1.2.1. Mandatory standards, amendments and interpretations for financial years beginning on or after 1 January 2023

The following are the most significant standards and interpretations for the Group that have been published by the IASB and that have entered into force in the Principality of Andorra as of 1 January 2023:

- IFRS 17 "Insurance Contracts".[1] IFRS 17 replaces IFRS 4 "Insurance Contracts", which allowed for a wide variety of accounting practices. The new standard fundamentally changes accounting for all entities issuing insurance contracts and investment contracts with discretionary participation features. In June 2020, the IASB modified the standard and developed amendments and clarifications intended to facilitate the implementation of the new standard while preserving its fundamental principles. The standard is applicable to financial years beginning on or after 1 January 2023, and early application is allowed if IFRS 9 "Financial instruments" is applied on or before the date of initial application of IRFS 17.

- IFRS 17 (amendment) "Initial application of IFRS 17 and IFRS 9 - Comparative Information". The IASB published an update to IFRS 17 introducing limited amendments to the transition requirements of IFRS 17 "Insurance contracts", and not affecting any other requirement in IFRS 17. IFRS 17 and IFRS 9 "Financial instruments" have different transition requirements. For some insurers, these differences may cause occasional accounting mismatch between financial assets and liabilities for insurance contracts in the comparative information presented in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to prevent these mismatches and, therefore, improve the usefulness of the comparative information for investors. This amendment is effective for financial years starting on or after 1 January 2023.

- IAS 1 (amendment) "Disclosure of accounting policies". IAS 1 was amended to improve accounting policy disclosures so they provide more useful information to investors and other primary users of financial statements. The effective date of these amendments is 1 January 2023.

- IAS 8 (amendment) "Definition of accounting estimates". IAS 8 was amended to help distinguish between changes in accounting estimates and changes in accounting policy. The effective date of these amendments is 1 January 2023.

- IAS 12 (amendment) "Deferred tax related to assets and liabilities arising from a single transaction". In certain cases under IAS 12, companies are exempt from accounting for deferred tax when recognising assets or liabilities for the first time ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both assets and liabilities are recognised upon initial recognition. The amendment clarifies that the exemption does not apply and, therefore, deferred tax must be accounted for on these transactions. The amendment enters into force for financial years beginning on or after 1 January 2023, although early application is permitted.

[1] In 2017, the IASB issued IFRS 17 with the effective date of 1 January 2021. Subsequently, in June 2020, the IASB amended IFRS 17 with a number of clarifications to facilitate the implementation of the standard and the effective date of IFRS 17 was changed to 1 January 2023. The European Union adopted the amended IFRS 17 with its updated wording and effective date in November 2021.

- IAS 12 (amendment) “International tax reform - Pillar two model rules”. In October 2021, more than 130 countries, representing over 90% of the world’s GDP, agreed to implement a system of minimum taxation for multinationals, Pillar Two. In December 2021, the Organisation for Economic Co-operation and Development (OECD) published the Pillar Two model rules to reform international corporate taxation. Large multinational groups affected by the rules must calculate their GloBE (“Global Anti-Base Erosion”) effective tax rate for each jurisdiction in which they operate. These corporations must pay an additional tax for the difference between their GloBE effective tax rate per jurisdiction and the minimum rate of 15%.

  In May 2023, the IASB issued limited scope amendments to IAS 12. There is a temporary exception to the requirement to recognise and disclose deferred taxes arising from an enacted or substantively enacted tax legislation that implements the Pillar 2 model rules issued by the OECD.

  The amendments also introduce the following specific disclosure requirements for the affected entities:

  - That it has applied the temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

  - Its current tax expense (if any) related to Pillar Two income taxes.

  - In periods in which the legislation is enacted or substantively enacted but not yet in effect, entities are required to disclose known or reasonably estimable information that helps users of financial statements understand the entity’s exposure to Pillar Two income taxes.

    On the one hand, the IAS 12 amendment is required to be applied immediately and retrospectively in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors”, including the requirement to disclose the application of the aforementioned temporary exception, if relevant. On the other, disclosures relating to the current tax expense and known or reasonably estimable exposure to Pillar Two income taxes are mandatory for the annual periods beginning on or after 1 January 2023. An entity is not required to disclose this information in financial statements for any interim period ending on or before 31 December 2023.

The rules and interpretations published by the IASB and that entered into force in the Principality of Andorra from 1 January 2023, have not had a significant impact of the financial statements, except in relation to IFRS 17 (see appendix IV and appendix V).

1.2.2. Rules, amendments and interpretations that have not yet entered into force, but that may be adopted early

The following are the most significant standards and interpretations for the Group that have been published by the IASB but have not yet entered into force, either because the effective date is after the date of the consolidated financial statements, or because they have not yet been adopted by the EU or the Principality of Andorra.

IFRS 16 (amendment) “Lease liability in a sale and leaseback”

IFRS 16 includes requirements on how to recognise a sale and leaseback transaction at the date of the transaction. However, it does not specify how the recognise the transaction subsequent to that date. This amendment explains how to recognise a sale and leaseback after the transaction date.

The effective date of this amendment is 1 January 2024, although early application is permitted.

IAS 1 (amendment) “Classification of liabilities as current or non-current” and IAS 1 (amendment) “Non-current liabilities with covenants”.

These amendments, adopted simultaneously by the European Union, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The classification is unaffected by expectations of the entity or events after the reporting date (for example, receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the “settlement” of a liability.

In addition, the amendment is intended to improve the information provided when the right to defer settlement of a liability is subject to compliance with covenants within twelve months of the reporting period.

This amendment is effective for reporting periods beginning on or after 1 January 2024, and is applied retrospectively in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors”. Early adoption is permitted.

1.2.3. Standards, amendments and interpretations issued by the IASB not in force

At the date of preparation of these consolidated financial statements, the following standards, amendments and interpretations had been published by the IASB and the IFRS Interpretations Committee and are pending adoption by the European Union and the Principality of Andorra.

IFRS 10 (amendment) and IAS 28 (amendment) “Sale or contribution of assets between an investor and its associate or joint venture”.

These amendments clarify the accounting processes applied to asset contributions and sales between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets contributed or sold to an associate or joint venture constitute a “business”. The investor will recognise the full gains or losses when the non-monetary assets constitute a “business”. If the assets do not comply with the definition of a business, the investor recognises the gains or losses in the same degree as the interest of other investors. The amendments will only apply when an investor sells or contributes to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for financial years beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to defer the effective date (indefinitely), as it is planning broader review that may result in the simplification of the accounting processes for these transactions and other matters related to associates and joint ventures.

IAS 7 (amendment) and IFRS 7 (amendment) “Supplier finance arrangements (reverse factoring)”

The IASB amended IAS 7 and IFRS 7 to improve disclosures on supplier finance arrangements (reverse factoring) and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The amendments responds to investor concerns that supplier finance arrangements of some entities are not sufficiently visible.

This amendment is effective for financial years starting on or after 1 January 2024. Early application of the amendment is permitted, although it is pending approval by the European Union.

IAS 21 (amendment) “Lack of exchangeability”

The IASB amended IAS 21 to add requirements help an entity determine whether a currency is exchangeable into another currency and the spot exchange rate to use when it is not. When a currency is not exchangeable into another, an entity must estimate the spot exchange rate at a measurement date to determine the rate that would have applied to an orderly transaction between market participants on that date under prevailing economic conditions.

When an entity applies the new requirements for the first time, restating comparative information is not permitted. Instead, the affected amounts must be translated at the spot exchange rates estimated at the initial application date of the amendment, with an adjustment against reserves.

This amendment is effective for financial years starting on or after 1 January 2025. Early application of the amendment is permitted, although it is pending approval by the European Union.

The standards and interpretations of the existing standards published by the IASB that cannot be adopted early or that have not been adopted by the EU or the Principality of Andorra, but that have not yet entered into force on or after 1 January 2023, are not expected to have a significant impact on the Group's financial statements after 2023.

1.3. Comparing information and error correction

1.3.1. Error correction

As mentioned in Note 3.6, in December 2021 SETAP 365, SA was created through the contribution of the shares that Crèdit Andorrà, SA and the Comú de Canillo held in the company Esports de Neu Soldeu-Incles, SA (Ensisa) and almost all the shares that the Comú de la Massana held in the company Estacions de Muntanya Arinsal-Pal, SAU. This operation meant that Crèdit Andorrà would have recorded the shares in SETAP 365, SA at their market value at the time of the transaction and derecognised the shares in Ensisa at their book value.

However, due to an error, Crèdit Andorrà did not recognise part of the shares that it received in consideration of its shares in Ensisa, consisting of a collection right equivalent to the market value of some real estate assets owned by Ensisa (pro rata for its percentage of the company's capital) which, as they were not used for operating purposes, did not form part of the market value of the snow business channelled through SETAP 365. Therefore, at 31 December 2021, the heading "Other assets" of the consolidated profit and loss account and the heading "Gains or losses on derecognition of non-financial assets, net" of the consolidated profit and loss account were both undervalued by EUR 3,608 thousand (see statement of changes in equity).

As at 31 December 2022, Crèdit Andorrà cancelled the collection right by receiving these properties, the ownership of which has been conveyed by the original shareholders of Ensisa through the newly created company Ensisa Patrimonis 365, SL (see note 3.6).

However, during the purchase price allocation process for the assets and liabilities of Vall Banc, SA (see Note 3.5.1.2), Crèdit Andorrà did not recognise a liability for the cancellation of supplier services that were discontinued at the time of integration. Therefore, as at 31 December 2022, the heading "Other liabilities" of the consolidated statement of financial position and the heading "Administrative expenses – Other administrative expenses" of the consolidated profit and loss account were undervalued respectively by EUR 2,632 thousand (see statement of changes in equity).

1.3.2. Comparing information

The figures corresponding to 31 December 2022 included in the accompanying consolidated financial statements are presented solely and exclusively for comparative purposes.

As indicated in Note 1.2 "Basis of presentation", the Group has applied IFRS 17 and IFRS 9 to the insurance business as of 1 January 2023, with the transition date of 1 January 2022 and the restatement of the financial statements at 31 December 2022.

Given the difficulty in applying IFRS 17 retrospectively, the Group has opted to apply the Fair Value Approach (FVA) provided for by said standard retrospectively to the transition date.

For this purpose, the Group has determined the Contractual Service Margin (CSM) or the loss component of the remaining hedging liability at the transition date as the difference between the fair value of the group of insurance contracts measured with the market curve adjusted with a spread reflecting the specific characteristics of the product portfolio and the cash flows arising from the performance valued at that date, measured with the market curve.

Since the transition approach used is the Fair Value Approach (FVA), all in-force policies have been considered as a single transition cohort for all policies outstanding as at 31 December 2021.

The Group has opted for the classification overlay approach, as provided in IFRS 17, in order to avoid occasional accounting mismatches between the financial assets and insurance contract liabilities in the comparative information presented in the consolidated financial statements. This approach can only be applied as at 1 January 2022, the date of initial application of IFRS 17, and it allows for the presentation of comparative information on the financial Instruments at that date as they would have been presented under the classification and measurement criteria of IFRS 9.

On first-time application of IFRS 9 for financial instruments linked to the insurance activity of the Group's consolidated statements, the balances of "Assets under insurance and reinsurance contracts" on the asset side of the balance sheet recorded according to the accounting policies of classifications and measurement of IAS 39 have been reclassified to each of the headings provided for in IFRS 9. The balances corresponding to held-to-maturity assets of the insurance Group have been reclassified as "Fair value through other comprehensive income" and as "Financial assets at fair value through profit or loss".

The valuation adjustment resulting from this reclassification, as at 1 January 2022, has been recognised in equity at the date of initial application. The heading "Other comprehensive income" records the impact on the fair value valuation of the assets that were classified as held-to-maturity and that, under IFRS 9, are now classified as "Financial assets at fair value through other comprehensive income" at the date of initial application. On the other hand, reserves contains a record of the impact of the fair value measurement of the assets that were classified as held-to-maturity and that are now classified as "Financial assets at fair value through profit or loss" at the date of initial application.

In compliance with the requirements of IFRS 1, appendices IV and V (which form an integral part of this Note) include the information considered relevant to facilitate the comparison of the information presented in these consolidated financial statements, applying IFRS 17, and the financial statements for 2022 prepared under IFRS 4.

1.4. Critical aspects of valuation, estimating uncertainty and relevant decisions made when applying accounting policies

The preparation of the consolidated financial statements requires the use of relevant accounting estimates, the application of opinions, estimations and assumptions. Below is a summary providing details of those aspects that have involved a higher degree of opinion and complexity or for which the assumptions and estimates are significant in preparing these consolidated financial statements:

- Fair value of certain financial assets and liabilities (Note 6).
- Losses due to the impairment of certain financial assets and fair value of the associated guarantees (Note 5.2).
- Useful life of tangible and intangible assets (Notes 15 and 16).
- Recovery value of goodwill, the first consolidation differences and the remaining intangible assets (Note 16).
- Losses due to the impairment of non-current assets and disposal groups that were classified as held for sale (Note 18).
- The actuarial assumptions used in the calculation of liabilities for insurance contracts (Note 20) and also in the calculation of liabilities and post-employment commitments (Note 22).
- Valuation of the provisions for hedging labour, legal and tax contingencies (Note 21).
- Estimates to calculate corporation tax and deferred tax assets and liabilities (Note 45).
- The fair value of the identifiable assets acquired and the liabilities assumed in business combinations (Note 3.5).
- The methodology and assumptions used in the valuation of insurance contracts, including the determination of the adjustment for non-financial risk, discount rates and the investment component, among other things (see Note 2.20).

Although the estimates made by the Bank's directors at 31 December 2023 have been performed according to the best available information to date, events that may take place in the future may require these to be amended in the years to come. This amendment would be made prospectively, recognising the effects of the change in estimate in the corresponding consolidated profit and loss account.

1.5 Information related to the Russia-Ukraine military conflict

The 2023 financial year continues to be marked by the Russia-Ukraine war, which began in 2022, leading to the Government of Andorra approving a series of decrees to align itself with the sanctions proposed by the European Union, in which it established the restrictive measures to be applied and published annexes with the names of the persons, organisations or other legal entities subject to the restrictions, which are applied by the Group (see Note 48.3).

2. Accounting principles and policies, and valuation methods applied

In the preparation of the Creand Group's consolidated financial statements corresponding to the 2023 financial year, the following accounting principles and policies and valuation criteria were applied.

2.1. Financial instruments

2.1.1. Classification of financial assets

Financial assets are included for the purpose of valuation in any of the following categories:

- Financial assets at amortised cost.
- Financial assets at fair value through other comprehensive income.
- Financial assets mandatorily at fair value through profit or loss.
- Financial assets held for trading.
- Non-trading financial assets mandatorily at fair value through profit or loss.
- Financial assets designated at fair value through profit or loss.
- Derivatives - hedge accounting.

However, classification in the above categories is carried out on the basis of the following two elements:

- The Group's **business model** for financial asset management.

  The business model is defined as the way in which financial assets are managed in order to generate cash flows. The business model is determined considering how groups of financial assets are jointly managed in order to achieve a specific objective. The business model does not, therefore, depend on the Group's intentions for an individual instrument, but is determined for a set of instruments.

  In this regard, the different business models used by the Group are:

  - Holding assets to receive contractual cash flows (HTC - Held to Collect). Under this model, assets are managed in order to collect their contractual cash flows and not to obtain a return through their holding or sale. However, assets can be disposed of prior to maturity in certain circumstances, such as (1) sales considered as infrequent or insignificant; (2) sales of assets close to maturity; or (3) sales triggered by a significant increase in credit risk and those carried out to manage the concentration risk.

    Within the HTC portfolio, the Creand Group distinguishes two clearly distinct and independent business models:

    - Holding assets to receive contractual cash flows in the long term (HTC-LT, Held to Collect – Long Term). With the instruments classified under this business model, the Group manages its liquidity needs generated by long-term debt and its own funds. The instruments comprising this portfolio include fixed income securities—both public and private, domestic and foreign—approved by the ALCO at any given time in a manner consistent with this objective. This business model was discontinued in 2020 as a result of a portfolio sale in line with the Group's strategy for the following years to strengthen lending and the migration of customer positions to off-balance-sheet positions.

      However, during August 2022, in view of the new scenario characterised by (1) the new balance sheet structure achieved following the incorporation of Vall Banc's assets and liabilities (see Note 3.5.1); (2) the post-pandemic normality marked by COVID-19 coexistence policies that indicated it would no longer be necessary to continue with the exceptional levels of liquidity maintained during the previous two years; (3) the rising interest rates that would foreseeably require hedging for the future composition of the balance sheet structure (liabilities *versus* off-balance-sheet); and (4) the time elapsed since the sale of the HTC-LT portfolio (30 months), Crèdit Andorrà decided to reactivate the HTC-LT business model.

        - Holding assets to receive contractual cash flows in the short and mid-term (HTC-ST, Held to Collect – Short Term). With the instruments classified under this business model, the Group manages its liquidity needs generated by the liabilities not included in the HTC-LT portfolio. The instruments comprising this portfolio include fixed income securities—both public and private, domestic and foreign—approved by the ALCO at any given time in a manner consistent with this objective.

    According to the latest update to the business models, the following definitions apply:

        - Infrequent or immaterial sales are those that do not represent more than 10% of the carrying amount of the securities portfolio during the average life of the portfolio.

        - Sales of assets close to maturity such as those carried out within the last 6 months before the maturity of the security (usually with the aim of facilitating the reinvestment of the portfolio in the most beneficial way in terms of the market) or a period less than 10% of the remaining life of the security at the date of purchase.

        - Sales triggered by a significant increase in credit risk such as those that occur (1) after a de-rating of at least two steps has taken place since the acquisition date; and (2) where this de-rating leads or may be expected to lead in the short term to a breach of the investment guidelines in force within the Group.

        - Sales triggered by managing the concentration risk, such as those made with the aim of correcting a breach of the prudential limits defined at any given time by the applicable regulations or internally by the Group, as well as to avoid a foreseeable breach in the short term.

    - Holding assets to obtain a return through their sale (HTS, Held to Sell). Under this model, the Group does not seek investment in an asset to receive contractual cash flows, rather the objective is to take advantage of fluctuations in the market value of assets to realise them in order to obtain capital gains.

    - Combination of the two previous business models, i.e., holding assets to receive the contractual cash flows of the asset and to obtain a return through their sale (HTCS, Held to Collect and Sell). This business model involves the realisation of assets more frequently and with greater value.

    - The objective of this business model is, in addition to managing and ensuring optimal liquidity to meet structural and recurring payment commitments, the generation of capital gains through sales to complement the profit and loss account of the Group, not only in terms of the financial margin, but also the result of financial operations.

  In this regard, it is important to note that the Group’s principal model for holding and managing financial assets is HTC (held to collect), followed by HTCS (held to collect and sell) and, finally, HTS (held to sell, or trading).

- The characteristics of contractual cash flows from financial assets

  A financial asset should be classified upon initial recognition into one of the following categories:

    - Those with contractual terms giving rise on specified dates to cash flows that are solely of payments of principal and interest on the principal amount outstanding.

    - Other financial assets.

  For the purposes of this classification, the principal of a financial asset is its fair value at the time of its initial recognition. Interest is considered to be the sum of the consideration for the time value of money, for the financing and structural costs, as well as for the credit risk associated with the principal amount outstanding during a specific period, plus a margin.

  If a financial asset contains a contractual clause that may amend the schedule or the amount of contractual cash flows (such as early repayment clauses or extension of the duration), the Group determines whether the cash flows generated during the life of the instrument due to exercising this contractual clause are solely payments of principal and interest on the principal amount outstanding. To do this, contractual cash flows that may be generated before and after the amendment to the schedule or the amount of the contractual cash flows are considered.

  At the same time, should a financial asset take into account a periodic adjustment of the interest rate but the frequency of this adjustment does not coincide with the benchmark interest rate term (for example, the interest rate is adjusted every three months at the one-year rate), at the time of initial recognition, the Group evaluates this imbalance in the interest component to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The contractual conditions that at the time of the initial recognition have a minimal effect on the cash flows or depend on the occurrence of exceptional and very unlikely events (such as the liquidation of the issuer) do not prevent their classification in the portfolios at amortised cost or fair value through other comprehensive income.

The Group therefore classifies a financial asset, for the purposes of its valuation:

- In the portfolio of financial assets at amortised cost, when the following two conditions are met:
    - it is managed with a Held-to-Collect business model (HTC); and
    - the contractual conditions give rise to cash flows on specified dates, which are solely payments of principal and interest on the principal amount outstanding.
- In the portfolio of financial assets at fair value through other comprehensive income, when the following two conditions are met:
    - it is managed using a business model whose purpose combines the collection of contractual cash flows from financial assets and sales (HTCS); and
    - the contractual conditions give rise to cash flows on specified dates, which are solely payments of principal and interest on the principal amount outstanding.
- In the portfolio of financial assets at fair value through profit or loss: as long as the Group's business model for its management or the characteristics of its contractual cash flows do not qualify it for classification in one of the above portfolios.
- The portfolio of financial assets mandatorily at fair value through profit or loss includes all those instruments that meet any of the following characteristics:
    - they are acquired or incurred principally for the purpose of selling them in the short term;
    - they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
    - they are derivatives that do not meet the definition of a financial guarantee contract or a designated and effective hedging instrument.

An exception to the general valuation criteria described above are investments in equity instruments. In general, except for investments in collective investment institutions, the Group exercises the option, at initial recognition and irrevocably, to include in the portfolio of financial assets at fair value through other comprehensive income investments in equity instruments that are not classified as held for trading and which, if the option is not exercised, would be classified as financial assets mandatorily at fair value through profit or loss.

2.1.2. Classification of financial liabilities

For valuation purposes, the Group classifies financial liabilities as follows:

- Financial liabilities held for trading. This portfolio consists mainly of the financial liabilities acquired or issued with the intention of repurchasing them in the near term or that are part of a portfolio of financial instruments, identified and managed together, for which there is evidence of a recent pattern of short-term profit-taking. Held for trading financial assets also include short positions arising from the sale of assets acquired through non-optional resale agreements or borrowed securities. Finally, derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments are considered as financial liabilities held for trading.

- Financial liabilities designated at fair value through profit or loss. This includes, where applicable, financial liabilities designated by the Group on initial recognition, such as hybrid financial liabilities that are either measured entirely at fair value or with financial derivatives to reduce the exposure to changes in fair value, or are managed jointly with financial liabilities and derivatives to reduce the overall exposure to interest rate risk.

  In general, this category includes all those financial liabilities which, when classified, eliminate or significantly reduce recognition or measurement inconsistencies (accounting mismatch). Financial liabilities in this category must be subject, on an ongoing basis, to an integrated and consistent risk and performance measurement, management and control system to ensure that risk is effectively mitigated. Financial liabilities can only be included in this portfolio at the date of issue or origination.

- Financial liabilities at amortised cost. Financial liabilities that are not classified as held for trading or as other financial liabilities at fair value through profit or loss are recognised. The balances recognised in this category, irrespective of the form of instrumentation and maturity, arise from the ordinary borrowing activities of credit institutions.

2.1.3. Measurement of financial instruments

All financial instruments are initially recognised at their fair value, which, in the absence of evidence to the contrary, is the transaction cost.

Subsequently, at a specified date, the fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in a transaction between knowledgeable, willing parties in an arm’s length transaction. The most objective reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market. As such, the listed or market price is used.

If there is no market price, fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, in particular, the various types of risk associated with it.

Any changes in fair value of financial instruments, except for trading derivatives, due to the accrual of interest and similar items, are recognised in the profit and loss account of the year of the accrual. Dividends received from other companies are recognised in the profit and loss account of the year in which the right to receive the dividend is established.

Changes in fair value after initial recognition for reasons other than those indicated in the preceding paragraph are treated as described below based on the category of financial asset or financial liability:

- The financial instruments included under “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets at fair value through profit or loss”, “Financial liabilities held for trading” and “Financial liabilities at fair value through profit or loss” are initially measured at fair value and any changes are subsequently recognised with a balancing entry in profit or loss.
- The financial instruments included in “Financial assets at fair value through other comprehensive income” are initially measured at their fair value and subsequently any variations therein, net of their tax impact, are recorded with a balancing entry under “Accumulated other comprehensive income” in equity.
- Derivatives are recognised in the statement of financial position at their fair value. When derivatives are entered into, in the absence of evidence to the contrary, fair value is the transaction price. The derivative is recognised as an asset if the fair value is positive and a liability if it is negative. For derivatives classified in Levels 1 and 2 of the fair value hierarchy, if the price differs from the fair value when the derivative is entered into, the difference is recognised immediately in the profit and loss account.

  Subsequent changes to the fair value of derivatives are recorded in the profit and loss account, except in the case of cash flow hedge accounting derivatives, which are recorded under “Accumulated other comprehensive income” in equity.

  Derivatives embedded in financial liabilities may be accounted for separately as derivatives when their risks and characteristics are not closely related to those of the host instrument or contract, and provided a reliable fair value can be attributed to the embedded derivative taken separately. Derivatives embedded in financial assets cannot be recognised separately as derivatives and, therefore, the entire hybrid financial instrument, must be measured at fair value in the profit and loss account.
- The financial instruments included in the portfolio of “Financial assets at amortised cost” and “Financial liabilities at amortised cost” are valued at their amortised cost. Amortised cost is the acquisition cost plus or minus, as appropriate, the principal repayments and the part recognised in profit or loss, using the effective interest rate method, of the difference between the initial value and the maturity value. Furthermore, the amortised cost is reduced by any corrections for impairment experienced by the assets.

  The effective interest rate is the discount rate that exactly matches the initial value of a financial instrument with all its estimated cash flows of all kinds until maturity or cancellation. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate plus any commissions or transaction costs that form part of the financial return. To calculate the effective interest rate of floating rate financial instruments, the floating interest rate is used as a fixed rate until the next review of the benchmark interest rate.

2.2. Hedge accounting

In line with the provisions of point 6.1.3 of IFRS 9, the Group, for fair value hedges on interest rates of a portfolio of financial assets or liabilities, applies the hedge accounting requirements of IAS 39 instead of those in IFRS 9. Taking into account that the Group only uses fair value hedges on interest rate exposures, there are no differences in hedge accounting with the accounting policies established in IAS 39.

The Group uses financial derivatives as a management tool for financial risk. When such operations meet specific requirements, they are considered hedges.

When the Group designates an operation as a hedge, it does so from the moment the operation or instrument is included in that hedge, and the operation is documented according to current regulations. The hedge accounting documentation clearly identifies the hedged instrument or instruments or hedging instrument or instruments, as well as the nature of the risk to be hedged and the criteria and methods the Group follows to assesses the effectiveness of the hedge for its entire duration.

The Group considers hedge accounting operations to be those that are highly effective. Hedge accounting is considered highly effective if, during its planned duration, the variations arising in the fair value or cash flows attributed to the risk hedged in the hedging operation are almost entirely offset by the variations in the fair value or cash flows, as the case may be, of the hedging instrument(s).

To measure the effectiveness of hedge accounting operations, it is analysed whether, from inception to the end of the defined hedge term, changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk can be expected prospectively to be almost entirely offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument or instruments, and that, retrospectively, the results of the hedge have fallen within a range of 80% to 125% of the hedged item's outcome.

The valuation methods used for estimating the fair value of hedged and hedging instruments are in line with best market practice and both retrospective and prospective measures of effectiveness comply with the regulatory framework:

- The effectiveness of the hedge is within the range of 80%-125%.

  The formula used for the retrospective measurement of the hedge is as follows:

$$80\% \geq \frac{(PV\ variation\ +\ realised\ in\ the\ month)\ of\ the\ hedging\ items}{PV\ variation\ +\ realised\ in\ the\ month)\ of\ the\ hedged\ items} \leq 125\%$$

PV: present value or fair value is the current valuation of future operation flows
Realised: operation cash flows already settled.

- The valuation is conducted at least each time the entity prepares its annual financial statements.

As mentioned, the accounting hedges conducted by the Group are all fair value hedges, which hedge the exposure to the change in the fair value of financial assets and financial liabilities or firm commitments not yet recognised, or an identified portion of such assets, liabilities or firm commitments, attributable to the interest rate risk and provided that they affect profit or loss.

Furthermore, the Group hedges interest rate risk of a certain amount of assets sensitive to the interest rate, forming part of the set of instruments in the customer loans and advances portfolio but not identified as specific instruments. These hedges, known as macro-hedges, are also of fair value.

In fair value hedges, differences in the value of both the hedging items and the hedged items, in respect of the portion corresponding to the type of risk hedged, are recognised in the profit and loss account. In fair value macro-hedging, the valuation differences of hedged items, attributable to interest rate risk, are directly recorded in profit and loss, but their balancing entry, instead of being recorded in the sections in which hedged items are recorded, are recorded under "Asset - Changes in fair value of hedged items of a portfolio with interest-rate risk hedging" or "Liability – Changes in fair value of hedged items of a portfolio with interest-rate risk hedging", depending on the nature of the hedged item.

When hedge accounting derivatives no longer meet the eligibility requirements, they are reclassified as trading derivatives. As fair value hedges, previously recognised adjustments to the hedged item are taken to the profit and loss account using the effective interest rate method at the date of discontinuation of the hedge.

The Group individually hedges the market risk associated with derivatives arranged with customers by arranging symmetrical derivatives on the market, recognising both in the trading book. In this way, the market risk arising from these operations is not significant.

2.3. Reclassification of financial instruments

As required by IFRS 9, assets shall be reclassified if the business model objective for a group of financial assets changes significantly, although the standard establishes that this should rarely take place. It is assumed that the business model for an asset or class of financial assets changes when the entity's strategy for this assets or asset class changes. In this regard, it is assumed that, once a financial asset is reclassified because the business model for this asset has changed, the business model adopted by the entity for the asset will not change again until after a period of at least 18 months.

On 1 October 2022, Banco Alcalá, SA recorded a change in the business model of a portfolio of European Union sovereign bonds that it had previously recognised as “Financial assets at fair value through other comprehensive income”, with reclassification from that date to “Financial assets at amortised cost”, as from that date onwards they formed part of an HTC business model. At the reclassification date, the portfolio had a gross cost of EUR 33,982 thousand and a fair value of EUR 29,748 thousand.

This change in the business model was carried out in compliance with the requirements set down in paragraph 4.4.1. et seq. of IFRS 9 “Financial Instruments”, requiring changes to be determined by the entity’s senior management as a result of external or internal changes and must be significant to the entity’s operations and demonstrable to external parties.

Accordingly, the change in business model has occurred in the context of the business combination of GBS Finanzas Investcapital AV, SA, which involved the acquisition of a new line of business relevant to the activities of Banco Alcalá SA. and its group, and after having been approved by its Board of Directors on 28 September 2022.

In accordance with paragraph 5.6.5 of IFRS 9, the cumulative loss previously recognised in other comprehensive income was removed from equity and adjusted against the fair value of the financial assets at the reclassification date (EUR 4,234 thousand gross, equivalent to EUR 2,964 thousand net of tax). As a result, the assets have been measured at the reclassification date as if they had always been measured at amortised cost. If the aforementioned portfolio of financial assets had not been reclassified, the amount of the accumulated losses that would have been recognised under “Accumulated other comprehensive income” in equity of the Group’s consolidated statement of financial position as at 31 December 2023 would be EUR 1,631 thousand net – EUR 2,331 thousand gross (as at 31 December 2022, these figures were EUR 2,936 thousand net – EUR 4,195 thousand gross).

The standard does not allow for the reclassification of financial liabilities.

2.4. Asset Encumbrance

See Note 5.3.2.

2.5. Offsetting financial assets and liabilities

Financial assets and liabilities will be offset and, as a result, presented in the statement of financial position with their net value only if there is the legally enforceable right to offset the amounts of these instruments, as well as the intention to settle the net amount, or to realise the asset and pay the liability simultaneously, considering the following:

- The legally enforceable right to offset the recognised amounts should not be contingent on a future event and must be legally enforceable under all circumstances, including cases of default or insolvency of any of the parties.
- Settlements that meet the following conditions will be considered equivalent to “net settlements”: all or practically all of the credit and liquidity risk is eliminated, and the settlement of the asset and liability is performed in a single settlement process.

At 31 December 2023 and 2022, the Group does not report any transactions presented for the net amount.

2.6. Derecognition of financial instruments

A financial asset is fully or partially derecognised in the statement of financial position when the contractual rights to the cash flows of the financial asset expire or they are transferred to a third party outside the Group.

The accounting treatment to be applied to the transfer of assets is determined by the degree and manner in which the risks and rewards associated with ownership of the assets are transferred.

Therefore:

- If the risks and rewards inherent to the ownership of the financial asset are substantially transferred to third parties (such as in the case of unconditional sales, sales with a repurchase agreement at fair value on the repurchase date, the sale of financial assets with a put or call option that is deep out of the money, or asset securitisation where the transferring party does not retain a subordinated debt or grant any credit enhancement to the new holders, among others), the asset is derecognised in the statement of financial position, and any rights or obligations retained or created in the transfer are simultaneously recognised.
- If the risks and rewards of ownership of the transferred financial asset are substantially retained (such as in the case of sale of financial assets with a repurchase agreement at a fixed price or at the sale price plus the lender's normal return, securities lending agreement under which the borrower undertakes to return the same or similar assets, and other similar cases), the asset is not derecognised and continues to be measured by the same criteria used prior to the transfer. The following are also recognised:
    - An associated financial liability for an amount equal to the consideration received, which is subsequently measured at amortised cost, unless it is eligible for classification under other liabilities at fair value through profit or loss.
    - The income generated on the financial asset transferred but not derecognised and the expenses of the new financial liability, without offsetting.
- If the risks and rewards of ownership of the transferred financial asset are neither substantially transferred nor retained (such as in the case of sale of a financial asset with a put or call option that is neither deep in the money nor deep out of the money, asset securitisations in which the transferor assumes a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases), the following distinction is made:
    - If the transferor does not retain control over the financial asset transferred, it is derecognised and any rights or obligations retained or created in the transfer are recognised.
    - If the transferor retains control over the financial asset transferred, it continues to recognise the asset for an amount equal to its exposure to changes in value, recognising a liability associated with the financial asset transferred. The net amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

At 31 December 2023 and 2022, the Group has no securitisations of financial assets outstanding.

Furthermore, financial liabilities shall be derecognised when the obligations under the contract have been paid or cancelled, or when they expire.

2.7. Financial guarantees

2.7.1 Financial guarantees given

Financial guarantees are contracts that demand specific payments to reimburse the creditor for incurred debt when a certain debtor breaches its payment obligations according to contractual conditions, regardless of the manner in which the obligation is instrumented, be it a security (including bonds for participation in auctions and tenders), financial and technical guarantees, irrevocable formalised guarantee promises, insurance contracts or credit derivatives.

Financial guarantees are any kind of deposit that directly or indirectly guarantee debt securities such as loans, credits, financial leasing operations and deferred payment of any kind of debt.

When financial guarantees and guarantee contracts are formalised, they are recognised at fair value plus transaction costs, understood as the premium received plus the present value of future cash flows, in assets under “Financial assets at amortised cost – Loans and advances”, with a balancing entry under “Financial liabilities at amortised cost – Other financial liabilities”. The fair value changes of contracts are recorded as financial income in profit or loss.

The portfolios of financial guarantees and guarantee contracts, regardless of the holder, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, estimate any provision required. In this process, similar criteria to those established to quantify the impairment losses on debt securities measured at amortised cost are applied, as mentioned in Note 5.2.1.1.

The provisions constituted by these arrangements are recorded under “Provisions – Commitments and guarantees given” in liabilities in the statement of financial position. Allowances and reversals of provisions are recognised in “Provisions or reversal of provisions” in the profit and loss account.

Should it become necessary to establish a specific provision for financial guarantee contracts, any fees that may accrue will be reclassified from “Financial liabilities at amortised cost – Other financial liabilities” to “Provisions – Commitments and guarantees given”.

2.7.2 Financial guarantees received

The Group has not received significant guarantees that it is authorised to sell or pledge without default by the holder of the guarantee.

2.8. Financial asset impairment

A financial asset is impaired when there is objective evidence of a negative impact on the future cash flows that were estimated at the time the transaction was formalised, because the borrower is or will be unable to meet its contractual commitments in time and form or when the carrying amount may not be recovered in full. A decrease in fair value below the acquisition cost does not in itself constitute evidence of impairment.

The objective of the requirements of IFRS 9 on impairment is to recognise the expected credit losses of operations, evaluated on a collective or individual basis, considering all the reasonable and substantiated information available, including forward-looking information.

In general, the correction of the book value of financial instruments due to their impairment is charged to “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses by modification” in the profit and loss account for the period in which the impairment becomes evident. The recoveries, if any, of previously recognised impairment losses are recognised under the same item in the profit and loss account for the period in which the impairment is eliminated or reduced.

2.8.1. Debt instruments measured at amortised cost

2.8.1.1. Classification based on insolvency risk

According to the insolvency risk attributable to the customer or operation, they are classified into one of the following categories:

- **Normal risk (Stage 1)**: includes all operations that do not meet the requirements to be classified in other categories.
- **Normal risk with a significant increase in credit risk (Stage 2)**: includes all operations that, while not qualifying for individual classification as non-performing or write-off, show significant increase in credit risk from the initial recognition.

  The classification of operations as normal risk with a significant increase in risk is made for the amount of the risk as a whole. For the assessment of the significant increase in credit risk, credit risk analysis is considered to be a multifactorial and comprehensive analysis. The Group shall consider the reasonable and substantiated information available without undue effort or disproportionate cost and that is relevant to the particular financial instrument being evaluated.

  In order to determine the significant increase in credit risk of the operations since their initial recognition, the Group has defined a threshold based on the negative variation in the borrower's internal rating equivalent to a drop of two rating levels since the initial recognition of the operation, provided that this decrease has led the borrower to a rating level equal to or lower than 6 (as this would show that the conditions originally agreed would be significantly different if the operation were to be initiated or issued again at the reference date). In this regard, the following are the main factors (watchlist factors) that are considered when assessing the rating and that, therefore, are taken into account when classifying an operation as normal risk with a significant increase in credit risk:

    - adverse changes in the financial position, such as a significant increase in debt levels, as well as significant increases in debt service ratios, defined as the ratio of debt to operating cash flows;
    - significant declines in business volume or, in general, recurring cash flows;

- significant reduction in operating margins or recurring income available;
- slowdown of business or unfavourable trends in the holder's operations that could cause a significant change in the holder's ability to meet their debt obligations sustainably;
- for operations with collateral, a significant deterioration in the ratio of the amount to the value of the guarantee, due to the unfavourable evolution of the value of the guarantee, or to the maintenance or increase of the amount pending depreciation due to the fixed payment terms (such as extended moratoria on principal payments, increasing or flexible instalments, or longer terms);
- significant increases in the credit risk of the holder's other operations or significant changes in the holder's expected payment behaviour;
- significant increase in credit risk due to problems in troubled groups to which the holder belongs or a significant adverse change in the performance of the sector of economic activity to which the holder belongs, as well as an increase in difficulty for the economic group of related borrowers to which the holder belongs;
- adverse changes in the regulatory or technology environments in which the holder operates;
- pending litigation of the holder that could materially affect its financial position;
- holders declared insolvent (when classification as non-performing for reasons other than arrears is not appropriate).

In the absence of evidence to the contrary, the following are classified as normal risk with a significant increase in credit risk:

- operations with amounts more than 30 days past due;
- operations with amounts more than 30 days past due on three occasions in the same financial year (the classification will be maintained for no less than 3 months from the day on which the third non-payment of over 30 days occurred);
- operations with contractual payment flows with a frequency greater than monthly when there are amounts more than 10 days past due (the classification will be maintained at least until the unpaid and subsequent instalments are collected);
- non-performing assets due to arrears that no longer have amounts past due for a period of more than 90 days (the classification as normal risk with significant increase in credit risk will be maintained for no less than 3 months, and provided that there is no objective evidence of impairment).

Refinancing, refinanced or restructured operations are classified within the category of normal risk with a significant increase in credit risk (1) when they are not classified as non-performing at the date of refinancing or restructuring, or (2) when they have been reclassified from non-performing due to fulfilling the specific criteria for reclassification. These operations will continue to be classified as normal risk with a significant increase in risk until all of the following requirements are met:

- after a thorough review of the holder's asset and financial position, it has been concluded that they are unlikely to have financial difficulties and, therefore, it is highly probable that they will meet their obligations vis-a-vis the entity in both time and form;
- a minimum period of 2 years has elapsed since the date of formalisation of the restructuring or refinancing operation or since the date of reclassification from the category of non-performing, whichever is later;
- the holder has paid the principal and interest fees accrued from the date on which the restructuring or refinancing operation was formalised or from the date of reclassification from the category of non-performing, whichever is later. The following will also be required:
    - the holder has satisfied, by means of regular payments, an amount equivalent to the whole amount (principal and interest) falling due at the date of the restructuring or refinancing operation, or which was derecognised as a result of this operation;
    - or, when deemed more appropriate given the characteristics of the operations, other objective criteria have been verified demonstrating the holder’s payment capacity. If there are contractual clauses that delay repayment, such as moratoria on the principal, the operation will remain classified as normal risk with a significant increase in credit risk until the criteria described in this section are met;

- the owner has no other operations with amounts more than 30 days past due at the end of the trial period.

During the 2-year period, further refinancing or restructuring of the refinancing, refinanced or restructured operations, or the existence of amounts that are more than 30 days past due in these operations, will mean that the operations are reclassified as non-performing for reasons other than arrears, provided that they were classified as non-performing before the start of the trial period.

In general terms, without prejudice to the criteria identified above, Stage 2 operations are reclassified as normal risk as soon as the indications and/or weaknesses identified that warranted the special watchlist classification disappear. Conversely, if these indications and/or weaknesses are confirmed, the operations become classified as non-performing.

The impact of the COVID-19 pandemic on the credit quality of the portfolio did not entail any additional criteria for significant increase in credit risk besides the considerations explained in Note 5.2.1.5.

- **Non-performing (Stage 3)**: includes debt instruments, whether or not past due, which, without meeting the circumstances for classification as write-off, present reasonable doubts regarding their full repayment (principal and interest) by the holder in accordance with the contractual terms agreed, as well as off-balance sheet exposures for which payment is doubtful.

The classification of operations as non-performing is made for the amount of the risk as a whole. The analysis of an operation to determine whether it is appropriate to classify it as non-performing is carried out without considering the guarantees associated with these operations.

Due to customer arrears: includes the total amount of debt instruments, regardless of the holder or the guarantee, that have amounts due on principal, interest or any other cost contractually agreed upon, more than 90 days past due, unless they are classified as write-offs. This category also includes guarantees given where the guarantee holder has defaulted.

All operations of a holder or group of holders are also classified as non-performing due to arrears when operations with amounts more than 90 days past due account for more than 20% of the outstanding amounts of all operations of a holder or group of holders. For the sole purpose of determining the aforementioned percentage, the numerator shall be the gross carrying amount of non-performing operations due to arrears with past-due amounts and the denominator shall be the gross carrying amount of all debt instruments granted to the holder.

For overdrafts and other demand debit balances with no agreed maturity, the period for calculating the time for which the amounts are past due shall be counted from the starting date of the debit balance.

For transactions with periodic repayment instalments, the date of first maturity for the purposes of classifying transactions in this category shall be the date of the earliest instalment for which any amount of principal, interest or contractually agreed charges remains overdue.

For operations refinanced or restructured in order to avoid classification as non-performing due to arrears or to remain in the non-performing category, the date of the earliest past due amount that has been refinanced or restructured and remains outstanding, whether or not the refinanced or restructured operations have past due amounts, shall be considered as the date for the calculation of their time past-due, for the purpose of determining whether classification as non-performing is appropriate. For these purposes, overdue amounts are considered to be those amounts that were past due at the date of refinancing and the due date is considered to be the date on which they would have been due had refinancing not taken place.

Unless other reasons for classification as non-performing persist, operations classified in this category are reclassified as normal with a significant increase in credit risk if, as a result of the collection of part of the overdue amounts, the reasons for the classification as non-performing as indicated in the previous paragraphs disappear and the holder has no amounts more than 90 days past due in other operations at the date of reclassification to the normal risk category. In this regard, non-performing assets due to arrears that are no longer 90 days past due are kept in the category of normal with a significant increase in risk for a period of no less than 3 months.

For reasons other than customer arrears: includes debt instruments, whether or not overdue, which, without the circumstances for classification as write-offs or non-performing due to customer arrears, present reasonable doubts as to their full repayment (principal and interest) within the contractually agreed terms, as well as off-balance-sheet exposures not classified as non-performing due to holder arrears, for which default is likely and the recovery doubtful.

An operation is included in this category when an event or several combined events have occurred with a negative impact on the estimated future cash flows from the operation. The following indicators are considered, among others, to determine that the event or events described have taken place:

- negative equity or decrease as a consequence of losses of the holder's equity amounting to at least 50% during the last financial year;
- continued losses or a significant decrease in the holder's business volume or recurring cash flows in general;
- widespread late payments or insufficient cash flows to deal with debts;
- the holder's significantly inadequate economic or financial structure or inability to obtain additional financing;
- existence of internal or external credit rating that shows that the holder is in default; and
- the existence of overdue commitments on the part of the holder of a significant amount in relation to public bodies or employees.

Thus, in general terms, this category includes the operations of holders that, following an individualised review, are found to be in situations that entail an impairment of their solvency.

In addition to the operations classified in this category following an individualised review, operations that meet any of the following criteria shall be classified as non-performing for reasons other than arrears:

- operations with legally claimed balances or in respect of which the Group has decided to pursue legal claims for repayment, even if they are secured, as well as operations in respect of which the debtor is involved in litigation, the collection of which depends on the resolution of said litigation;
- operations in which the collateral execution process has been initiated, including financial leasing operations in which the entity has decided to terminate the contract to recover possession of the asset;
- operations of holders that are or will be declared bankrupt without an application for liquidation;
- guarantees granted to parties declared bankrupt for which it is known that the liquidation phase has been or is to be declared, or that are suffering a manifest and irrecoverable deterioration in solvency, even if the beneficiary of the guarantee has not claimed payment;
- refinancing operations which, having been classified as non-performing and being classified as normal with a significant increase in credit risk during the trial period, are refinanced or restructured again or become past due by more than 30 days.

Operations that have moratoria on principal and interest are classified as non-performing, unless the total recovery of contractual cash flows can be justified, in which case the Group classifies them as normal with a significant increase in credit risk or normal, depending on the characteristics of the operation.

The impact of the COVID-19 pandemic on the credit quality of the portfolio has not entailed any additional criteria for classification as non-performing besides the considerations explained in Note 5.2.1.5.

In the absence of evidence to the contrary, refinancing, refinanced or restructured operations that comply with any of the following criteria are reclassified to the non-performing category:

- they are based on an inadequate payment plan. Among other assumptions, an adequate payment plan is considered not to exist when it has been repeatedly defaulted on, has been modified to avoid defaults or is based on expectations that are not confirmed by macroeconomic forecasts;
- they include contractual clauses that delay the repayment of the operation through regular payments. Among others, moratoria of more than 2 years for amortisation of the principal will be considered as such clauses;
- they present amounts derecognised from the statement of financial position considered unrecoverable that exceed the hedges that would result from applying the percentages established for the risk segment corresponding to alternative solutions for normal risk with a significant increase in credit risk.

The refinancing or restructuring of an operation that was previously classified as non-performing:

- will not result in reclassification to the category of normal risk with a significant increase in credit risk or normal. In order to consider that the credit quality of the operation has improved, the holder must consistently demonstrate for a period of time its capacity to meet payments under the new contractual conditions;

- will require an analysis to determine if the whole financial asset will need to be derecognised from the statement of financial position in line with the policies established to that effect. When derecognition occurs, the new recognised financial asset will be a financial asset acquired or originated with credit impairment; when the existing asset is not derecognised, the Group will continue to classify it as non-performing, proceeding, if appropriate, to partially derecognise the asset for which it no longer has rights or the written-off amounts.

In order to reclassify a refinanced or restructured operation as normal with a significant increase in credit risk, it will be necessary to verify all the criteria that generally determine the classification of operations in this category and the specific criteria set out below:

- it has been concluded, following an exhaustive review of the holder's assets and financial situation, that the holder is not likely to get into financial difficulties;
- a period of one year has elapsed since the date of refinancing or restructuring;
- the holder has paid the overdue instalments of principal and interest, and the renegotiated principal has been reduced, from the date on which the restructuring or refinancing operation was formalised or, if later, from the date on which the operation was reclassified as non-performing. Consequently, the operation may not have overdue amounts. The following will also be required:
  - that the holder has satisfied, by means of regular payments, an amount equivalent to all the amounts, principal and interest falling due at the date of the restructuring or refinancing operation, or which were derecognised as a result of the restructuring;
  - or, when it is more appropriate, based on the characteristics of the operations, that other objective criteria have been verified demonstrating the holder's ability to pay.

    Therefore, if there are contractual clauses that delay repayment, such as moratoria on the principal, the operation will remain classified as non-performing until the criteria described in this point are met.
  - that the holder has no other operation with amounts more than 90 days past due on the date of reclassification to the category of normal risk with a significant increase in credit risk of the refinancing, refinanced or restructured operation.

When the holder exercises the use of implicit restructuring or refinancing clauses, the entity will have to analyse the reasons for which the holder has exercised these clauses and determine whether the operation should be classified as non-performing.

The risks of holders declared bankrupt without an application for liquidation are reclassified to the category of normal risk with a significant increase in credit risk when the borrower has paid at least 25% of the entity's claims affected by the bankruptcy (after deducting, where applicable, the agreed write-off), or two years have elapsed since the approval of the creditors' agreement, provided that this agreement is being faithfully complied with and that the evolution of the company's assets and financial position eliminates any doubt as to the full repayment of the debts, unless interest rates notably below market rates have been agreed.

The risks that may arise following approval of the creditors' agreement will not need to be classified as non-performing provided that the agreement is complied with and there are no reasonable doubts as to collection.

Unless there are other reasons to classify them as non-performing, operations classified in this category may be reclassified as performing if the reasonable doubts as to their full repayment within the contractually agreed terms disappear and if the holder has no more amounts over 90 days past due in other operations at the date of reclassification to the category of normal risk.

- **Write-off risk:** this category includes debt instruments, whether or not overdue, which, after being individually analysed, are considered to have remote recovery possibilities and the assets are derecognised, notwithstanding the actions that the Group may undertake in order to try to collect them until their rights have been definitively extinguished, expiry of the statute-of-limitations period, forgiveness or any other cause.

2.8.1.2. Risk hedging

The Group calculates the amount necessary to hedge the risk attributable to the holder provided that this risk has not been transferred to write-off. The calculated hedge or provision is defined as the difference between the operation’s gross carrying amount and the present value of the estimated cash flow expected to be collected, discounted at the effective interest rate of the operation. In this regard,

- for the purpose of hedge estimation, the amount of risk is the gross carrying amount for debt instruments, and the estimate of the amounts expected to be paid out for off-balance-sheet exposures;
- the calculation of the present value of the estimated future cash flows of a financial asset with effective guarantees shall reflect the cash flows that could result from the realisation of those guarantees, less the costs of obtaining and selling the guarantee, whether realisation of the guarantee is probable or not.

In line with applicable regulations, the coverage calculation method is set according to whether the borrower is individually significant (single name) and its accounting classification. For single name borrowers (see the cases identified in the following paragraph), the specific hedge of operations is estimated on an individual basis, and the rest are treated collectively.

Based on the credit risk management and monitoring criteria, for the financial year 2023 and 2022, the Group considers individually significant / relevant (single name) borrowers to be those that meet any of the following conditions:

- Borrowers in situations other than non-performing and a total exposure exceeding 5% of the Group's own funds.
- Borrowers in non-performing situations with a total exposure exceeding EUR 3 million.

Although not required by IFRS 9, it should be noted that Crèdit Andorrà also applies a quantitative threshold to operations without objective evidence of impairment (not non-performing) with regard to being eligible for analysis using individualised expert models. This decision is based on the fact that, due to their size, it would be difficult for these operations to be considered consistent with the others and they therefore do not meet the condition of homogeneity that is the basis for conducting collective analysis of a segment.

Additionally, it should be noted that the Credit Risk Unit has the power to decide that an operation or group of operations should be included in the pool for individual analysis, even if *a priori* the guidelines set by the Group are met in order to be eligible for the collective calculation. This is due to the fact that the Credit Risk Unit has the necessary information to determine whether a borrower or an operation has specific characteristics that make its behaviour, in terms of credit risk monitoring and recovery, not consistent with the other members of the segment to which it belongs (internal rating or product).

For further information on methods and models for hedge calculations, see Note 5.2.

2.8.2. Debt securities classified as financial assets at fair value through other comprehensive income

The market value of listed debt instruments is considered a fair estimate of the present value of their future cash flows.

When there is objective evidence that the negative differences arising in the measurement of these assets are due to impairment, they are no longer presented in equity under "Other comprehensive income – Items subject to reclassification to profit or loss – Fair value changes of financial assets measured at fair value through other comprehensive income", and the amount considered as accumulated impairment up to that point is recognised in the profit and loss account. In the event of subsequent recovery of all or part of the impairment losses, this amount is recognised in the profit and loss account for the period in which the recovery arose.

2.8.3. Equity instruments classified as financial assets at fair value through other comprehensive income

When there is objective evidence of impairment, such as a 40% decrease in fair value or continued losses over a period of more than 18 months, unrealised losses are recognised following the criteria for recording impairment losses applied to debt securities classified as financial assets at fair value through other comprehensive income, with the exception that any recoveries arising from said losses are recognised under equity in "Accumulated other comprehensive income – Items not subject to reclassification to profit or loss – Fair value changes of equity instruments measured at fair value through other comprehensive income".

In determining whether impairment exists, the Group takes into account whether there are factors in the technological, market, legal or other context in which the entity operates that may indicate that the cost of the investment may not be recoverable. In addition, the volatility shown by each individual security in its price is also taken into account to determine whether it is a percentage recoverable through sale on the market. These considerations may lead to the existence of different thresholds for certain securities or sectors from those mentioned in the previous paragraph.

2.8.4. Equity instruments measured at acquisition cost

Impairment losses of equity instruments measured at acquisition cost are equivalent to the positive difference between their carrying amount and the present value of the expected future cash flows, discounted at the market rate of return for similar securities. In estimating the impairment of this class of assets, the equity of the subsidiary is taken into consideration, except for "Accumulated other comprehensive income" due to cash flow hedges, determined on the basis of the latest approved statement of financial position, adjusted for unrealised gains existing at the measurement date.

Impairment losses are recognised in the profit and loss account for the period in which they occur, and directly reduce the cost of the instrument.

2.9. Foreign currency transactions

The Group's functional and presentation currency is the euro. Consequently, all non-euro balances and transactions are foreign currency balances and transactions.

Functional currency is understood as the currency of the main financial environment in which the Group operates. The presentation currency is that in which the Group draws up its financial statements.

All foreign currency transactions are recorded, on initial recognition, by applying the spot exchange rate between the functional currency and the foreign currency.

Foreign currency monetary items, including unmatured foreign exchange purchase and sale transactions considered as hedges, are translated to euros using the exchange rate on the date they occurred or, otherwise, by using the average exchange rate for the period. Non-monetary items measured at historical cost are translated to euros using the exchange rate on the date of acquisition, and non-monetary items measured at fair value are translated at the exchange rate on the date fair value was determined.

Unmatured forward foreign exchange transactions not considered hedges are measured at the year-end exchange rates on the forward currency market.

Below are the year-end exchange rates.

	31/12/2023	31/12/2022
US dollar	1.1050	1.0666
Swiss franc	0.9260	0.9847
Pound sterling	0.8691	0.8869
Japanese yen	156.33	140.66
Canadian dollar	1.4640	1.444

The exchange rate differences arising when translating balances from foreign currency to the Group's functional currency are recorded, as a general rule, in the profit and loss account under "Exchange rate differences (gain or loss), net". The exchange rate differences arising from changes in the value of non-monetary items are recorded in equity under "Accumulated other comprehensive income – Items subject to reclassification to profit or loss – Foreign currency translation" in the statement of financial position until they are realised, while exchange rate differences in financial instruments at fair value through profit or loss are recorded in the profit and loss account, without distinguishing them from other changes in their fair value.

The following criteria are applied for the integration of the individual financial statements of foreign subsidiaries with a functional currency other than the euro into the Group's financial statements:

- The foreign subsidiaries' financial statements are converted into the Group's presentation currency. The conversion is performed by applying the exchange rate used to convert balances into foreign currency, except for income and expenses, which are converted using the average exchange rate for the period.
- The resulting exchange rate difference is recorded in equity under "Accumulated other comprehensive income – Items subject to reclassification to profit or loss – Foreign currency translation" in the statement of financial position, until derecognition of the item to which it corresponds, at which time it will be reclassified in the profit and loss account.

2.10. Recognition of income and expenses

The most significant criteria employed by the Group when recognising income and expenses are shown below.

2.10.1. Income and expenses from financial assets and liabilities

Income and expenses from financial instruments at amortised cost are recognised under the following criteria:

- Accrued interest is recorded in the profit and loss account using the effective interest rate of the operation on the gross carrying amount of the operation (except in the case of non-performing assets, in which case it is applied to the net book value).
- The remaining value changes will be recognised as income or expense when the financial instrument is derecognised, when it is reclassified, and, in the case of financial assets, when there are impairment losses or gains due to subsequent recovery.

Income and expenses of financial instruments at fair value through profit or loss are recognised in accordance with the following criteria:

- Fair value changes are recorded directly in the profit and loss account. For non-derivative instruments, a distinction is made between the portion attributable to the accrued earnings of the instrument, which will be recorded as interest or dividends depending on their nature, and the remaining portion, which will be recorded as profit or loss of financial operations in the corresponding item.

By way of exception, the Group recognises changes in value of a financial liability designated at fair value through profit or loss, if applicable, as follows:

- the amount of the change in the fair value of the financial liability attributable to changes in the credit risk inherent in this liability is recognised in other comprehensive income, which would be transferred directly to a reserve item if this financial liability was derecognised; and
- the remaining amount of the change in fair value of the liability is recognised in profit or loss for the year.

The income and expenses of financial assets at fair value through other comprehensive income are recognised in accordance with the following criteria:

- The accrued interest or, where applicable, the accrued dividends will be recognised in the profit and loss account. Interest is treated in the same way as assets at amortised cost.
- Exchange rate differences are recognised in the profit and loss account when it concerns monetary financial assets, and in other comprehensive income in the case of non-monetary financial assets.
- In the case of debt instruments, impairment losses or gains due to subsequent recovery are recognised in the profit and loss account.
- The remaining value changes are recognised in other comprehensive income.

Therefore, when a debt instrument is measured at fair value through other comprehensive income, the amounts that will be recognised in profit or loss for the year will be the same as those that would be recognised if it were measured at amortised cost.

When a debt instrument at fair value through other comprehensive income is derecognised from the statement of financial position, the accumulated loss or gain in net equity is reclassified to profit or loss.

On the other hand, when an equity instrument at fair value through other comprehensive income is derecognised from the statement of financial position, the amount of the loss or gain recorded in accumulated other comprehensive income is not reclassified to the profit and loss account, but rather to a reserve item.

Dividends received from other companies are recognised as income the moment the right to receive them arises, which is the official announcement of dividend payment by the company's appropriate body.

2.10.2. Fees and commissions

The recording of fee and commission income and expenses in the profit and loss account differs according to their nature.

- Financial fees, such as loan and credit fees, form part of the overall performance or effective cost of a financial transaction and are recognised under the same item as financial products or costs, i.e., “Interest income” and “Interest expenses”. Commissions collected in advance are recorded during the life of the operation, unless the related direct costs are offset.
- For financial instruments measured at fair value through profit or loss, the commission amount is recorded immediately in the profit and loss account.
- Non-financial fees and commissions derived from the provision of services are recorded under “Fee and commission income” and “Fee and commission expense” throughout the service provision period, except for those relating to a single act, which are accrued when they occur.

2.10.3. Non-financial income and expense

Recognised for accounting purposes with the criterion for accrual.

2.10.4. Deferred collections and payments

Recognised for accounting purposes for the amount resulting from financially updating the expected cash flows to market rates.

2.11. Investment funds, pension funds and other assets under management

Investment funds and pension funds managed by the consolidated companies are not recorded in the Group’s consolidated statement of financial position as their assets are owned by third parties. The fees accrued during the financial year for this activity are recorded under “Fee and commission income” in the profit and loss account.

The consolidated statement of financial position does not record other assets managed/advised by the consolidated companies that are owned by third parties and for which a management/advisory fee is received.

2.12. Employee benefits

This records all types of compensation awarded in exchange for services provided by Group employees or for severance payments. They can be classified into four categories:

- Short-term employee benefits.
- Post-employment benefits.
- Other long-term employee benefits.
- Severance payments.

2.12.1. Short-term employee benefits

These are employee benefits (other than severance payments) which fall due wholly within twelve months after the end of the reporting period arising from services rendered by employees in this period. It includes wages, salaries and social security contributions; paid annual leave and paid sick leave; profit-sharing and bonuses; and non-monetary incentives and benefits payable to employees such as medical care and free or partially subsidised goods or services.

The cost of services rendered is recognised under “Administrative expenses – Staff expenses” in the profit and loss account.

2.12.2. Post-employment benefits

Post-employment benefits are all benefits which the Group has assumed with its employees and which will be settled after the end of their employment with the Group. These include retirement benefits, such as pensions and lump payments on retirement, and other post-employment benefits, such as post-employment life insurance and post-employment medical care.

2.12.2.1. Defined contribution plans

The Group's post-employment obligations to its employees are considered defined contribution obligations when fixed contributions are paid into a separate entity, with no legal or constructive obligation to pay further contributions if the separate entity is unable to pay employee benefits related to services rendered in the current and prior periods. The contributions made under this item in each financial year are recorded under “Administrative expenses – Staff expenses” in the profit and loss account.

Post-employment obligations that do not meet the conditions above are considered defined benefit obligations.

2.12.2.2. Defined benefit plans

The present value of the defined post-employment benefits is recorded under liabilities in “Provisions – Pensions and other defined post-employment benefit obligations” of the statement of financial position, net of the fair value of plan assets (see Notes 22 and 22.1).

Plan assets are considered to be those assets out of which the plan’s obligations are to be settled directly and which meet the following conditions:

- They are not owned by the Group but by a legally separate and unrelated third party.
- They are only available to pay or fund post-employment benefits, and are not available for the Group’s creditors, even in bankruptcy. They cannot be returned to the Group, except when the assets remaining in the fund are sufficient to meet all the related employee benefit obligations of the plan or of the Group or serve to reimburse post-employment benefit that the Group has already paid to employees.

All of the Bank’s defined benefit obligations are insured by policies taken out with Crèdit Assegurances, SAU, an entity that forms part of the Group’s consolidation scope and, as a result, these insurance contracts do not meet the conditions to be considered plan assets.

The consolidation process incorporates the assets and liabilities of Crèdit Assegurances, SAU, which include the mathematical provisions of the policies entered into, which means that in the consolidation process the amount recorded under “Other assets – Insurance contracts linked to pensions” is removed and the item “Liabilities under insurance and reinsurance contracts” is reduced by the same amount.

Post-employment benefits are recognised as follows:

- The cost of the services is recognised in the profit and loss account and includes the following items:
    - The cost of the services in the current period, understood as the increase in the present value of the obligations resulting from employee service in the current period, is recognised under “Administrative expenses – Staff expenses”.
    - The cost of past services, resulting from changes introduced in existing post-employment benefits or the introduction of new benefits, as well as the cost of reductions, is recognised under “Provisions or reversal of provisions”.
    - Any gain or loss that arises from a settlement of the plan is recorded under "Provisions or reversal of provisions"
- The net interest on the liability/(asset) net of defined post-employment benefits, understood as the change during the period in the net liability/(asset) for defined benefits that arise over time, is recognised under “Interest expenses”, or “Interest income” in the case of income, in the profit and loss account.
- The revaluation of the net liability/(asset) for defined post-employment benefits is recognised under “Accumulated other comprehensive income” in net equity.
    - Actuarial gains and losses generated during the period due to the difference between previous actuarial assumptions and reality, and changes in the actuarial assumptions used.
    - The return on plan assets, excluding the amounts included in the net interest on the liability/(asset) for defined post-employment benefits.
    - Any change in the effect of the asset ceiling, excluding the amounts included in the net interest on the liability/(asset) for defined post-employment benefits.

However, different Group companies have other retirement remuneration plans, all of which correspond to defined contribution schemes (see Note 2.12.2.1.).

2.12.3. Other long-term employee benefits

Other long-term employee benefits, understood as obligations with pre-retired employees (those who have ceased rendering services to the Group but who, without being legally retired, continue to enjoy economic rights until they acquire the status of legally retired), are treated for accounting purposes as per the previously established defined post-employment benefit plans, with the exception that actuarial losses and gains are recognised in the profit and loss account under “Provisions or reversal of provisions”.

2.12.4. Termination benefits

This obligation may result from the termination of the employment relationship between the Group and the employee following the Group’s decision to terminate it, the creation of a valid expectation in the employee or the decision by an employee to accept benefits by means of an irrevocable offer from the Group in exchange for terminating the employment contract.

A liability and an expense are recognised when the Group can no longer withdraw the offer of those benefits made to employees or when the costs for a restructuring that involves the payment of termination benefits are recognised. These amounts are recorded as a provision under “Provisions – Other long-term employee benefits” in liabilities of the statement of financial position, until they are settled.

2.13. Taxes

2.13.1. Income tax

On 1 December 2011, the General Council of the Principality of Andorra passed Law 17/2011, amending Law 95/2010 of 29 December on Corporation Tax (published in the Official Gazette of the Principality of Andorra, BOPA, number 80 on 28 December 2011), according to which public and limited companies are subject to a general tax rate of 10%. This law came into force the day after it was published in the BOPA and is applicable to taxation periods starting on or after 1 January 2012.

The corporation tax expense is considered an expense for the financial year and is recognised in the profit and loss account, unless it is the consequence of a transaction recognised directly in equity. In this case, its corresponding tax effect is recorded in equity.

The corporation tax expense represents the sum of the current tax for the financial year, which results from applying the tax rate to the taxable base for the financial year, and the change in deferred tax assets and liabilities recognised in profit or loss during the financial year. The resulting sum is reduced by the amount of the tax credits applicable for tax purposes.

Temporary differences, tax loss carryforwards pending offset and unused tax credits are recognised as deferred tax assets and/or deferred tax liabilities. These amounts are recognised at the rate at which they are expected to be recovered or settled.

All tax assets are recorded under “Tax assets” on the asset side of the statement of financial position and shown separately as current, for amounts to be recovered in the next twelve months, and deferred, for amounts to be recovered in subsequent financial years.

Similarly, tax liabilities are recorded under “Tax liabilities” in the statement of financial position, and they are also shown separately as current and deferred. Current tax liabilities include the amount to be paid for tax in the next twelve months and deferred tax liabilities include the amount expected to be settled in subsequent financial years.

Deferred tax assets are only recognised when it is deemed probable that they will be reversed in the foreseeable future and there are sufficient taxable profits to recover them.

At the close of each financial year, the recorded deferred tax is reviewed to ensure that it remains valid, and if necessary it is adjusted according to the new estimates made.

2.13.2. General indirect tax (IGI)

On 21 June 2012, Law 11/2012 was published on general indirect taxation (hereinafter, IGI), which entered into force on 1 January 2013. This law, which provides for a general tax rate of 4.5% except for essential goods and services, to which a super-reduced (0%) or reduced (1%) tax rate applies, and an incremental rate of 9.5% applicable to banking and financial services, in its repealing provision repeals, among others, the law on indirect tax on the provision of banking and financial services of 14 May 2002.

On 3 June 2014, the General Council of the Principality of Andorra passed Law 10/2014, amending Law 11/2012 on general indirect tax, which entered into force on 1 July 2014. This law limits the deduction of input tax only applicable to the financial sector. This special regime sets a maximum annual deduction amount equivalent to 10% of the output tax up to the limit of the input tax incurred in taxable activity but without taking into account transactions involving real estate.

The Group recognises, under “Tax assets – Current tax assets” on the asset side of the statement of financial position, the transitory balances corresponding to input IGI and, under “Tax liabilities – Current tax liabilities” on the liabilities side of the statement of financial position, the transitory balances corresponding to output IGI until the final settlement with the corresponding body has taken place.

The Group recognises non-deductible input tax as an expense.

2.13.3. Income tax for non-tax residents

On 29 December 2010, Law 94/2010 on income tax for non-tax residents was passed (hereinafter IRNR), which taxes income obtained in Andorra by individuals or entities that are not tax residents in the country.

The tax rate for taxpayers of this tax is 1.5% for reinsurance operations, 5% for fees and 10% in general.

The Group recognises, under “Tax assets – Current tax assets” on the asset side of the statement of financial position, the transitory balances corresponding to the collection of income tax of non-tax residents until the final settlement with the corresponding body has taken place.

2.13.4. Law 5/2014 of 24 April on Personal Income Tax

On 24 April 2014, the General Council of the Principality of Andorra passed Law 5/2014 on personal income tax, which came into force on 1 January 2015.

This law is a cornerstone of the process of opening up the economy of the Principality of Andorra, insofar as it involves the creation of a personal income tax comparable to that existing in other neighbouring countries, in the European Union and in the OECD.

This tax is levied, among other things, on the savings of individual taxpayers resident in the Principality. Specifically, it is applied to interest and other financial income (income from movable capital), as well as capital gains or losses, at a tax rate of 10%.

The Group recognises, under “Tax liabilities – Current tax liabilities” on the liabilities side of the statement of financial position, the transitory balances corresponding to the collection of personal income tax until the final settlement with the corresponding body has taken place.

2.13.5 Law 5/2023, of 19 January, on measures for the reform of direct taxation and the amendment of other tax and customs legislation

On 8 February 2023, Law 5/2023, of 19 January, on measures for the reform of direct taxation and the amendment of other tax and customs legislation was published in the Official Gazette of the Principality of Andorra (BOPA), which entails a comprehensive overhaul of the Principality’s tax system.

In particular, as far as direct taxation is concerned, changes are made to corporation tax, which maintains the basic structure and introduces, among other things, changes to the expiry periods for tax loss carryforwards and deductions pending offset, which are extended from ten to seventeen years and from three to six years, respectively.

It also amends specific aspects of personal income tax and income tax for non-tax residents and repeals the capital gains tax on property transfers, while integrating the taxation of property capital gains into the specific regulations of each tax.

The Law enters into force on 1 January 2024 and applies to taxation periods starting on or after the stated date.

2.14. Tangible assets

This includes the amount of property, land, furniture, vehicles, computer equipment and other facilities acquired through ownership or under a lease. “Tangible assets” on the asset side of the statement of financial position are broken down into two items: “Property, plant and equipment” and “Investment property”.

The first item records the tangible assets for own use and assets leased out under operating leases. Property, plant and equipment for own use are assets held by the Group for current or future administrative purposes or for the production or supply of goods or services expected to be used during more than one period.

“Investment property” includes the assets that are held to be leased or to obtain capital gains via their sale.

Tangible assets are generally stated at acquisition cost, less accumulated depreciation and value correction resulting from comparing the net value of each item with the corresponding recoverable amount.

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets less their residual value. Land is not depreciated as it is considered to have an indefinite life.

The depreciation charge of tangible assets is recognised with a balancing entry under “Depreciation and amortisation” in the profit and loss account and is calculated basically using the depreciation rates set out in the table below, which are based on the years of estimated useful life of the various assets.

Useful life of tangible assets

Real estate	30 to 50 years
Furniture	4 to 6 years
Installations	8 to 10 years
IT equipment	3 to 5 years
Vehicles	5 years

Depreciation of right-of-use assets is recognised in the profit and loss account under "Depreciation and amortisation" on the basis of the shorter of the useful life of the underlying asset and the term of the lease to which they relate. The lease terms are between 1 and 20 years.

At the close of each reporting period, the Group analyses whether there is evidence that the net carrying amount of its tangible assets exceeds their recoverable amount, understood as the higher of the fair value less costs to sell and value in use.

If evidence is found, an impairment test is carried out to verify if it is necessary to recognise an impairment loss. If this is the case, it is recorded under “Net impairment or reversal of impairment on non-financial assets” in the profit and loss account, and the book value of assets is reduced to the recoverable amount.

After the impairment loss is recognised, future depreciation charges are adjusted in proportion to the revised book value and remaining useful life.

Similarly, when there is evidence of a recovery in the value of the assets, a reversal in the impairment loss recognised in prior periods is recorded and the future depreciation charges are adjusted. Under no circumstances may the reversal of an impairment loss of an asset represent an increase in its carrying amount greater than it would have been if no impairment loss had been recognised in prior years.

Likewise, the estimated useful life of tangible assets is reviewed each year or whenever indications are observed that make it advisable to do so, and, where appropriate, the depreciation charges are adjusted in the profit and loss account for future periods.

Upkeep and maintenance expenses are recognised under “Administrative expenses – Other administrative expenses” in the profit and loss account. Similarly, operating income from investment properties is recognised under “Other operating income” in the profit and loss account, while the associated operating expenses are recorded under “Other operating expenses”.

2.15. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, arising due to acquisition from third parties or developed internally.

2.15.1. Goodwill and differences from first consolidation

Goodwill and the difference arising from the first consolidation represent the advance payment made by the acquirer for future economic benefits from assets that could not be individually identified and separately recognised. Goodwill is only recognised when it has been acquired by valuable consideration.

In business combination processes, goodwill arises as a positive difference between:

- The consideration transferred plus, as appropriate, the fair value of any previously-held equity interest in the acquiree and the amount of minority interests.
- The net fair value of the identifiable assets acquired less the liabilities assumed.

Goodwill is recognised under "Intangible assets – Goodwill" and it is not amortised.

At the close of each reporting period, or in the event of indications of impairment, an estimate is made of any impairment that reduces the recoverable amount below the recorded net cost, and if impairment is found, the goodwill is remedied with a corresponding balancing entry under "Impairment or reversal of impairment on non-financial assets – Goodwill" in the profit and loss account. Such impairment losses are not reversed in a subsequent period.

2.15.2. Other intangible assets

This item includes the amount of identifiable intangible assets, such as intangible assets from business combinations and computer software, among other items.

They have an indefinite useful life when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group, and a finite useful life in all other cases.

Intangible assets with an indefinite useful life are not amortised. However, at the close of each reporting period, or whenever there is an indication of impairment, the remaining useful lives are reviewed in order to determine whether they continue to be indefinite and, if this is not the case, in order for the appropriate steps to be taken.

Intangible assets with finite useful lives are amortised over those useful lives using criteria similar to those adopted for the amortisation of tangible assets.

The depreciation expense for these assets is recognised under "Depreciation and amortisation" in the profit and loss account and is calculated basically using the depreciation rates set out in the table below, which are based on the years of estimated useful life of the various assets.

Useful life of intangible assets	
Computer software	5 to 10 years
Other	5 to 10 years

With regard to the information in the above table, the general rule of the Group is to amortise the intangible assets with a finite useful life over a maximum of 5 years, although there are certain assets which, due to their characteristics, specificities and relevance, are amortised over 10 years. These assets relate mainly to (1) the banking core (Avaloq), and (2) customer portfolios acquired as part of business combinations for which, in the valuation process of the acquired businesses, a useful life of 10 years or more was considered.

Losses that occur in the recorded value of these assets, whether they have an indefinite or finite useful life, are recognised with a balancing entry under "Impairment or reversal of impairment on non-financial assets – Other intangible assets" in the profit and loss account. The criteria for recognising impairment losses of these assets and, as applicable, the recovery of impairment losses recorded in previous periods are similar to those applied to tangible assets.

2.15.2.1. Internally developed computer software

Internally developed computer software is recognised as an intangible asset if, among other requisites, there is the possibility to use or sell it, it can be identified and the possibility of it generating future economic benefits can be demonstrated.

Expenses incurred during the research phase are recognised directly in profit or loss in the period in which they are incurred and may not subsequently be included in the carrying amount of the intangible asset.

2.16. Non-current assets and disposal groups classified as held for sale, and liabilities included in disposal groups classified as held for sale

Assets recorded under these items in the statement of financial position record the carrying amount of individual items, or items that are part of a disposal group or forming part of a business unit to be disposed of (discontinued operations), the sale of which is highly likely to be completed in the assets' present condition within one year from the reporting date. In addition, it is possible to classify as held-for-sale assets those that are expected to be disposed of within one year but with a delay caused by events and circumstances beyond the Group's control and for which there is sufficient evidence that the Group remains committed to its plan to sell. The recovery of the carrying amount of these items is expected to take place through the price obtained on disposal.

Specifically, real estate or other non-current assets received in full or in part settlement of debtors' payment obligations under credit operations are classified as "Non-current assets and disposal groups classified as held for sale" unless it has been decided to make continuous use of these assets.

Non-current assets held for sale are generally initially measured at the lower of the carrying amount of the financial assets applied and the fair value less costs to sell of the asset to be foreclosed:

- For the estimation of the hedges of the financial assets applied, the recoverable guarantee amount is taken as the fair value less the estimated sales costs of the asset foreclosed when the Group's sale experience confirms its ability to realise this asset at its fair value. This recalculated carrying amount is compared with the previous carrying amount, and the difference is recognised as an increase or a release of provisions, as appropriate.
- To determine the fair value less costs to sell of the asset to be foreclosed, the Group uses as a benchmark the market value given in appraisals carried out by independent experts at the time of the foreclosure or receipt of the asset. An adjustment for sales costs is applied to this market value.

After the initial recognition, the Group compares the carrying amount with fair value less the sales costs, and records any possible additional impairment in the profit and loss account.

To do so, the Group updates the benchmark valuation serving as an estimate of the fair value no more frequently than every 1 to 2 years. This fair value is determined on the basis of appraisals or valuations carried out by independent experts that are not older than 2 years. With regard to assets appearing in the statement of financial position at 31 December 2023, the Group has obtained up-to-date appraisals of 100% of non-current assets classified as held for sale.

Regarding appraisals used by the Group, they are all conducted by professionals that are independent of the Group and that have the adequate human and technical resources to carry out the valuations.

Although there are no reference regulations for appraisals, in the Principality of Andorra the Decree approving the amendment of the town planning regulations is in force.

In this respect, the valuation methods are considered appropriate to the purpose of the appraisal. Specifically, the main valuation methods used by the Group's independent experts are as follows:

- **Static residual method**. In order to determine the appraised value, the value of exhausting the buildable area of the land/plot is estimated by adding, if applicable, the amount expected to be obtained from any alternative use of the part of the land/plot that is not planned to be built on, taking into account its associated cost and a correction factor (if applicable), as well as the developer's fees (consistent with the requirements of Order ECO/805/2003).
- **Comparison method**. The qualities and characteristics of the property to be determined in the valuation are established. On this basis, a comparable market survey is carried out to establish its market price. Subsequently, the quality indicators and characteristics of the properties are

standardised and the property price is determined on the basis of comparables (in line with the requirements of Order ECO/805/2003).

- **Cost method**. The net replacement cost is determined by calculating the amount it would cost to build on a piece of land/plot, adding the additional costs (without taking into account the profits of the development) and subtracting the depreciation (in line with the requirements of Order ECO/805/2003).
- **Combined method**. This method is a combination of the cost method (in line with the requirements of Order ECO/805/2003) and the comparison method (in line with the requirements of Order ECO/805/2003):
    - A qualitative analysis of the property and a market study are carried out to determine the value of the land and subsequently calculate the replacement cost.
    - An estimate is made of the market coefficient determined by the ratio between the market value of the property and the cost of renovating or building it, excluding the developer's profits (previously obtained using the cost method).
    - The market value is the product of the replacement value and the market coefficient.

Non-current assets held for sale are not amortised while they are in this category.

The impairment losses of an asset, or disposal group, are recognised under “Profit (loss) on derecognition of non-current assets held for sale not classified as discontinued operations” of the profit and loss account. The gains from a held-for-sale non-current asset due to subsequent increases in fair value (less the sales cost) increase the book value and are recognised in the same item in the profit and loss account, up to an amount equal to the previously recognised impairment loss.

2.17. Leases

2.17.1. Entry into force of IFRS 16

The entry into force of IFRS 16, on 1 January 2019, sought to establish the principles for the recognition, measurement, presentation and disclosure of leases. The new standard introduced a single accounting model for the lessee, which requires it to recognise in its financial statements the assets and liabilities of all its leases, similar to the lease accounting established in IAS 17.

For lessors, the dual model in IAS 17 is substantially maintained, distinguishing between financial leases and operating leases.

In the 2020 financial year, the International Accounting Standard Board (IASB) published an amendment to IFRS 16 “COVID-19-related rent concessions”, which provides an optional practical solution to lessees when assessing if the COVID-19-related rent concession is a lease modification. If lessees opt for this practical solution, they will account for these rent concessions as if they were not lease modifications. This amendment to IFRS 16 does not imply changes for lessors who must apply the current requirements of the standard and consider whether or not there has been a modification in the corresponding lease. This amendment applies from 1 June 2020.

In the 2023 and 2022 financial years, Crèdit Andorrà has not had relevant modifications to the leases in which the Group acts as the lessee. Therefore, the amendment to IFRS 16 has not had a material effect on the Group’s financial statements.

2.17.2. Lease accounting when the Group is the lessee

The lessee, at the outset, must evaluate whether the contract constitutes or contains a lease. That is, whether the contract constitutes or contains the right to control the use of a particular asset for a certain period of time in exchange for a consideration. The Group, in accordance with IFRS 16, did not reassess its contracts to determine whether they qualify as leases at the time of entry into force of the standard, but considered as leases all contracts that qualify as leases under IAS 17.

A lease liability for the underlying asset is recognised at inception at the present value of the outstanding lease payments, discounted using the interest rate implicit in the lease, if this is readily determinable. Otherwise, the incremental interest rate of the indebtedness of the Group company that holds the lease contract is used.

Lease liabilities are recognised under “Financial liabilities at amortised cost – Other financial liabilities” of the consolidated statement of financial position (see Note 19). Financial expense is recorded under “Interest expenses – Financial liabilities at amortised cost” of the consolidated profit and loss account (see Note 34).

A right-of-use asset is initially recognised at the value of the lease liability adjusted for any payments made before or at the contract inception date for direct costs and/or estimated future costs to decommission, dispose of or return the underlying asset in the condition required by the contract.

This asset is recognised under “Tangible assets - Property, plant and equipment” of the consolidated statement of financial position (see Note 15).

For short-term leases and leases where the underlying asset is of low value, as permitted by the exception in IFRS 16, the Group recognises the expense directly in the profit and loss account for the year, without recognising the right of use or the financial liability.

The Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect lease payments made.

The right-of-use asset is measured at cost less accumulated depreciation, which is recognised under “Depreciation and amortisation – Tangible assets” of the consolidated profit and loss account (see Note 41), less accumulated impairment losses, if any, and reflecting any remeasurement of the lease liability.

The standard requires, after the initial application, the assessment of the value of the lease liability to reflect changes in payments caused by changes in the term, changes in the options inherent in the contract or changes in the discount rate of payments, among others.

2.17.3. Lease accounting when the Group is the lessor

Contracts in which the Group is the lessor are classified as financial or operating leases.

2.17.3.1 Financial leases

Financial leases are operations that substantially transfer all the risks and rewards associated with ownership of the leased asset to the lessee.

Operations in which the Group acts as the lessor of the asset are recorded as financing provided under "Loans and receivables" in the assets section of the statement of financial position, in the amount resulting from the sum of the present values of cash flows receivable from the lessee. These flows incorporate the strike price of the call option in favour of the lessee at the expiry of the contract, where this strike price is sufficiently lower than the fair value of the asset at the expiry date of the option such that it is reasonably probable that it will be exercised.

Financial income is recognised under “Interest income” in the profit and loss account.

At 31 December 2023 and 2022 the Group, in cases where it acts as lessor, does not have any lease contracts that qualify as financial leases.

2.17.3.2 Operating leases

Operating leases are operations in which all the risks and rewards associated with the leased asset and ownership remain substantially with the lessor.

The acquisition cost of leased assets is recognised under “Tangible assets” of the statement of financial position. The assets are amortised using the same criteria as for other tangible assets for own use, and the income from these contracts is recognised under “Other operating income” in the profit and loss account.

2.17.4. Sale and leaseback transactions

In transactions where an asset owned by the Group is sold to a third party and, subsequent to the sale of the asset, the Group leases the asset sold, an analysis is carried out to determine whether the terms of the contract meet the requirements for the sale to be considered as the effective sale of the underlying asset, i.e., there is a transfer of control of the asset to the buyer, as set out in IFRS 15 “Revenue from contracts with customers”.

If the transfer can be considered a sale, the Group:

- Derecognises the transferred asset.
- Recognises the sale at fair value.
- Recognises a right-of-use asset for an amount equal to the previous carrying amount of the asset associated with the right of use retained by the Group.
- Recognises a lease liability.
- Recognises only the gain or loss related to the rights transferred to the "lessor-buyer".

If the transfer does not qualify as a sale, the Group continues to recognise the transaction asset and recognises a financial liability equivalent to the consideration received.

At 31 December 2023 and 2022, the Group recorded a sale and leaseback transaction relating to the parent company's headquarters. This transaction, which originated in 2014, was recognised as an operating lease. Following the entry into force of IFRS 16, this transaction was recognised in the consolidated statement of financial position in accordance with the new criteria established by this standard.

2.18. Contingent assets

Contingent assets arise from unexpected or unplanned events that give rise to the possibility of an inflow of economic benefit. Contingent assets are not recognised in the statement of financial position and thus income that may never materialise is not recorded.

Contingent assets are assessed on an ongoing basis with the objective of ensuring that their evolution is adequately reflected in the financial statements. When the inflow of economic benefits becomes virtually certain, the income and the asset are recognised in the financial statements of the period in which the change occurs. If the inflow of economic benefits becomes probable, a corresponding contingent asset is disclosed in the notes.

2.19. Contingent liabilities and provisions

Provisions cover obligations present at the date of preparing the financial statements that arise as a result of past events which could result in losses and the occurrence of which is considered probable. They are specific as to their nature, but indeterminate as to their amount and/or timing.

The Group's financial statements include all material provisions for which it is considered more likely than not that the obligation will have to be settled. Provisions are recognised on the liabilities side of the statement of financial position in accordance with the obligations covered, which include provisions for pensions and similar obligations, provisions for taxes and provisions for commitments and guarantees given.

Provisions, which are quantified based on the best information available on the consequences of the event giving rise to them and are re-estimated at the end of each reporting period, are used for the specific obligations for which they were originally recognised. The reversal is carried out, fully or partially, when the obligations no longer exist or are reduced.

When there is a present obligation but an outflow of resources incorporating economic benefits is unlikely, it is recorded in contingent liabilities. Contingent liabilities may develop differently than initially expected, so they are reviewed on an ongoing basis to determine whether this outflow of resources has become probable. If it is confirmed that the outflow of resources is more likely to occur than not, the corresponding provision is recognised on the liabilities side of the statement of financial position.

Provisions are recorded under "Provisions" on the liabilities side of the statement of financial position according to the obligations covered. Contingent liabilities are recognised in off-balance-sheet accounts.

2.20. Insurance operations

As indicated in Note 1.2 "Basis of presentation", the Group has applied IFRS 17 to the insurance business from 1 January 2023, the transition date being 1 January 2022. The resulting obligations are presented under the liability item "Liabilities under insurance and reinsurance contracts".

IFRS 17 establishes principles for the recognition, valuation, presentation and disclosure of insurance contracts that are within the scope of this standard with the aim of ensuring that an entity provides relevant information that fairly represents these contracts.

This information offers users of financial statements a basis for assessing the effect that the insurance contracts have on the financial position, performance and cash flows of an entity, by measuring the contractual service margin per unit of account.

The main methodological assumptions for calculating insurance contract liabilities under IFRS 17 are as follows:

- **Definition of insurance contract.** The group has assessed whether the contracts meet the definition of insurance contracts established in the standard. For a contract to be an insurance contract, the insurer agrees to indemnify, within the agreed limits, the insured party in exchange for a financial consideration in the event that a covered event occurs. From this assessment it is concluded that all insurance contracts under the scope of IFRS 4 meet the definition of an insurance contract and that the application of IFRS 17 does not result in their separation from the host contract or reclassification. However, a specific treatment is applied to the investment components in the cases identified.
- **Unit of account, cohorts and approach applied.** The Group has identified the portfolios of insurance contracts and groups them according to whether they are contracts subject to similar risks. On the basis of this analysis, groupings have been made consistent with the management of the business and with the standard, as well as with the analyses performed for Solvency II. Subsequently, the date of issue of the contracts has been considered, segmenting between groups of contracts issued no more than 12 months apart (annual cohorts).

  Lastly, onerous contracts have been identified from the remainder on the basis of the expected profit at initial recognition.

  For contracts issued before the transition date (1 January 2022), the Group applies the fair value transition approach due to the impracticality of determining the cash flows from the acquisition of insurance that occurred prior to the transition date; therefore, no aggregation of contracts by previous cohorts has been necessary.

  For contracts issued after the transition date, a grouping by year of issue has been made.

Based on the analysis carried out, the following grouping or identification of units of account have been defined and it has been decided to apply the following valuation methods permitted by the standard to each of them:

- Building Bloc Approach ("BBA").
- Variable Fee Approach ("VFA").

Products measured using general method (BBA)

Units of account	Products covered
Irregular income	Irregular income
Regular income	Regular income
SegurCaixa - Pensió 2000	Pensió 2000
	Saving Portfolio income
Estalvi_Caixabank	Other Cbk Saving
SegurCaixa - Jubilació 2000	PJI - Jubilació 2000
Guaranteed	PPJG
	PEG
FEDA	FEDA
Insured	CPJA
	CPEA
Group insured	CPJA COL
	PP FUNCIÓ PÚBLICA ASSEGURAT

Products measured using variable fee approach (VFA)

Units of account	Products covered
Dedicated Saving Plan	CPED
ULK	ULK_Fons (Axis, Avaloq)
Dynamic	CPJD
	FEDA_ULK
Employees	PLA PREVISIÓ EMPLEATS

Coverage units and estimation of the (CSM) contractual service margin pattern

The number of probable benefits or probable flows estimated at each point in time shall be considered as the coverage unit, which shall be the sum of all probable outflow benefits expected.

The criterion for the release of the contractual service margin (CSM) in the profit and loss account shall be based on the insured benefits.

Insurance contracts

Recognition and derecognition

Groups of insurance contracts are initially recognised when the first of the following events occurs:

- The beginning of the coverage period of the group of contracts.
- The date on which the first payment of a policyholder of a group policy becomes due.
- In the case of a group of onerous contracts, the date on which the group becomes onerous.

An insurance contract is derecognised when it is terminated or the terms of the contract are changed. For these purposes, an insurance contract is deemed to lapse upon maturity, upon settlement of all benefits under the contract or upon cancellation of the contract, whichever occurs earlier.

2.21. Cash flow statement

The concepts used in the presentation of the cash flow statement are as follows:

- **Cash flow:** inflows and outflows of cash and cash equivalents, i.e., short-term investments with high liquidity and low risk of changes in value.
- **Operating activities:** the indirect method is used for the presentation of cash flows from operating activities, which reflects the cash flows from the ordinary activities of credit institutions as well as from other activities that cannot be classified as investment or financing activities.
- **Investment activities**: the acquisition, sale or disposal by other means of long-term assets, such as investees and strategic investments and other investments not included in cash and cash equivalents.
- **Financing activities:** activities that cause changes in the composition of net assets and liabilities other than operating activities, such as subordinated financial liabilities.

2.22. Statement of comprehensive income

This statement presents the income and expenses recognised as a result of the Group's activity during the year, distinguishing between those recorded as profit or loss in the profit and loss account and other income and expenses recognised directly in equity.

The items used in the presentation of the statement are as follows:

- Profit and loss for the year.
- The net amount of income and expenses recognised temporarily as "Other comprehensive income" in equity.

- The net amount of income and expenses recognised definitively as “Other comprehensive income” in equity.
- Income tax accrued on the above items.
- The total comprehensive income for the financial year calculated as the sum of the above items.

2.23. Statement of changes in equity

This statement shows all changes in the Group's equity, including those arising from changes in accounting policies and error corrections. The statement presents a reconciliation of the carrying amount at the beginning and end of the year for all items comprising equity.

- Adjustments for changes in accounting policies and error corrections include changes in equity arising from the retrospective restatement of financial statement balances, and a distinction is made between those arising from changes in accounting policies and those arising from corrections of errors.
- The total comprehensive income for the year includes, on an aggregate basis, the total of the items recognised in the statement of comprehensive income indicated above.

However, other changes in equity are presented, such as capital increases or decreases, distribution of dividends, treasury share transactions, payments with equity instruments, transfers between equity items and any other increase or decrease in equity.

3. Significant accounting policies and scope of consolidation

In addition to the data corresponding to the parent company, the consolidated financial statements include information corresponding to subsidiaries, joint ventures, associates and, if applicable, consolidated structures. The procedure for integrating the assets and liabilities of these companies is based on the type of control or influence exercised.

The consolidation of the profit and loss generated by the companies forming the Group in a financial year is carried out by taking into account only those results relating to the period between the acquisition date and the end of the financial year. In addition, the profit and loss generated by the companies disposed of in the financial year are consolidated by taking into account only those results relating to the period between the start of the year and the date of disposal.

In the consolidation process, all material balances and transactions between Group companies have been eliminated in proportion to the consolidation method applied.

Appendix I (which forms an integral part of this Note) provides significant information on the companies comprising the Group.

3.1. Subsidiaries

Subsidiaries are entities over which the Group has control, a situation that arises when the Group is exposed or has rights to variable returns from its involvement in the investee, and has the capacity to influence these returns through its influence over that entity.

In order to consider that control exists, the following circumstances must be deemed to exist:

- Power. An investor has power over an investee when the investor has existing rights that give it the ability to direct the relevant activities, i.e., the activities that significantly affect the investee's returns.
- Returns. An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative.
- Link between power and returns. An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

When taking control of a subsidiary, without exception due to its activity, the Group applies the acquisition method provided for in the regulatory framework (see Note 3.5), unless it is the acquisition of an asset or group of assets.

The financial statements of subsidiaries are consolidated with those of the parent company using the full consolidation method, which consists of the aggregation of the assets, liabilities and equity, income and expenses of a similar nature shown in their individual financial statements.

The carrying amount of direct and indirect equity interests in subsidiaries is eliminated by the proportion of the subsidiaries' equity that they represent. The remaining balances and transactions between consolidated companies are eliminated in the consolidation process.

The share of third parties in the Group's consolidated equity is presented under "Minority interests" in equity, and the portion of the profit and loss for the year attributable to them is presented under "Profit for the year – Attributable to minority interests" in the profit and loss account.

When control of a subsidiary is lost, the assets, liabilities, minority interests and other items that may be recognised in valuation adjustments are derecognised in the consolidated statement of financial position and the fair value of the consideration received, as well as any other remaining investment, are recognised. The difference between these two values is recognised in consolidated profit or loss.

3.2. Joint ventures

These are entities over which there are contractual arrangements for joint control, whereby decisions on relevant activities are taken unanimously by the other entities with which it shares control.

Investments in joint ventures are accounted for by applying the equity method, i.e., at the proportion of equity represented by each entity's interest in the joint venture after taking into account dividends received and other equity eliminations.

3.3. Associates

Associates are entities over which the Group exercises significant influence, which is generally, but not exclusively, evidenced by a direct or indirect holding of 20% or more of the voting rights of the investee. Associates are accounted for in the consolidated financial statement using the equity method.

Appendices I.3 and I.4 include a list of the companies in the Group's consolidation scope using the equity method, showing both the value at which the aforementioned holdings appear in the individual books (net book value) and the value at which they appear in the consolidated books (equity-method value).

3.4. Structured entities

A structured entity is an entity that has been designed so that the voting rights or similar rights are not the dominant factor in deciding who controls the entity.

In cases where the Group holds interests in entities, or incorporates them, for the transmission of risks or other purposes, or to enable its customers to access certain investments, the Group determines, using the regulatory framework, whether control (as defined above) exists and, therefore, whether these entities should be consolidated. Specifically, the following factors are taken into account among others:

- Analysis of the Group's influence on the entity's relevant activities that could influence the amount of their returns.
- The Group's implicit or explicit commitments to provide financial support to the entity.
- Identification of the entity's fund manager and analysis of the remuneration regime.
- Existence of exclusion rights (possibility of removing managers).
- The Group's significant exposure to variable returns from the entity's assets.

These entities include so-called "Asset securitisation funds", which are consolidated in cases where, based on the above analysis, it is determined that the Group has retained control.

In the case of the investment and pension funds and companies managed by the Group (in most cases unincorporated retail funds in which investors acquire fractional units that give them ownership of the assets under management), it is considered that they do not meet the requirements of the regulatory framework to be considered as structured entities.

In this regard, during 2023 and 2022 the Group did not hold any investments in structured entities, and therefore the scope of consolidation does not contain any structured entities.

3.5. Business combinations

A business combination is a transaction, or any other event through which the Group obtains control of one or more businesses. The acquisition method is used to recognise business combinations for accounting purposes.

In accordance with this method, the acquirer must recognise the acquired assets and assumed liabilities in its financial statement, while also considering the contingent liabilities at fair value, including those not recognised by the acquiree. This method also requires an estimate of the cost of the business combination, which is normally the consideration transferred, defined as the fair value—on the acquisition date—of the assets obtained, the liabilities incurred with respect to the former owners of the acquiree and the equity issued, if any, by the acquirer.

The Group recognises goodwill in the consolidated financial statement if, at the acquisition date, there is a positive difference between:

- the sum of the consideration transferred plus the amount for all minority interests and the fair value of previous investments in the acquiree; and
- the fair value of recognised assets and liabilities.

If the difference is negative, it is recorded under "Negative goodwill recognised in profit or loss" of the consolidated profit and loss account.

In cases where the consideration amount depends on future events, any contingent consideration is recognised as part of the consideration transferred and measured by its fair value at the acquisition date. In addition, the costs associated with the operation do not form part of the cost of the business combination for these purposes.

If the cost of the business combination or the fair value assigned to assets, liabilities or contingent liabilities of the acquiree cannot be definitively determined, the initial accounting of the business combination will be considered provisional. In any case, the process must be completed no later than one year from the date of acquisition and with effect from this date.

The minority interests of the acquiree are measured based on the proportional percentage of the identified net assets of the acquiree. In the case of purchases and disposals of these minority interests, they are accounted for as equity transactions when they do not result in a change of control, no loss or gain in the consolidated profit or loss is recognised and the goodwill initially recognised is not remeasured. Any difference between the consideration transferred or received and the decrease or increase in minority interests, respectively, is recognised in reserves.

3.5.1. Business combination with Vall Banc, SAU

3.5.1.1. Acquisition of Vall Banc, SA

On 11 February 2022, having received the relevant authorisations from the Andorran and Spanish supervisory bodies, and after the split-off of the customer non-performing or write-off debt positions and the real estate assets foreclosed or received in payment of debts (see Note 3.5.1.1.1.), Crèdit Andorrà formalised the acquisition of 100% of the share capital of Vall Banc, SA (hereinafter, "Vall Banc"), an entity which until then had been owned by the J.C. Flowers & Co fund, thereby ratifying the agreement announced in September 2021. In this regard, although the acquisition of Vall Banc was formalised on 11 February 2022, Crèdit Andorrà, SA used 31 January 2022 as the date of first consolidation, in accordance with the provisions set down in the section entitled "Determining the acquisition date" of IFRS 3 "Business Combinations".

Vall Banc, SA was the parent company of the Vall Banc Group, which had the following investees at the date of acquisition: Vall Banc Fons, SAU (100%), Vall Banc Assegurances, SAU (100%), Serveis i Mitjans de Pagament XXI, SA (20%) and Argenta Patrimonios, EAF, SL (90%).

With the acquisition by Crèdit Andorrà of 100% of the shares, the acquiree was renamed Vall Banc SAU.

With this acquisition, Crèdit Andorrà consolidated its leadership of the Andorran market and far exceeded the objectives included in its 2021-2023 Strategic Plan.

3.5.1.1.1. Partial split-off plan for Vall Banc, SA to a limited liability company

Pursuant to Article 80.2 of Law 20/2007, of 18 October, on public limited companies and limited liability companies, on 28 October 2021 the Board of Directors of Vall Banc, SA approved the split-off plan (the "Split-off Plan"), which was submitted for approval on 28 October 2021 to the General Shareholders' Meeting of Vall Banc, SA.

The proposed partial split-off entailed:

(i) the transfer of the assets, employees, financing and resources forming an economic unit, which constituted an autonomous business unit, i.e., a set of material and human elements capable of operating by its own means, en bloc, into the newly created beneficiary company (hereinafter, the "Newly Created Beneficiary Company" or "Pleyade 21, SL");

(ii) the survival of Vall Banc, which remained the owner of the remaining undivided business assets and liabilities; and

(iii) the incorporation of the Newly Created Beneficiary Company, which acquired, by operation of law (universal succession), the property, rights and obligations corresponding to the assets, employees, financing and resources forming the economic unit transferred to it by Vall Banc, SA (hereinafter, "the Split-off").

Pursuant to Article 18 of the aforementioned law, as a contribution in kind, the contribution of the economic unit was subject to an expert report (independent expert report) prior to the execution of the public deed for the split-off, which endorsed the valuation of the business unit.

The split-off perimeter comprising the economic unit consisted of the following types of assets as at 30 June 2021, by balance and classification as at the split-off date (e.g., a debt classified as non-performing on 30 June 2021 may have been split off as a foreclosed real estate asset because it was received in payment of the debt between 30 June 2021 and the split-off date):

- The customer non-performing debt positions (phase 3).
- The customer write-off debt positions.
- Real estate assets foreclosed or received in payment of debts.

The breakdown of the net book value and fair value at 31 December 2021 of the assets comprising the perimeter of the split-off, which in compliance with article 18 of the aforementioned law was calculated by an independent expert, was as follows:

In thousands of euros	Book Value	Fair Value

Financial assets at amortised cost – Loans and advances – Phase 3	72,487	72,487
Tangible assets – Investment property	4,378	4,373
Non-current assets and disposal groups classified as held for sale the assets (Foreclosed assets)	44,436	45,720
Write-offs	-	570
Total	**121,301**	**123,150**

Following the split-off, the shareholders of Vall Banc, SA on that date became holders of all the shares representing the share capital of the Newly Created Beneficiary Company (in accordance with the exchange ratio set out below), so that they received a number of shares in the Newly Created Beneficiary Company proportional to their shareholding in Vall Banc, SA at the time the split-off became effective.

As a result of the split-off, Vall Banc reduced its equity by an amount equal, euro by euro, to the share capital and premium contributed by the Newly Created Beneficiary Company at the time of its incorporation.

The sum of the share capital plus the share premium of Pleyade 21, SL, was valued at EUR 20,000 thousand, equal to the net book value of the economic unit transferred under the split-off, and which corresponded to the difference between the value of the assets transferred at 31 January 2022 (EUR 119,668 thousand, of which EUR 54,954 thousand corresponded to the value, at the split-off date, of the customer non-performing debt positions and EUR 64,714 thousand correspond to the value, at the split-off date, of the real estate assets) and the bridge financing provided by Vall Banc, SA (EUR 99,668 thousand). The only assets in the initial parameter that were not possible to split-off, due to regulatory reasons, were four credit policies for a net book value of EUR 1,136 thousand, and three guarantees for an amount of EUR 53 thousand, the risks and benefits of which were assumed by Pleyade 21, SL through derivative contracts (in the case of the policies) or demand guarantees (in the case of the guarantees).

Moreover, by applying the resources obtained from financing granted by Crèdit Andorrà, SA on 11 February 2022, Pleyade 21, SL cancelled in full the bridge financing granted by Vall Banc, SA at the time of the split-off.

The partial split-off operation of Vall Banc, SA (split company) into Pleyade 21, SL (beneficiary company) was subject to the special tax regime for business reorganisation and the amendments to Law 95/2010, of 29 December, on corporation tax; Law 5/2014, of 24 April, on personal income tax; Law 21/2014, of 16 October, on tax bases; Law 20/2007, of 18 October, on public limited companies and limited liability companies; and Law 21/2006, of 14 December, on capital gains tax on real estate transfers. Subsequently, on 18 January 2023, the Deputy Directorate for Tax Inspection (hereinafter, DAIT) issued a ruling in which it considered that, for various reasons, the tax regime for business reorganisation was not applicable. Crèdit Andorrà, SA did not agree with the DAIT's criteria and therefore lodged an administrative appeal with the Technical Tax Commission (hereinafter, CTT). On 11 May 2023, the rejection of the appeal filed by CTT was received and, consequently, on 17 July, Crèdit Andorrà, SA brought an action against that decision. However, consistent with the contents of the purchase and sale agreement, the discrepancy described above has not had, nor is it expected to have, any impact on Crèdit Andorrà, SA's statement of financial position or profit and loss account.

3.5.1.2. Allocation of the price paid to the assets and liabilities of the acquired business

Although the price initially agreed for the purchase of Vall Banc, SA had been set at EUR 60 million, by virtue of the provisions of Clause 4.3 of the purchase and sale agreement, Crèdit Andorrà notified the seller of a series of discrepancies regarding the value of Vall Banc's equity on 31 January 2022, resulting in the acceptance by the sellers of a negative adjustment in the purchase price in the amount of EUR 1,500 thousand, receivable by Crèdit Andorrà, SA before the fifth anniversary of the date of purchase. Crèdit Andorrà has recognised the aforementioned receivable under "Non-trading financial assets mandatorily at fair value through profit or loss" (see Note 9.2).

The table below summarises the book value and fair value of the assets and liabilities of the Vall Banc Group at 31 January 2022 (as stated, this date was used for the first consolidation) and the value of the negative difference of the first consolidation arising from comparing the fair value of the equity with the final purchase price.

In thousands of euros	Book Value	Adjustments in fair value	Fair Value
Cash, cash balances at central banks and other demand deposits	207,497	-	207,497
Financial assets held for trading	2,086	-	2,086
Non-trading financial assets mandatorily at fair value through profit or loss	23,972	-	23,972
Financial assets at fair value through profit or loss	301,975	-	301,975
Financial assets at fair value through other comprehensive income	38,376	-	38,376
Financial assets at amortised cost	295,175	-	295,175
Loans and advances	295,175	-	295,175
Debt securities	-	-	-
Investments in joint ventures and associates	32	-	32
Tangible assets	64,687	-340	64,347
Intangible assets	10,108	-9,917	191
Tax assets	1,311	-	1,311
Other assets	4,799	-61	4,738
Non-current assets and disposal groups classified as held for sale	-	-	-
Total assets	**950,018**	**-10,318**	**939,700**
Financial liabilities held for trading	1,370	-	1,370
Financial liabilities at amortised cost	857,902	-	857,902
Provisions	2,219	-	2,219
Tax liabilities	1,336	-	1,336
Other liabilities	10,818	-	10,818
Total liabilities	**873,645**	**-**	**873,645**
Total net equity attributable to owners of the parent company	**76,319**	**-10,318**	**66,001**
Total net equity attributable to minority interest	**54**		**54**
Total net equity and liabilities	**950,018**	**-10,318**	**939,700**
Consideration transferred			**58,500**
Negative consolidation difference			**7,501**

The following aspects have been considered in the Purchase Price Allocation (“PPA”) process, the result of which is summarised in the column “Adjustments in fair value”:

- Given that, with the exception of the loan investment portfolio, almost all the financial instruments were already classified in portfolios recognised at fair value (Vall Banc did not have a fixed income financial instrument portfolio linked to an HTC business model), no differences were identified in the PPA process between the book value and the fair value of these financial instruments.
- Taking account of the split-off of the customer non-performing or write-off debt positions (see Note 3.5.1.1.1.) and the duration and credit quality of the remaining portfolio acquired, it was deemed that the market value of the loan portfolio classified under “Financial assets at amortised cost” did not significantly differ from its book value at the acquisition date.
- The fair value of the real estate asset portfolio was obtained by taking into account available appraisals and other parameters. In this regard, it was important to remember that Vall Banc had no properties from foreclosures (see Note 3.5.1.1.1.).
- The tangible assets (mainly IT equipment), for which the decision to discontinue their use was taken, were derecognised.
- Intangible assets from goodwill or customer portfolios originating from previous business combinations were derecognised.
- Intangible assets were derecognised for computer applications as Crèdit Andorrà, SA decided to discontinue their use.

- Lastly, Crèdit Andorrà, SA has not identified any assets or contingent liabilities of Vall Banc, SA which, according to EU-IFRS, would require recognition at a fair value other than the carrying amount at the purchase date.

Therefore, as a result of the process described above, and as can be seen in the above table, the Crèdit Andorrà Group recorded a positive result equivalent to the negative consolidation difference of EUR 7,501 thousand under "Negative goodwill recognised in profit or loss" of the accompanying consolidated profit and loss account. This income was used by Crèdit Andorrà, SA to offset the costs incurred in the operational, financial and commercial integration process initiated after the date of purchase of Vall Banc, a process that was substantially completed on 30 June 2022, when Vall Banc, SAU was registered in the trade registry of Andorra (see Note 3.5.1.3.).

With regard to the costs incurred by Crèdit Andorrà, SA during the operational, financial and commercial integration process mentioned in the previous paragraph, they amounted to a minimum of EUR 9,415 thousand, which were recognised under "Administrative expenses – Staff expenses" (EUR 5,678 thousand) and "Administrative expenses – Other administrative expenses" (EUR 3,737 thousand). Therefore, the 2022 profit for the year shown for comparative purposes the consolidated profit and loss account does not include any non-recurring net positive impact from the purchase and the subsequent absorption of Vall Banc, SAU by Crèdit Andorrà, SA.

3.5.1.3. Merger by absorption of Vall Banc, SAU by Crèdit Andorrà, SA

On 11 April 2022, the boards of directors of Crèdit Andorrà, SA and Vall Banc, SAU signed the Plan for the merger by absorption of Vall Banc (absorbed company) by Crèdit Andorrà (absorbing company), drawn up in accordance with the provisions of Article 79 of the current consolidated text of Law 20/2007, of 18 October, on public limited companies and limited liability companies, approved by the Government of Andorra, in the session of 5 December 2018, by legislative decree published in the Official Gazette of the Principality of Andorra, number . 75, of 12 December 2018. The Merger Plan stated that the merger by absorption of Vall Banc, SAU by Crèdit Andorrà, SA was subject to the mandatory authorisation of the Andorran Financial Authority.

The proposed operation consisted of a merger by absorption that would result in the dissolution (without liquidation) and termination of the absorbed company and the transfer of its equity en bloc to the absorbing company, which would acquire it by universal succession. Since the absorbed company was fully and directly owned (100%) by the absorbing company, the merger was planned without a capital increase of the absorbing company or an exchange of shares.

Pursuant to Article 79.2 of the Companies Act, the merger balance sheets of the absorbing company and the absorbed company were the respective balance sheets for the last financial year, i.e., those as at 31 December 2021, duly audited by PricewaterhouseCoopers Auditores, SL (in the case of the absorbing company) and by Ernst&Young, SL (in the case of the absorbed company).

In accordance with the provisions of IFRS 3 "Business combinations", the date of the merger for accounting purposes was recorded as the date on which the absorbing company took control of the absorbed company under the terms of the aforementioned standard, i.e., 31 January 2022. In fact, this date had already been used previously by the absorbing company as the date of the first consolidation of the absorbed company in its consolidated financial statements (see Note 3.5.1.1.). Therefore, the adjustments shown in the column "Adjustments in fair value" in the table summarising the purchase price allocation process (PPA) (see Note 3.5.1.2.), were integrated into Crèdit Andorrà's individual statement of financial position since the time of the merger.

The merger by absorption was subject to the special tax regime established in the consolidated text of Law 17/2017, of 20 October, on the tax regime for business reorganisation and amending Law 95/2010, of 29 December, on corporation tax; Law 5/2014, of 24 April, on personal income tax; Law 21/2014, of 16 October, on tax bases; Law 20/2007, of 18 October, on public limited companies and limited liability companies; and Law 21/2006, of 14 December, on capital gains tax on real estate transfers, approved by the Government of Andorra in the session on 7 February 2018, by legislative decree published in the Official Gazette of the Principality of Andorra, number 9, of 14 February 2018; given that it fell within the definition of "merger operation" provided for in Article 2(1)*(c)* of the aforementioned law.

The merger plan was approved by the General Shareholders' Meeting of Crèdit Andorrà, SA and by the sole shareholder of Vall Banc, SAU on 19 May 2022.

On 21 June 2022, the Andorran Financial Authority granted the requested prior authorisation for the merger.

Finally, on 30 June 2022, the dissolution of Vall Banc, SAU was recorded in the Register of Companies of the Principality of Andorra.

3.6. Main subsidiaries included in the Group's scope of consolidation and changes in the scope of consolidation

The following is a brief description of the corporate purpose and characteristics of the main companies or subgroups included in the scope of consolidation at 31 December 2023 and 2022.

- **Credi-Invest SA** is a management company for investment vehicles.

  Crèdit Andorrà, SA is the depositary company for Andorran investment undertakings and Banque de Patrimoines Privés, SA is the depositary company for Luxembourg investment undertakings.

  This company, as well as the investment undertakings that it manages, are subject to the supervision and control of the AFA.

  On 8 February 2011, the INAF approved the request by Credi-Invest, SA to extend its activities in order to conduct the discretionary and individualised management of portfolios and to provide investment advice.

  The products offered by Credi-Invest, SA are marketed under the name of Creand Asset Management.

- **Crèdit Iniciatives, SA** is a venture capital company. At 31 December 2023 and 2022, the investee portfolio of this subgroup consisted of SPA ,SA (25%) and CLIGE, SA (25%).

- **Patrigest, SAU** is a holding and asset management company. At 31 December 2023, the investee portfolio of this subgroup consisted of Casamanya Ltd. (50% directly owned by Crèdit Andorrà, SA; 49.97% by Patrigest, SAU; and 0.03% by individuals) and Credi-Invest, SA (20%). In this regard, it is important to note that at 30 December 2022, the dissolution of Casamanya Ltd. was approved, effective of 31 December 2022, and it was liquidated on 16 January 2024. However, at 31 December 2022, the company also held 0.00001% of CA México Asesores Patrimoniales, SA, which was sold in August 2023.

- **Crèdit Capital Immobiliari, SA** is a holding company whose sole activity is the holding and management of the Group's properties.

- **Crèdit Andorrà Panamá Holding, SA** is a wholly-owned subsidiary of Crèdit Andorrà SA whose sole corporate purpose is to act as the parent company of the Crèdit Andorrà Panamá subgroup.

  In September 2008, the Superintendency of Banks of Panama (the supervising authority in Panama) authorised an international banking licence for Crèdit Andorrà. Subsequently, on 17 November 2008, Banco Crèdit Andorrà (Panamá) SA, 100% owned by Crèdit Andorrà Panamá Holding SA, began operations.

  In 2009, the Crèdit Andorrà Group was granted a licence by the National Securities Commission of the Republic of Panama to operate through the securities firm Crèdit Andorrà Panamá Securities SA. This subsidiary, wholly owned by Crèdit Andorrà Panamá Holding SA, focuses its services on brokerage and financial advisory.

  In order to maximise the efficiency and synergies of the subgroup, once the relevant authorisations had been obtained, on 30 June 2012 Banco Crèdit Andorrà (Panamá), SA and Crèdit Andorrà Panamá Securities, SA were merged by absorption, leaving the former as the only resulting company, with an international banking and securities firm licence.

  In addition to the aforementioned companies, at 31 December 2023 and 2022, the Crèdit Andorrà Panamá consolidated subgroup also comprises the following companies: Crèdit Andorrà Panamá Patrimonial, SA (100%) and Private Investment Management Advisors Panamá, SA (100%).

  The Board of Directors of Crèdit Andorrà, meeting on 18 December 2019, proposed to terminate the banking licence of Banco Crèdit Andorrà, SA (Panama) and to maintain the securities licence of Crèdit Andorrà Panamá Securities, SA. However, due to the difficulties that COVID-19 brought to the operational management of the process, the voluntary liquidation and cessation of operations under the international banking licence was not filed with the Superintendency of Banks of Panama until 15 November 2022. The authorisation was approved by the Superintendency of Banks of Panama on 13 January 2023 and notified on 30 January 2023.

  The voluntary liquidation plan stipulates, among others, the following aspects:

  - The loans outstanding at the approval date will be held to maturity and the securities loans or loans for reinvestment in investment portfolios may be renewed and will be held under the same securities brokerage licence.

  - For term deposits, they will be held to maturity.

- Normal operations related to international banking activity will cease upon approval by the regulator and those authorised by law to carry out the voluntary liquidation process for banking operations will be maintained.
- The activities under the securities brokerage licence will remain unchanged in their operation and may continue to be carried out, including the granting of loans for the purchase of securities as an activity covered by the securities brokerage licence.
- Once the liquidation process is completed, the legal name of the entity will be changed.

Taking into account the content of the voluntary liquidation plan (from which it can be deduced that it concerns a partial cessation of activity in which the book value of the assets affected will be recovered mainly through their continued use up to maturity), in accordance with IFRS 5, Crèdit Andorrà does not disclose the financial information related to the activity of Banco Crèdit Andorrà (Panamá), SA under the banking licence.

Appendix III shows the financial position at 31 December 2023 and 2022 and the comprehensive income for the year ended on the same dates of Banco Crèdit Andorrà (Panamá), SA by type of activity.

- **Informàtica Crèdit Andorrà, SLU**. Holding company whose sole activity is the holding and management of the Group's IT assets (both tangible and intangible).

- **Banque de Patrimoines Privés, SA.** On 20 April 2011, Crèdit Andorrà completed the process to acquire 100% of the share capital of the Luxembourg bank, Banque de Patrimoines Privés, SA.

  The acquisition of Banque de Patrimoines Privés, SA was strategic and its purpose was to strengthen the Group's presence in the European market and particularly in international private banking.

- **Banco Alcalá, SA.** On 11 October 2011, Crèdit Andorrà concluded the acquisition of 85% of the share capital of the Spanish bank Banco Alcalá, SA and its subsidiaries Gesalcalá, SA SGIIC and Alcalá Pensiones EGFP, SA (both 100% owned by Banco Alcalá, SA).

  On 4 February 2013, having obtained the approval of the various regulators (INAF, Bank of Spain and the Spanish National Securities Market Commission, CNMV), Banco Alcalá, SA increased its capital by 15%, which was fully subscribed by two new local strategic partners, diluting Crèdit Andorrà's stake from 85% to 72.25%.

  On 7 January 2016, the Bank acquired 9.0301% of the shares of Banco Alcalá, SA held by minority shareholders, bringing the Bank's share at 31 December 2016 to 81.3%.

  On 23 May 2018, the Bank acquired 3.7% of the shares of Banco Alcalá, SA held by minority shareholders, bringing the Bank's share at 31 December 2018 to 85.0%.

  In 2020, Crèdit Andorrà, SA acquired 5.00% of the shares of Banco Alcalá, SA held by one of the minority shareholders, bringing the Bank's shareholding to 89.9%. The amount paid exceeded the amount of the liability recognised on the date by EUR 465 thousand, in compliance with IFRS 10. The Bank, as permitted by applicable accounting regulations, chose to recognise this difference against reserves.

Additionally, during the month of November 2020, Banco Alcalá, SA incorporated a new minority shareholder, with a stake of 9.0% of the share capital, leaving the Bank's shareholding at 81.9%. The entry of this new shareholder is part of the business growth strategy and the development of strategic alliances.

On 24 January 2022, having received the relevant authorisations from the Andorran and Spanish supervisory bodies, Banco Alcalá, SA acquired 100% of the share capital of the securities firm GBS Finanzas Investcapital, AV, SA. This operation, which is part of the Group's growth plan, is aimed at acquiring a new line of business for the Spanish subsidiary. With regard to the economic terms of the operation, it was structured through the establishment of a price determination mechanism that extends over three years following the purchase date, during which time a series of metrics will be measured to serve as the basis for determining the various payments on account and the final payment to be made. In this regard, at 31 December 2022, the operation resulted in the recognition of goodwill of EUR 14,630 thousand under "Intangible assets – Goodwill" (see Note 16.1) and a financial liability of EUR 9,750 thousand recognised under "Financial liabilities at fair value through profit or loss – Other financial liabilities" (see Note 10), corresponding to the portion of the contingent price pending payment at the date. At 31 December 2023, this amount was EUR 5,960 thousand.

On 30 October 2023, the Bank acquired 9.1% of the shares in Banco Alcalá, SA, which were held by minority shareholders, bringing the Bank's shareholding to 91%. The amount paid exceeded the amount of the liability recognised on the date by EUR 3,735 thousand, in compliance with IFRS 10 (see Note 5.2.3). The Bank, as permitted by applicable accounting regulations, chose to recognise this difference against reserves.

Banco Alcalá, SA focuses on global asset management for private and institutional clients, and has branches in Barcelona, Madrid and Valencia.

- **CA Holding Luxembourg, SARL**. A Luxembourg-based holding company established on 29 September 2011.

  In June 2023, the only company included in its scope, CA Holding España, SAU (100%), was liquidated in order to proceed with the liquidation of the company in November 2023.

  At 31 December 2022, CA Holding Luxembourg, SARL included only one company as part of its scope of consolidation:

  - CA Holding España, SAU (100%). The company had the sole corporate purpose to perform the functions of a parent company. At 31 December 2022, the company only had 100% of CA Vincles Actuarial Chile, SPA (liquidated in March 2023).

- **Beta Capital Securities LLC**. On 30 September 2011, Crèdit Andorrà completed the process of acquiring 80% of the share capital of Beta Capital Management LP, a securities firm based in Miami (USA). Additionally, in the same operation, Crèdit Andorrà also acquired 80% of Beta Capital Management LLC (USA). Crèdit Andorrà US GP LLC was created as the holding company for the subgroup and owns 1% of the share capital of Beta Capital Management LP (Crèdit Andorrà SA owns the remaining 79%) and 80% of the share capital of Beta Capital Management LLC.

  On 12 June 2014, Crèdit Andorrà SA acquired the holding held by minority shareholders in Beta Capital Management LP and Beta Capital Management LLC for a total of USD 6,953 thousand and its holding went from 80% at 31 December 2013 to 100% at 31 December 2014. The acquisition was carried out by exercising the put option agreement held by the minority shareholders with Crèdit Andorrà SA for all their shares.

  During 2015, Beta Capital Management LP changed its name to Beta Capital Securities LLC.

  In the course of the 2018 financial year, in order to improve the management of the subgroup and enhance the capacity to reinvest the results obtained by the companies that comprise it, the Group reorganised the ownership of the holdings of the companies that make up the Beta subgroup. Crèdit Andorrà US GP LLC became the sole shareholder of Beta Capital Securities LLC and Beta Capital Management LLC, while Crèdit Andorrà, SA remained the sole shareholder of the American holding company. Ultimate ownership of the different companies was not changed since they were already 100% subsidiaries (directly or indirectly) of Crèdit Andorrà, SA.

  On 16 and 28 November 2018, Crèdit Andorrà received the corresponding authorisations from the Financial Industry Regulatory Authority (Finra) and the Andorran Financial Authority (AFA) to increase the activities of Beta Capital Securities LLC with self-clearing operations, allowing the subsidiary to operate in the area of securities settlement and custody, both in transactions brokered from Beta Capital Securities LLC and possibly by third parties. This new licence has allowed the American subsidiary to extend credit as part of the services that it provides to its clients.

  Once approved by the Financial Industry Regulatory Authority (Finra), self-clearing operations were launched on 16 October 2019.

- **CA Perú Sociedad Agente de Valores de Bolsa.** On 28 September 2012, 51% of Krese Sociedad Intermediaria de Valores SAC of the Republic of Peru was acquired. The company's original purpose was the provision of financial services related to Peru's stock market; however, its corporate purpose has been amended to include the provision of brokerage services. It was registered with the Peruvian Securities and Exchange Commission (Superintendencia del Mercado de Valores, SMV) under its current name.

  On 2 October 2013, the General Shareholders' Meeting of this company agreed to reduce its share capital to zero and also agreed a subsequent simultaneous increase by capitalising the financing, which meant that Crèdit Andorrà SA's share became 100% as it was not subscribed by the minority shareholders.

  On 30 December 2018, CA Perú Sociedad Agente de Valores de Bolsa ceased its stock exchange operations as a securities brokerage firm and, as required by local regulations, began the process of transferring clients to a local third-party brokerage firm.

  On 31 December 2020, all clients were transferred and the company was in liquidation, so the name was changed to CA Perú SAC *in liquidation* and it was shown as discontinued under "Gains or losses after tax from discontinued operations" in the profit and loss account of the Group's consolidated financial statements from 31 December 2020 onwards.

  At 31 December 2023, the liquidation process is yet to be concluded.

- **Crèdit Assegurances, SAU**. Parent company of the Crèdit Assegurances subgroup, its corporate purpose is the practice of insurance operations and the coverage of risks on the basis of private law contracts, including the life insurance branch in any of its modalities. It is subject to the provisions of Law 12/2017 of 22 June on the regulation and supervision of insurance and re-insurance in the Principality of Andorra (see Note 48.1.9). Its sole shareholder is Crèdit Andorrà, SA.

  During 2019, Crèdit Andorrà and Caser Seguros reached an agreement whereby the Spanish company became part of the Group's life risk insurance business in Andorra. As a result of this agreement, Caser Seguros became the owner of 51% of CA Vida Assegurances (a new company set up for the sole purpose of segregating the life risk business of Crèdit Assegurances and thus allowing the transaction with Caser Seguros), and the remaining 49% became owned by Crèdit Assegurances. This insurance banking transaction, which was formally executed and made public before 31 December 2019, once all the relevant regulatory approvals were obtained, was the first of its kind signed in the Principality of Andorra. This operation also involved the signing of an exclusive marketing contract for life-risk products through Crèdit Andorrà's branch network in the Principality, as well as the signing of various service contracts between the parties. As part of the sale price, Crèdit Assegurances, SAU (the seller) recognised a financial asset towards Caser Seguros (the purchaser) for an amount of EUR 6,200 thousand, the collection of which was conditional upon compliance with the business plan agreed between both parties for the following 5 years, in which a maximum of EUR 6,250 may be collected (0 thousand euros in the worst case). Since, as a result of the operation described above, the value of the interest recorded was higher than the company's own funds, the Entity included the share of CA Vida Assegurances in the impairment tests described in Note 16.1, without any evidence of the need to make any adjustment to its carrying amount.

  In 2022, Crèdit Andorrà and Caser Seguros reached an agreement to eliminate the contingent nature of the second tranche of the payment, as Crèdit Assegurances received EUR 3,250 thousand in this respect before the end of 2022. However, on 9 February 2023, Crèdit Assegurances received the remaining EUR 3,000 thousand as the agreed business plan was more than fulfilled (see Note 9.2).

  Crèdit Andorrà Group entered into the business of Grup Assegur in 2020. On the one hand, Actiu Assegurances, an entity owned by Crèdit Assegurances, acquired 50% of Assegur Diversos, a business specialising in non-life products; on the other hand, the Bank became a shareholder of Assegur Vida with the purchase of 50% of the shares. The operation was part of the Group's strategy to seek alliances that guarantee future recurrent growth, increase the capacity for development of the insurance business and contribute added value for the customers of both companies. At 31 December 2020, the Bank and Actiu Assegurances had joint control of Grup Assegur, meaning it was consolidated under the equity method.

  However, in line with the agreement reached with Caser Seguros mentioned above, in financial year 2021 Crèdit Assegurances, SAU sold 19.6506% of its shareholding in Actiu Assegurances to the Caser Seguros Group.

  As a result of, among other things, the operation described in the previous paragraph, Caser Seguros acquired control of Assegur and Assegur Diversos, which resulted in the exercise of the purchase right that the change of control granted the owner of the other 50% of Assegur and

Assegur Diversos. Consequently, on 29 July 2022, the Bank and Actiu Assegurances sold their respective shareholdings in Assegur and Assegur Diversos.

At 31 December 2023 and 2022 respectively, the Crèdit Assegurances subgroup included the Andorran companies Actiu Assegurances, SA (24.9994% and 24,9994%), Financera d'Assegurances, SA (12.97% and 12.79%), Línia Asseguradora Andorrana, SL (12.97% and 12.79%), Consell Assegurador, SA (10.38% and 10.23%), CA Vida Assegurances, SAU (49% and 49%) and CA Life Insurance Experts, Compañía de Seguros y Reaseguros SAU (44% and 0%), as well as the Spanish company Enterprise Risk Management, SA (90% and 90%).

- **SETAP 365, SA.** Company incorporated in December 2021 through the contribution of the shares that Crèdit Andorrà, SA and the Comú de Canillo held in the company Esports de Neu Soldeu-Incles, SA (Ensisa) and almost all the shares that the Comú de la Massana held in the company Estacions de Muntanya Arinsal-Pal, SAU (EMAP). As a result of the valuations of the assets contributed by each of these shareholders, the shareholding of SETAP 365, SA was formed of the Comú de Canillo (40.24%), Crèdit Andorrà, SA (39.80%) and the Comú de la Massana (19.96%).

  Ensisa, in which SETAP 365, SA holds 99.68% of the shares, manages the Soldeu-El Tarter ski resort in Canillo (Andorra) and owns 50% of Neus de Valira SA (Nevasa), an Andorran company whose purpose is the commercial operation of Grandvalira. EMAP, in which SETAP 365, SA holds 99.99% of the shares, manages the Pal-Arinsal ski area.

  The new company SETAP 365, SA was born out of the shareholders' desire to unify the snow business, allowing them to improve efficiency in management and competitiveness on international markets.

  This transaction involved a commercial exchange of two assets (Ensisa shares delivered in exchange for SETAP 365 SA shares), which have a completely different configuration (in terms of risk, business scope, etc.), meaning that the cash flows from the new business were significantly changed in relation to those of the original business, with a subsequent effect on the fair value.

  The nature and scope of the agreements reached between the different shareholders in relation to the governance of SETAP 365 resulted in the existence of joint control of the new company (unlike in the case of Ensisa, where only Crèdit Andorrà had a significant influence). Therefore, the Crèdit Andorrà Group went from consolidating Ensisa by the equity method due to its significant influence (see Note 3.3) to consolidating SETAP 365 by the equity method, but in this case as a company under joint control (see Note 3.2).

  Currently, the market value of SETAP 365, SA is determined by an internationally renowned independent expert by applying the discounted cash flow method based on the Ensisa's and EMAP's financial projections, among other things, during the remaining period of concessions (including the synergies expected from the combination of the contributed businesses) and using the Weighted Average Cost of Capital (WACC) with a core scenario of between 8.02% and 8.32% (9.6% at 31 December 2022).

- **CA Life Insurance Experts Compañía de Seguros y Reaseguros, SAU (CA Life).** Company in which Crèdit Andorrà, SA holds a 44% stake, which has been operating in the life insurance segment in Spain since 2013.

  At December 2023, Crèdit Andorrà, SA sold its share to Crèdit Assegurances, SAU for a price equivalent to the book value (EUR 4,314 thousand), as it was a transaction between two companies under shared control (Crèdit Andorrà, SA still holds 44% of CA Life, albeit indirectly, through Crèdit Assegurances). The aim of this operation is to reorganise the Creand Group's insurance holdings under a single entity that will act as the holding company for the insurance subgroup (Crèdit Assegurances, SAU). The operation, despite being subject to authorisation by the corresponding supervisors, has been accounted for in the individual financial statements of Crèdit Andorrà, SA and Crèdit Assegurances, SAU due to the characteristics described above.

  Crèdit Andorrà, SA has reached an agreement with Arquia Bank, SA to sell it 19% of the capital of CA Life held by Crèdit Assegurances, SAU. Once formalised, the operation will mean that Crèdit Assegurances, SAU retains a shareholding of 25% in the Spanish insurance company. At the date of preparation of these consolidated financial statements, this operation has not yet been accounted for, pending approval by the relevant supervisors.

- **CA México Asesores Patrimoniales, SA de CV.** Company owned by Crèdit Andorrà (99,99999%) and Patrigest, SA (0.00001%), whose corporate purpose is to provide wealth advisory services in Mexico.

  In August 2023, Crèdit Andorrà, SA transferred 100% of the shares representing the company's capital to part of that company's commercial team and recognised a result of -804 thousand euros in the profit or loss for the year (see note 37).

- **Serveis de Mitjans de Pagaments XXI, SA (Sermipa XXI).** Company in which Crèdit Andorrà holds a 33.3% stake, whose corporate purpose and main business is to provide services related to the use of credit and debit cards and other payment methods.

- **Clíniques Geriàtriques, SA (CLIGE SA).** Company in which Crèdit Andorrà holds a 25% stake through the subsidiary Crèdit Iniciatives, SA whose corporate purpose and main business is the operation of care centres for the elderly.
- **Societat Pirenaica d'Aparcaments, SA (SPA SA).** A company in which Crèdit Andorrà holds a 25% stake through its subsidiary Crèdit Iniciatives whose corporate purpose and main business is the management, marketing and operation of car parks.
- **CA Vincles Actuarial, SLU**. In 2019, Crèdit Andorrà, SA acquired 100% of this actuarial consultancy in Crèdit Assegurances, SAU.
- **Ensisa Patrimonis 365, SL.** Company in which Crèdit Andorrà holds a 49.57% stake, whose corporate purpose is the management and operation of own real estate assets (see Note 1.3.).
- **VB Assegurances, SAU.** Company 100% owned by Crèdit Andorrà following the acquisition of Vall Banc (see Note 3.5.), whose corporate purpose is life insurance operations.

  In financial year 2023, as part of the insurance banking agreement it has with Case, Crèdit Andorrà has transferred 100% of VB Assegurances, SAU's insurance business to CA Vida Assegurances, an operation that resulted in a profit of EUR 542 thousand (see Note 37). However, once the company was no longer in existence, Crèdit Andorrà began the process of dissolving and liquidating the company, which, at the date of drawing up these financial statements, had not yet been completed.
- **VB Fons, SAU.** Company 100% owned by Crèdit Andorrà following the acquisition of Vall Banc (see Note 3.5.), an investment institution management company. In this regard, it is important to note that on 29 November 2022, the dissolution of Vall Bank Fons, SAU was approved, as published in the BOPA of 14 December 2022. The company was liquidated in March 2023.

The change in 2023 and 2022 in "Investments in joint ventures and associates" in the Group's statement of financial position, which includes investments accounted for using the equity method, relates mainly to the integration of the change in equity represented by the Bank's interest in the various investees and the corporate operations described above.

However, the main changes in the Group's scope of consolidation in 2023 and 2022 are described in the preceding paragraphs for the main investees included in the scope of consolidation.

4. Shareholder remuneration scheme

4.1. Proposed distribution of profits

The proposed distribution of individual profits that the Board of Directors of Crèdit Andorrà, SA has put to the General Shareholders' Meeting for the financial years 2023 and 2022 is as follows (in thousands of euros):

In thousands of euros	31.12.2023	31.12.2022
Profit for the year	**50,307**	**33,218**
Interim dividend	-	-
Supplementary dividend	25,151	11,000
Restricted reserve allocation Notice 227/12	1,018	2,778
Restricted reserve allocation to guarantee deposits	-	-
Transfer to voluntary reserves	24,138	19,440
Profit pending application	-	-

The profit from the Group's consolidated companies will be distributed in the manner agreed by their respective shareholders' meetings.

4.2. Earnings per share

Basic earnings per share is determined as the ratio between the consolidated net profit attributable to the parent company in the reporting period and the weighted average number of shares outstanding in this period, excluding the average number of treasury shares held during this period.

To calculate diluted earnings per share, both the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted for all the dilutive effects inherent to potential ordinary shares.

The calculation for earnings per share for 2022 and 2023 is as follows:

	31.12.2023	31.12.2022
A. Profit attributable to the parent company (in thousand euros)	71,256	44,476
B. Weighted average number of shares outstanding	894,396	894,396
Basic earnings per share (in euros) (A/B)	**79.67**	**49.73**

The weighted average number of shares outstanding is calculated by taking into account outstanding A shares and E shares, considering the period they have been outstanding without the holder having the obligation or the right to resell them to the Bank (see Note 24).

At 31 December 2023 and 2022 there are no potentially dilutive securities. For this reason, the basic earnings per share and the diluted earnings per share are the same.

5. Risk management

5.1. Introduction and general overview

Risk management in the Creand Group aims to achieve an efficient level of control of all the risks to which it is or may be exposed, in order to guarantee the maintenance of a moderate/low risk profile and a conservative approach to the development of business opportunities.

The following sections provide detailed information about: (1) the Creand Group's risk profile; (2) the Group's strategy when managing the different risks to which it is exposed, including a description of how corporate governance is structured in relation to risk management, how the independence of business areas is ensured and how risk culture is promoted throughout the entire Group; and (3) a detailed description of the exposure to each type of risk and the policies and procedures implemented to control them.

5.1.1. Applicable regulatory framework and principal figures

On 23 January 2019, Law 35/2018 of 20 December on the solvency, liquidity and prudential supervision of banking institutions and investment firms (hereinafter Law 35/2018) was published in the Official Gazette of the Principality of Andorra.

This law, which entered into force on the day following its publication in the Official Gazette of the Principality of Andorra, established regulations pertaining to:

- General prudential requirements with which banking institutions and investment firms must comply with regard to:
  - requirements of shareholders' equity relating to fully quantifiable, uniform and standardised elements of credit risk, market risk, operating risk and liquidity risk;
  - requirements aimed at limiting large exposures;
  - liquidity requirements relating to fully quantifiable, uniform and standardised elements of liquidity risk;
  - the information requirements relating to paragraphs i), ii), and iii), and in relation to leverage;
  - public disclosure requirements.
- The prudential supervision of entities by the AFA in a manner that is compatible with the applicable regulatory standards.
- The publication requirements of the AFA in the area of prudential regulation and supervision of entities.

On 13 March 2019, the Decree approving the Regulation implementing Law 35/2018 of 20 December on the solvency, liquidity and prudential supervision of banking institutions and investment firms was published in the Official Gazette of the Principality of Andorra.

At 31 December 2023, Law 35/2018, and subsequent amendments, requires a liquidity coverage ratio (LCR) of at least 100%. In terms of solvency, the application of the transitional provisions established in the Law, alongside the additional requirement made by the AFA in its supervisory review and evaluation process, establish common equity (CET 1) requirements of 9.83%. Furthermore, the Creand Group must maintain a minimum Tier 1 capital ratio of 11.33% and a minimum total ratio of 13.33%.

The aforementioned regulation aims to transpose in Andorra a regulatory framework equivalent to that of the European Union's prudential regulations, the Capital Requirements Directive 2013/36/EU (CRD IV) and the Capital Requirements Regulation 575/2013 (CRR), as well as the technical implementing regulations.

In relation to the calculation of the expected accounting loss, the Andorran Financial Authority developed and published in December 2018 the *Supervisory Guide on applying IFRS 9: Credit risk management*, which is the reference document in this area and which was updated on 3 November 2020.

In addition, the Creand Group, in its risk control, management and governance activities, takes into account the main European standards and consultative documents, including the following:

- *Corporate governance principles for banks*, by the Bank for International Settlements.

- *Guidelines on common procedures and methodologies for the Supervisory Review and Evaluation Process*, by the European Banking Authority.
- *Guidelines on internal governance*, by the European Banking Authority.
- *Guidelines on credit institutions, credit risk management practices and accounting for expected credit losses*, by the European Banking Authority.

5.1.2. Governance and organisation

The Creand Group's Board of Directors is responsible for establishing, approving and supervising the strategic risk guidelines. These strategic guidelines, as well as the internal risk control framework and the setting of limits reflecting the Group's risk appetite, are defined in the policies, which are approved by the Board of Directors.

The Audit and Risk Committee, chaired by an independent director, is responsible for establishing and supervising Creand's internal control framework to ensure it is adequate and effective, including the establishment of competent, robust and independent risk, compliance and internal audit functions, and to ensure a suitable environment for the preparation of accounting and financial information. The Committee also assumes, by delegation, the key function of setting and overseeing the general risk strategy and risk policy of the Bank and the Group that it heads. This includes the risk tolerance and appetite, the risk management framework, as well as the quantities, types and distribution of both capital and own funds required to cover the risks of the Bank and the Group.

The Creand Group's corporate governance system is structured by a framework that defines the risk management responsibilities following the three lines of defence model recommended by the Basel Committee on Banking Supervision in *Corporate governance principles for banks*. These lines of defence are hierarchically separate and work in a sufficiently coordinated and independent manner to achieve the objectives set out in the policies approved by the Board of Directors.

- The first line of defence is made up of the business units and support areas (including those specialising in risk) that manage risk in accordance with certain policies and limits established by the Board of Directors. Within this line, there is also a first level of risk control that checks that the management and exposure according to risk type is in line with that established by the Board of Directors.
- The second line of defence is provided by the Global Risk Division and the Legal Advisory, Compliance and Anti-Money Laundering Division, which oversee the effective control of risks and ensure they are managed in line with the risk appetite defined by the Board of Directors. The Head of the Global Risk Division and the Head of the Legal Advisory, Regulatory Compliance and Anti-Money Laundering Division have direct access to the Board of Directors through the Audit and Risk Committee.
- Finally, the Internal Audit Department acts as a third line of defence. It regularly assesses the adequacy of the policies, methods and procedures and verifies their effective implementation. The Group's Internal Audit Department reports functionally to the CEO and hierarchically to the Audit and Risk Committee.

This three lines of defence model is complemented by a matrix approach in coordinating risk management in the different international companies forming the Group.

- The different risk control and management areas at the corporate level are responsible for establishing the corporate principles, which are set out in the policies approved by the Board of Directors. They are also responsible for the oversight and monitoring of the risk profiles of all Group companies, ensuring compliance with the corporate policies.
- Locally, each entity has risk management units which, in coordination with the corporate areas, apply the corporate principles and adapt them to their local reality according to their business model and the regulations in force.

Within this organisational structure with local and corporate risk management units specialised by type of risk, the Global Risk Division and the Legal Advisory, Compliance and Anti-Money Laundering Division are responsible for providing senior management and, in particular, the Audit and Risk Committee with a comprehensive view of the risk profile to which the Group is exposed, with a global scope of action in terms of both the type of risks and geography.

Over and above this organisational model of risk management and control functions, senior management has established several committees for risk management decision-making.

- The Assets, Liabilities and Risks Committee (ALCO) is the body that establishes the strategies for the investment of equity and the management of assets and liabilities in accordance with the guidelines issued by the Board of Directors and the Management Committee. As well as specialised management of the structural balance sheet risks, the ALCO, as the risk committee, also monitors the risks to which the Group is exposed in a comprehensive manner. The ALCO meets at least once a month and, additionally, whenever circumstances so dictate.
- The Senior Credit Committee (SCC), is the high-level independent body that approves customer credit operations above certain thresholds and provided that these operations meet certain characteristics that prevent them from being approved by lower levels (Credit Area Committee and Branch Committee, which also have certain delegated approval powers). The SCC meets at least once a month and, additionally, whenever circumstances so dictate.
- The Committee on Anti-Money Laundering and Combating the Financing of Terrorism (CAML/CFT) is the internal control and communication body established under the Prevention of Money Laundering Act. Its responsibilities include the organisation and monitoring of compliance with standards for combating money laundering and terrorist financing. The representatives of the entity before UIFAND are appointed from among its members.
- The Information Security Committee (ISC) is the body that establishes the principles of action, as well as the basic rules of organisation and operation and the rules of conduct of its members. As a risk committee, it monitors major information security incidents, oversees the business continuity management process and major initiatives, and promotes information security awareness and dissemination.

5.1.3. Risk culture

The Group considers that in order to maintain an investment activity with a low/moderate and conservative risk profile, it is essential to have a risk culture throughout the entire organisation that is based on the following levers, among others:

- Involvement of the Board of Directors (which has two independent directors) through the approval of policies relating to risk management.
- Establishment of risk management and control frameworks for each type of risk with defined responsibilities and clearly established risk assumption limits.
- Creation of specialist departments in the management and control of each type of risk, to ensure an adequate segregation of functions between business areas and risk control areas.
- Development of risk management training plans for all levels in the organisational structure, according to the needs of each level of responsibility, so that everyone is aware of the risks inherent to their activity, as well as the internal policies, procedures and restrictions in place.

5.1.4. Types of risk to which the Group is or could be exposed

For the activity conducted by the Group, the main risks to which it is or could be exposed and which are the subject of the Group's risk management and control framework are as follows:

- **Credit risk, including concentration risk**. The risk of loss arising from the inability of the Group's customers, issuers or counterparties to meet their financial obligations to Group entities. Credit risk includes counterparty risk arising from certain financial market transactions. Credit risk may be heightened due to individual, sectoral or geographic concentration risk.
- **Operational risk**. The risk of loss due to the failure or inadequacy of internal procedures, people and systems or due to external events, including legal risk.
- **Liquidity risk**. The risk of loss due to insufficient cash or liquid assets to meet payment obligations on time and at reasonable cost.
- **Structural interest rate risk**. The risk arising from possible variations in the interest rate with a possible impact on the profit or net value of assets. The interest rate risk in the trading book is excluded from this definition.

- **Structural exchange rate risk**. The risk of loss arising from structural net currency positions, due to adverse fluctuations in foreign currency exchange rates with respect to the Group's benchmark currency (euro).

- **Market risk**. The risk of loss incurred in the trading book, both on- and off-balance sheet positions, due to adverse movements in market parameters, their volatility or the correlation between these parameters.

- **Compliance risk**. The risk of loss due to administrative sanctions for non-compliance with legal obligations arising from regulations applicable to any Group entity.

- **Money-laundering risk**. The risk of money laundering and terrorist financing is understood as the risk that the Group could be used to channel, conceal or convert the proceeds of crime for the provision or gathering of funds for terrorist purposes.

- **Actuarial risk**. The risk arising from the insurance activity conducted by the Group. This risk arises as a result of commitments acquired in the underwriting of life and non-life policies of customers, generating exposure to specific insurance business risk, such as premium price risk, mortality risk or the risk of an increase in the claims rate.

- **Strategic risk**. The risk inherent to strategic decisions or external changes, such as changes to the competition or regulatory environment, that may affect the business model or hinder the achievement of objectives, thereby affecting profits and solvency.

- **Reputational risk**. The possible negative impact that a given event may have on the image of the Group, the quality of its services or the transparency of its management. This impact may be on customers and employees, financial markets, shareholders, counterparties, public administrations or supervisory bodies.

5.2. Credit risk management

Credit risk is the most significant risk in the Group's statement of financial position, arising mainly from commercial banking, insurance and treasury operations.

The breakdown—by items and headings in the consolidated financial statements—of the Group's maximum exposure to credit risk at 31 December 2023 and 2022 is shown below, without deducting collateral and credit enhancements obtained to ensure compliance with payment obligations, according to the nature of the financial instruments.

In thousands of euros	Note	31.12.2023	31.12.2022
Financial assets held for trading	9.1	**51,707**	**57,315**
Derivatives		40,641	51,489
Debt securities		11,066	5,826
Non-trading financial assets mandatorily at fair value through profit or loss	9.2	**1,500**	**4,450**
Debt securities		-	-
Loans and advances		1,500	4,450
Financial assets at fair value through profit or loss	10	**242,171**	**151,644**
Debt securities		242,171	151,644
Loans and advances		-	-
Financial assets at fair value through other comprehensive income	11	**284,590**	**267,244**
Debt securities		284,590	267,244
Financial assets at amortised cost		**4,546,382**	**5,084,779**
Loans and advances	12	3,029,475	3,307,141
Credit institutions		430,870	683,111
Customers		2,598,605	2,624,030
Debt securities	13	1,516,907	1,777,638
Derivatives - hedge accounting	14	**209**	**1,413**
Commitments and guarantees given	29	**736,983**	**775,344**
Loan commitments given		539,056	596,757
Financial guarantees given		197,927	178,587
Other commitments and guarantees given		-	-
Maximum exposure to credit risk		**5,863,542**	**6,342,189**

The Creand Group's maximum credit risk exposure at 31 December 2023 and 2022 does not differ significantly from the book values shown in the table above.

5.2.1 Credit risk with customers (loans, advances and commitments to customers)

The Credit Operations and Foreclosed Asset Department is responsible for managing credit risk with customers and is governed by the following principles:

- Governance and integration into management
- Ongoing risk management.
- Due diligence on customer and transaction analysis and monitoring of the life of the risk.
- Independence and objectivity in approving and monitoring risks.
- Efficacy and efficiency in the monitoring process.
- Accuracy and reliability of information.

5.2.1.1. Credit risk management cycle

Approval and granting

The Lending Unit is responsible for assessing the viability of operations and their return according to contractual terms by careful analysis of the quantitative and qualitative factors surrounding them. Some of the main principles analysed and considered in the granting process are described below.

Purpose and viability of the operation and the customer

It is the Group's policy to base the analysis and approval of transactions on the intrinsic repayment capacity of such transactions. In-depth analysis of the purpose of any transaction and the ability to generate cash flows, over and above the associated collateral, determine the repayment capacity and, consequently, the credit risk.

Creand's relationship with its customers is future-oriented and pursues long-term approaches. In this sense, when an applicant is part of a certain economic group, the granting process is carried out taking this fact into account, since the applicant's situation is clearly conditioned by what happens to that group.

In order to facilitate the homogenisation of the different considerations concerning the credit risk of the borrower and/or the transaction/product, and to streamline and homogenise decision-making (during both the granting and monitoring phases), the Group uses a credit risk assessment system based on the combination of two factors: (1) internal ratings for customers; and (2) segmentation of the product in terms of risk (different to commercial segmentation).

Internal rating is defined as a system for the assessment of credit risk in order to grant a debtor (or potential debtor) a credit rating on a numerical scale. However, by combining the internal rating with the type of risk product, the Group assigns to the transaction a probability of default (PD) on the obligations incurred and/or to be incurred.

As required by Group policy, the rating is set at the beginning of the credit relationship with the customer and must be reviewed periodically. The rating is valid for a maximum of 12 months and is therefore required to be renewed at least once a year or at a shorter time horizon in the event of any significant alert in operations and/or variation in any of the factors that may affect its status. For borrowers / economic groups with risk below EUR 25,000 and classified as Stage 1, the rating is renewed automatically and remains the same, provided they have not had past-due amounts for more than 30 days in the last 12 months.

In this regard:

- The Office Committee resolves those proposals that are within its level of authority under the credit risk approval standard and forwards those that exceed its level of authority to the next level of authority, with its reasoned recommendation for or against approval. This Committee is also responsible for maintaining the rating of all customers. It must also analyse the recovery actions to be carried out, if appropriate, provided it has not previously received direct instructions from a higher approval authority.
- The Business Division resolves those proposals that are within its level of authority under the credit risk approval standard and, where appropriate, forwards those that exceed its level of authority to the next authority body, with its reasoned recommendation for or against approval. It is also responsible for the validation of the ratings of borrowers/economic groups with operations at the approval level of the Business Division.

- The Credit Committee resolves those proposals that are within its level of authority under the credit risk approval standard and recommends, or not, proposals to be resolved by the Senior Credit Committee. It is also responsible for the validation of the ratings of borrowers/economic groups with operations at the approval level of the Credit Committee.
- The Senior Credit Committee resolves the lending operation proposals submitted by the Credit Committee when it exceeds its powers. In addition, one or more of its members may request a review by the Committee of the resolutions of other lower levels. Although it is the highest decision-making body for granting operations, it is under the continuous supervision of the Bank's Board of Directors. It is also responsible for the validation of the ratings of borrowers/economic groups with operations at the approval level of the Credit Committee.
- The Board of Directors authorises those credit lending proposals with shareholders holding 5% or more directly and/or indirectly of its share capital and the persons and companies forming part of its economic group; as well as with parties related to the group. By virtue of the delegation of the Board of Directors, the Senior Credit Committee is empowered to authorise operations whose beneficiaries are shareholders with a holding of less than 5% and the persons and companies that form part of their economic group, as well as the Group's investee companies. However, the Board of Directors delegates to the Senior Credit Committee the power to approve working capital and/or consumption operations of shareholders with a holding of 5% or more and their economic groups, and related parties of the Group, provided that these operations are concluded for a term not exceeding twelve months, and do not cumulatively exceed the lower of 3% of the total exposure or €150,000.

On a regular basis, the Monitoring Department will sample the ratings of borrowers/economic groups approved by the Business Division in order to analyse compliance with the guidelines established in the Group. The Group has a procedure for assessing ratings that sets out the qualitative and quantitative factors to be considered in the assignment of a rating. Each of these factors has a weighting that determines the degree of impact on assessment outcome. The value of a rating is between 1 and 10, depending on the repayment capacity, and is distributed as follows:

Rating	Repayment capacity
10	Extremely strong
9	Very strong
8	Strong
7	Adequate
6	Moderate
5	Reduced
4	Low
3	Very low
2	Almost zero
1	Zero

Furthermore, all borrowers who have defaulted (for objective or subjective reasons) are classified as defaulter from that moment on.

Below is a table showing a breakdown of the loan investment by internal rating, including the balance of commitments and guarantees given to customers at 31 December 2023 and 2022.

31/12/2023

	Loans and advances				Commitments and guarantees				Total			
In thousands of euros	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Rating 10 and 9	505,547	492	-	506,039	189,719	117	-	189,836	695,266	609	-	695,875
Rating 8 and 7	1,604,990	18,816	-	1,623,806	513,247	3,189	-	516,436	2,118,237	22,005	-	2,140,242
Rating 6	143,855	363,371	-	507,226	19,654	5,774	-	25,428	163,509	369,145	-	532,654
Rating 5 and 4	80	4,562	-	4,642	-	229	-	229	80	4,791	-	4,871
Rating 3, 2 and 1	4	184	-	188	-	1	-	1	4	185	-	189
Default	-	-	84,836	84,836	-	-	3,194	3,194	-	-	88,030	88,030
No rating	156	506	-	662	-	1,859	-	1,859	156	2,365	-	2,521
Gross book value	**2,254,632**	**387,931**	**84,836**	**2,727,399**	**722,620**	**11,169**	**3,194**	**736,983**	**2,977,252**	**399,100**	**88,030**	**3,464,382**
Credit risk hedging	-28,304	-62,423	-36,567	-127,294	-545	-133	-368	-1,046	-28,849	-62,556	-36,935	-128,340
Net book value	**2,226,328**	**325,508**	**48,269**	**2,600,105**	**722,075**	**11,036**	**2,826**	**735,937**	**2,948,403**	**336,544**	**51,095**	**3,336,042**

31/12/2022

	Loans and advances				Commitments and guarantees				Total			
In thousands of euros	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Rating 10 and 9	473,279	9,609	-	482,888	225,859	1	-	225,860	699,138	9,610	-	708,748
Rating 8 and 7	1,515,297	19,228	-	1,534,525	507,141	1,822	-	508,963	2,022,438	21,050	-	2,043,488
Rating 6	227,255	350,571	-	577,826	29,971	6,196	-	36,167	257,226	356,767	-	613,993
Rating 5 and 4	174	14,196	-	14,370	-	171	-	171	174	14,367	-	14,541
Rating 3, 2 and 1	14	532	-	546	-	3	-	3	14	535	-	549
Default	-	-	150,679	150,679	-	-	3,912	3,912	-	-	154,591	154,591
No rating	104	155	-	259	-	268	-	268	104	423	-	527
Gross book value	**2,216,123**	**394,291**	**150,679**	**2,761,093**	**762,971**	**8,461**	**3,912**	**775,344**	**2,979,094**	**402,752**	**154,591**	**3,536,437**
Credit risk hedging	-8,759	-56,611	-67,243	-132,613	-1,338	-878	-603	-2,819	-10,097	-57,489	-67,846	-135,432
Net book value	**2,207,364**	**337,680**	**83,436**	**2,628,480**	**761,633**	**7,583**	**3,309**	**772,525**	**2,968,997**	**345,263**	**86,745**	**3,401,005**

The table below shows details of loan investment by product segment in terms of risk and including the balance of commitments and guarantees given to customers as at 31 December 2023 and 2022. The risk associated Government-backed loans due to the COVID-19 pandemic is under the “Central banks and central governments” segment and has been mitigated in accordance with this counterpart.

31/12/2023	Loans and advances				Commitments and guarantees				Total			
In thousands of euros	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central banks and central governments	50,037	-	-	50,037	32,199	-	-	32,199	82,236	-	-	82,236
Other public bodies and semi-public bodies	50,829	-	-	50,829	11,557	-	-	11,557	62,386	-	-	62,386
Financial corporates	211,857	1,887	261	214,005	83,926	1,091	10	85,027	295,783	2,978	271	299,032
Other corporate	1,282,879	127,141	66,676	1,476,696	381,744	7,457	3,184	392,385	1,664,623	134,598	69,860	1,869,081
Exposures secured by first home/commercial mortgages	356,485	122,131	17,228	495,844	14,924	152	-	15,076	371,409	122,283	17,228	510,920
Exposures secured by mortgages on land	20,155	39,329	-	59,484	1,418	-	-	1,418	21,573	39,329	-	60,902
Retail - SME	19,785	543	569	20,897	4,938	129	-	5,067	24,723	672	569	25,964
Retail leverage	28,926	110	20	29,056	23,617	-	-	23,617	52,543	110	20	52,673
Retail others	97,392	2,608	82	100,082	29,596	322	-	29,918	126,988	2,930	82	130,000
Speculative financing real estate	123,693	94,182	-	217,875	123,400	2,018	-	125,418	247,093	96,200	-	343,293
Financing venture capital and alternatives	12,594	-	-	12,594	15,301	-	-	15,301	27,895	-	-	27,895
Gross book value	**2,254,632**	**387,931**	**84,836**	**2,727,399**	**722,620**	**11,169**	**3,194**	**736,983**	**2,977,252**	**399,100**	**88,030**	**3,464,382**
Credit risk hedging	-28,304	-62,423	-36,567	-127,294	-545	-133	-368	-1,046	-28,849	-62,556	-36,935	-128,340
Net book value	**2,226,328**	**325,508**	**48,269**	**2,600,105**	**722,075**	**11,036**	**2,826**	**735,937**	**2,948,403**	**336,544**	**51,095**	**3,336,042**

31/12/2022	Loans and advances				Commitments and guarantees				Total			
In thousands of euros	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central banks and central governments	62,858	-	-	62,858	36,147	-	-	36,147	99,005	-	-	99,005
Other public bodies and semi-public bodies	54,048	-	-	54,048	11,608	-	-	11,608	65,656	-	-	65,656
Financial corporates	189,279	8,266	193	197,738	84,058	3,732	-	87,790	273,337	11,998	193	285,528
Other corporate	1,240,300	103,336	94,232	1,437,868	410,411	3,275	3,899	417,585	1,650,711	106,611	98,131	1,855,453
Exposures secured by first home/commercial mortgages	380,854	28,152	49,007	458,013	20,752	138	-	20,890	401,606	28,290	49,007	478,903
Exposures secured by mortgages on land	13,730	142,721	-	156,451	687	-	-	687	14,417	142,721	-	157,138
Retail - SME	23,021	445	637	24,103	4,916	93	12	5,021	27,937	538	649	29,124
Retail leverage	35,644	277	-	35,921	31,617	-	-	31,617	67,261	277	-	67,538
Retail others	94,868	3,390	174	98,432	44,551	289	1	44,841	139,419	3,679	175	143,273
Speculative financing real estate	101,008	107,704	6,436	215,148	108,903	934	-	109,837	209,911	108,638	6,436	324,985
Financing venture capital and alternatives	20,513	-	-	20,513	9,321	-	-	9,321	29,834	-	-	29,834
Gross book value	**2,216,123**	**394,291**	**150,679**	**2,761,093**	**762,971**	**8,461**	**3,912**	**775,344**	**2,979,094**	**402,752**	**154,591**	**3,536,437**
Credit risk hedging	-8,759	-56,611	-67,243	-132,613	-1,338	-878	-603	-2,819	-10,097	-57,489	-67,846	-135,432
Net book value	**2,207,364**	**337,680**	**83,436**	**2,628,480**	**761,633**	**7,583**	**3,309**	**772,525**	**2,968,997**	**345,263**	**86,745**	**3,401,005**

Operation guarantee level

Even where the basic criterion that the repayment capacity of the operation must be justified by the viability of the financed operation and by the borrowers who will carry it out is met, it is also important to consider obtaining additional guarantees, especially in long-term operations.

As such, collateral is considered to be the group of assets and/or solvency affected by securing the fulfilment of an obligation. According to the analysis conducted, each lending operation has a percentage of guarantee coverage over the amount financed (value-to-loan) or (loan-to-value) in terms of financing over the amount of the guarantee. In accordance with the different purposes of lending operations, minimum coverage limits are also established, which may only rarely be exceeded and in no case without the approval of the Credit Committee and/or the Senior Credit Committee.

However, as with the level of credit risk, the level and quality of collateralisation also has an impact on the price of the operation, since eligible collateral is a mitigating factor for credit risk exposure and is therefore considered a determining factor for the price or credit margin. For example, in the case of second home mortgage operations, the Group's policy is to increase the risk premium for the operation with respect to that which would be applied in the case of financing for a first home.

For Lombard leveraged transactions, related to the private banking business, the quantity, quality and liquidity levels of the financial collateral securing them are the main factor analysed in the approval process. In this regard, limits are set on the lending facility (lending value) at the time of granting based on the market value of each asset and its liquidity. The contractual loan-to-value must be respected throughout the life of the transaction being guaranteed. In the event of default:

- When the credit balance, in relation to the market value of the collateral, is equal to or greater than the margin for manoeuvre agreed in the pledge contract, the borrower is required to replenish sufficient collateral.
- When the credit balance, in relation to the market value of the collateral, is equal to or greater than the margin call agreed in the pledge contract, the assets will be partially or fully sold off.

The table below shows details of loans and advances to customers at 31 December 2023 and 2022 by loan-to-value (LTV) ratio and type.

31/12/2023

	Loans and advances				Cash collateral and securities				Mortgage guarantee			
In thousands of euros	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LTV >= 100%	194,088	119,477	27,650	341,215	82,546	2,777	-	85,323	48,277	89,806	24,599	162,682
LTV >= 80%	191,625	10,969	2,163	204,757	121,069	959	-	122,028	88,886	10,395	2,474	101,755
LTV >= 50%	464,691	178,354	33,508	676,553	266,233	5,350	-	271,583	479,682	291,331	57,665	828,678
LTV >= 25%	606,928	60,115	6,571	673,614	454,563	137	-	454,700	1,212,882	149,470	14,603	1,376,955
LTV < 25%	240,840	14,249	1,114	256,203	1,128,000	33,571	-	1,161,571	1,091,931	113,911	7,268	1,213,110
Personal guarantee	556,460	4,767	13,830	575,057	-	-	-	-	-	-	-	-
Gross value	**2,254,632**	**387,931**	**84,836**	**2,727,399**	**2,052,411**	**42,794**	**-**	**2,095,205**	**2,921,658**	**654,913**	**106,609**	**3,683,180**

31/12/2022

In thousands of euros	Loans and advances				Cash collateral and securities				Mortgage guarantee			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LTV >= 100%	162,062	76,690	100,522	339,274	93,332	74	-	93,406	27,281	59,021	83,272	169,574
LTV >= 80%	139,877	4,839	2,856	147,572	53,768	718	-	54,486	105,746	4,422	3,213	113,381
LTV >= 50%	536,482	210,490	30,142	777,114	333,718	7,884	-	341,602	523,429	340,875	54,900	919,204
LTV >= 25%	620,049	65,312	3,716	689,077	609,315	1,094	-	610,409	1,060,275	163,505	9,644	1,233,424
LTV < 25%	238,097	14,805	1,215	254,117	996,437	21,318	-	1,017,755	1,094,396	103,486	12,364	1,210,246
Personal guarantee	519,556	22,155	12,228	553,939	-	-	-	-	-	-	-	-
Gross value	**2,216,123**	**394,291**	**150,679**	**2,761,093**	**2,086,570**	**31,088**	**-**	**2,117,658**	**2,811,127**	**671,309**	**163,393**	**3,645,829**

The segment of transactions with personal guarantees includes exposures to public administrations and semi-public entities, which at 31 December 2023 amounted to EUR 51,754 thousand (EUR 56,158 thousand at 31 December 2022).

Term of the operation

The term is the duration of the requested operation and is a critical variable that adds uncertainty to the operation. The terms of the operations must be consistent with the purpose, taking into account the nature of the investment to be financed. In general, the Group's policy provides for:

- Credit facility operations (to finance leverage secured by securities, company working capital, temporary investments, etc.) are carried out for a maximum term of one year (12 months).
- Operations with a repayment term of more than 5 years (60 months) will require sufficient collateral or guarantees.

  For more information on the terms of operations included under “Customer loans and advances”, see Note 5.3.1.

Price of the operation

The price must cover the total cost and risks associated with the operation and leave the target profit for the operation as a residual. In this regard, as mentioned in the previous points, the different risk factors and their mitigating factors are part of the granting authority policies and affect the admissible price thresholds in each case. The Group, however, works continuously on its internal credit risk models (based on internal ratings, risk products and analysis of external factors) with the aim of continuously improving the measurement and assessment (and hence pricing) of credit risk (see under the heading “Monitoring”).

Monitoring

Adequate credit risk management requires continuous monitoring of borrowers throughout the life of their operations. Risk monitoring is focused on borrowers holding debt instruments and off-balance-sheet exposures that entail credit risk.

The purpose of the monitoring is (1) to determine the quality of the risk assumed with a borrower (internal rating update), and (2) to estimate impairment of operations of borrowers being monitored based on the risk level ratings resulting from the previous point.

Both objectives can be achieved individually or collectively. The Group establishes thresholds to determine the appropriate approach to be taken on the basis of cost/risk optimisation.

Determining the quality of risk assumed with a borrower (internal rating) after the loan is granted.

As mentioned in the “Granting” section, a rating needs to be determined or reviewed for all customers who have ongoing loan investment transactions. The rating is valid for a maximum of 12 months and is therefore necessarily renewed annually whether or not it involves the submission of a new lending transaction.

The account manager and the customer’s branch manager or director are responsible for periodically initiating the monitoring process which should result in an updated rating. As mentioned in the “Granting” section, the validation of ratings is ultimately carried out by the Branch Committee, the Credit Committee or the Senior Credit Committee, depending internal standard of powers in force at any given time.

The periodic monitoring process is carried out, documented and supervised in a more exhaustive manner depending on the levels of risk (both in terms of nominal exposure and the level of risk identified).

As described in Note 2.8.1.1. "Classification based on insolvency risk", the Group has set a series of thresholds in terms of changes to relevant parameters (mainly the internal rating) from the time that credit is granted/originated with the aim of identifying transactions with a significant increase in risk (Stage 2).

Individual monitoring of borrowers or economic groups with significant risk levels

This individualised monitoring of significant risk levels or large exposures is conducted through the regular drawing up of comprehensive monitoring reports. In this regard, borrowers meeting the following requirements must be subject to individualised monitoring:

- Transactions above the materiality threshold. The Bank has defined the following quantitative thresholds.
    - A transaction in Stage 1, when its gross carrying amount exceeds the lower of:
        - 10 million euros, or
        - 5% individual own funds for solvency purposes, taking into account the regulations in force from time to time.
    - A transaction in Stage 2 or Stage 3, when its gross carrying amount exceeds one million euros.

  The Bank will consider all transactions with a holder or economic group as significant when the sum of all the transactions exceeds the previously defined threshold.
- In addition the Bank may give individualised treatment to borrowers/economic groups with transactions classified as Stage 1 or Stage 2 under the following qualitative criteria:
    - If the borrower has taken out eligible collateral not included in the automated collective calculation system that is relevant for calculating the hedge (e.g., pledge of unlisted shares, pledge of credit receivables, etc.).
    - Where repayment of the borrower's debt is primarily supported by cash flows generated through the operation of the business.
    - When there is an unusual situation involving the collateral of a transaction that is not yet reflected in the collective model (e.g., building with structural damage, rezoning of a plot of land, etc.).

The monitoring report will analyse the borrower's economic and financial information in order to ascertain the current situation of the borrower. It must include the following information:

- Identification of the customer/economic group and definition of the scope of analysis.
- Overview of debt.
- List of loan operations.
- Analysis of the customer and their current and future economic and financial position.
- Review of the reasonableness of the current rating and proposal of a new one where appropriate.
- Conclusions of the analysis and final rating.
- Action plan.
- Estimate of expected loss of the customer.

Lastly, the report from the monitoring process must include the reasons for the customer's rating and propose a new rating where appropriate.

The Monitoring Department is responsible for the definitive rating of borrowers when the results of the monitoring report present a rating different to that given by the branch or business areas and, in all cases, when the rating from the monitoring report is less than 5.

As such, the risk quality monitoring process for a transaction or borrower culminates in the updating not only of the internal rating but also of the staging of the transaction. Staging, along with other factors, will determine the method to be used to calculate impairment provisions (see point 2 below) and for interest recognition (see Note 2.10.1.).

The movement in loans and advances to customers by type during the 2023 and 2022 financial years is set out below.

In thousands of euros	Loans and advances				Commitments and guarantees			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Book value at 31.12.22	**2,216,123**	**394,291**	**150,679**	**2,761,093**	**762,971**	**8,461**	**3,912**	**775,344**
Change of stage								
Transfer from Stage 1 to 2	-15,953	15,953	-	-	-1,939	1,939	-	-
Transfer from Stage 2 to 3	-	-4,652	4,652	-	-	-24	24	-
Transfer from Stage 3 to 2	-	68,188	-68,188	-	-	35	-35	-
Transfer from Stage 2 to 1	27,479	-27,479	-	-	738	-738	-	-
					-	-	-	
Net origination	26,983	-55,222	-177	-28,416	-39,150	1,496	-707	-38,361
Foreclosures and assignments	-	-3,148	-	-3,148	-	-	-	-
Recognition of write-offs	-	-	-2,130	-2,130	-	-	-	-
Book value at 31.12.23	**2,254,632**	**387,931**	**84,836**	**2,727,399**	**722,620**	**11,169**	**3,194**	**736,983**

In thousands of euros	Loans and advances				Commitments and guarantees			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Book value at 31.12.21	**1,915,998**	**450,565**	**156,839**	**2,523,402**	**632,465**	**18,380**	**1,109**	**651,954**
Change of stage								
Transfer from Stage 1 to 2	-24,058	24,058	-	-	-4,609	4,609	-	-
Transfer from Stage 2 to 3	-	-28,411	28,411	-	-	-3,189	3,189	-
Transfer from Stage 3 to 2	-	543	-543	-	-	304	-304	-
Transfer from Stage 2 to 1	31,178	-31,178	-	-	8,773	-8,773	-	-
					-	-	-	
Net origination	41,026	-58,670	-30,313	-47,957	85,935	-5,008	-82	80,845
Foreclosures and assignments	-	-	-840	-840	-	-	-	-
Other movements IFRS 3 - BC (*)	251,979	37,384	1,062	290,425	40,407	2,138	-	42,545
Recognition of write-offs	-	-	-3,937	-3,937	-	-	-	-
Book value at 31.12.22	**2,216,123**	**394,291**	**150,679**	**2,761,093**	**762,971**	**8,461**	**3,912**	**775,344**

(*) Vall Banc, SA Business Combination (see Note 3.5.1)

Estimation of impairment of operations and borrowers

The Risk Department is responsible for constructing, maintaining and monitoring the credit risk measurement systems. This department is independent of the business areas, to ensure that risk assessment criteria are not affected by commercial considerations.

The measurement of risk, and therefore its hedging, is structured around the basic concepts described below.

- **Default.** Default is defined as the existence of objective evidence of impairment that implies a borrower is unable to repay its entire credit exposure.

  Creand classifies different transactions with exposure to credit risk on the basis of objective and subjective criteria, although the existence of non-payments of over 90 days is considered irrefutable evidence of impairment.

  Therefore, a transaction or group of transactions may be classified as defaulted or non-performing either for reasons of customer arrears or for reasons other than customer arrears (see Note 2.8).

- **Exposure**. Exposure at default (EAD) estimates the outstanding debt in the event of customer default. This figure is particularly relevant to financial instruments that have a variable amortisation structure depending on the drawdowns made by the customer (credit accounts, credit cards and, in general, any redeemable financing).

  This estimate is based on the contractual balance according to the amortisation schedule agreed with the customer and the current exposure plus a contingent credit risk conversion factor (available limit), which aims to estimate the effective exposure at the time of default. This conversion factor is determined based on the requirements of the reference standard for the calculation of credit risk capital consumption (CDR IV/CRR).

- **Probability of default**. Probability of default (PD) is an estimate of the probability that the borrower will not repay its entire credit exposure.

  Creand estimates PD on the basis of its past experience of default and it incorporates measures to adjust the results to the economic cycle, with the aim of providing relatively stable long-term measures, which may differ from the observed default rates at any given point in time (PD PiT).

  This metric is implemented as part of the management of the banking business, as it is calculated on the basis of the main factors on which the Group's credit risk management is based: the borrower's internal rating, customer segmentation and the type of product in terms of risk.

  The grouping of transactions based on homogeneous segments that coincide with the main management factors is what enables risks to be grouped on the basis of the same anticipated NPL ratio and is, therefore, the basis for developing risk-adjusted pricing policies in each of the segments with an appropriate level of granularity.

  In this regard, the Group estimates the following types of PDs:

  - **Lifetime PD**. This is the probability that a borrower will not repay the entire debt during the expected lifetime of the operation. Due to the long time horizon, to estimate the Lifetime PD, the Group models a number of possible scenarios (core scenario, optimistic scenario and conservative scenario) by incorporating forward-looking parameters that have historically shown a strong correlation with the default levels (chiefly GDP). Thus, Lifetime PD is the weighted average of the scenarios considered, which are assigned a weighting, establishing a core scenario, a conservative scenario and an optimistic scenario.

    - **12-month PD**. This is the probability that a borrower will not repay the entire debt within the next 12 months. Given the short time horizon, to estimate the 12-month PD, the Group does not project possible scenarios using forward-looking parameters, since by definition the differences between the scenarios would be immaterial

- **Loss given default**. Loss given default (LGD) corresponds to the percentage of the debt that cannot be recovered in the event of customer default.

  Creand monitors the results of debt recovery procedures on an ongoing basis. As a result of this procedure, based on historical observations, an estimate is made as to what would be (1) the expected recovery to be obtained from the execution and liquidation of the available guarantees (expected time of foreclosure and sale, costs of sale, valuation adjustments, etc.), and (2) the recovery expected directly from curing the borrower without having to resort to foreclosures.

  In this regard, the expected recovery value is estimated in terms of the net present value based on the initial interest rate of the transaction. In the case of guarantees, the estimate is made based on the type of guarantee (financial guarantee, securities guarantee, mortgages of land and mortgages of land and buildings) and in the case of recovery directly from the borrower based on the time that has passed from the point of default.

- **Expected credit losses**. Expected credit losses correspond to the difference between contractual cash flows for a financial asset and all the cash flows that are expected to be received (i.e., the entire cash flow shortfall), discounted at the original effective interest rate or, for financial assets purchased or originated credit impaired, at the effective interest rate adjusted for credit quality, or the interest rate at the reporting date when it is variable.

  In the case of loan commitments given, a comparison is made between the contractual cash flows that would be due to the Group in the case of a drawdown on the loan and the cash flows expected by the Group if the commitment is drawn down. In the case of financial guarantees given, the payments the Group expects to make less the cash flows the Group expects to receive from the guaranteed holder.

  The Group estimates the cash flows of the transaction over its expected life, and where it is not possible to estimate the expected life reliably, the remaining contractual term of the transaction is used.

  The cash flows taken into account include those for the sale of collateral received, taking into account the cash flows that would be obtained from its sale, less the amount of the costs necessary to obtain, maintain and subsequently sell it, or other credit enhancements that form an integral part of the contractual terms, such as financial guarantees received.

    - **Expected credit losses over the life of the transaction**: the expected credit losses from the estimation of potential default events over the expected life of the transaction given an exposure and guarantees (see definition of lifetime PD).

    - **12-month expected credit losses**: the portion of expected credit losses over the life of the transaction corresponding to the expected credit losses arising from default events that may occur in the 12 months following the reference date (see definition of 12-month PD).

Method for estimating expected credit losses

Hedging calculations can be performed individually or collectively. The Group sets thresholds (see Note 2.8) to determine the appropriate approach based on the requirements of accounting standards (IFRS 9), the level of standardisation of the transactions and the optimisation of the cost-risk ratio.

Collective analysis. Creand divides the collective estimation process for expected credit losses into two phases:

- Calculation of expected credit loss allowance requirements according to the “alternative solutions developed by the AFA”.

  As part of the *Supervisory Guide on applying IFRS 9: Credit risk management* (see Note 1.2), the AFA published percentages of allowances for expected credit losses for a number of segments identified by the regulator. As the Guide explains, these percentages have been estimated by the AFA on the basis of its experience as the regulator of the Andorran banking system, historical default data, credit losses of Andorran institutions and a projection of the future evolution of the principal macroeconomic variables. Consequently, the AFA considers that the percentages represent a reliable estimate of the expected losses from transactions granted to economic operators in the Principality of Andorra.

In order to adapt the alternative to the Bank's best estimate model, specific graduations will have to be applied to the general model through the proposed allowance percentages and guarantee discounts.

- Reasonableness of the hedges calculated using the internal models developed by the Group.

  The Group, using the internal models developed, estimates expected credit losses from a transaction so that these losses reflect:

  - a weighted and unbiased amount determined by assessing a range of possible outcomes;
  - the time value of money; and
  - the reasonable and substantiated information available at the reference date, without disproportionate cost or effort, about past events, current conditions and forecasts of future economic conditions.

  To determine allowances for credit loss, the Bank uses models to estimate the probability of default (PD), the loss given default (LGD), models of recoverable value from mortgage guarantees (haircuts) and adjustments to incorporate lifetime and forward-looking effects.

  The models used to determine allowances are based on the discounted cash flow method (relating to the borrower or the guarantees). The cash flows are estimated based on internal experience of defaults and recoveries in the portfolios.

  In the case of Stage 2 and Stage 3 (for which IFRS 9 requires the recognition of lifetime expected credit losses), the Group generates a baseline scenario for the future focusing on economic variables, as well as a conservative scenario and a favourable scenario that enable it to adjust the expected loss estimates according to a probability weighting. In the case of Stage 1 transactions, only a core scenario is used on the basis of a 12-month time horizon (the result of including or excluding different scenarios would be similar due to the short time horizon used to calculate provisions). In relation to Stage 2 and Stage 3, the scenarios referred to in the previous paragraph are incorporated by using the weighted averages of the PDs from the scenarios considered (see the definitions of Lifetime PD and 12-month PD).

  Definition of scenarios on macroeconomic indicators

  The aim of using different scenarios is to capture non-linearity in the calculation of accounting impairment. To that end, the provisions required in different macroeconomic scenarios are estimated.

  The procedure put in place by the Group for that purpose takes into account:

  - Economic, statistical and financial indicators obtained from external sources (Andorran Department of Statistics, European Central Bank, etc.)
  - Forecasts of economic and financial variables relevant to generate the scenarios considered. The historical series for Andorran real GDP, and the GDP forecasts from the European Central Bank and the Andorran Department of Statistics have been considered with a time horizon of 3 years.

  The probabilities of default of the different segments in the loan portfolio have been extrapolated (see Note 5.2.1.1. "Credit risk management cycle – Approval and granting") by means of a linear auto-regressive model constructed on the basis of historical data and projections made under different scenarios.

The table below shows the results of the projections made for real GDP in Andorra.

Variable	Year projected	Core scenario	Conservative scenario	Optimistic scenario
GDP	2023	1.40%	1.20%	1.80%
	2024	2.20%	1.76%	3.30%
	2025	2.20%	2.05%	2.20%

The use of scenarios makes it possible to calculate the expected loss on an exposure as many times as scenarios considered, where the provision is the weighted average of the expected losses. As mentioned above, to estimate expected losses from credit risk, the Group has determined the following weightings based on the estimated probability of occurrence: (1) core scenario with a probability of occurrence of 60%; (2) conservative scenario with a probability of occurrence of 20%; and (3) optimistic scenario with a probability of occurrence of 20%.

Definition of backtesting

In order to ensure the reliability and consistency of the hedge estimates, the Group has designed backtesting, whereby it compares the estimates made with the actual losses observed, and benchmarking, whereby it compares the estimates with the expected loss estimates in terms of solvency and any other benchmark data considered relevant.

Once the results obtained from the application of the alternative solutions developed by the AFA have been compared with the results offered by Creand's internal models (with the subsequent analysis of the main differences, where appropriate), it is concluded that the recognised hedges do not significantly differ from the estimates.

In this regard, the Group preferably records, on a transitional and conservative basis, the expected losses obtained from the application of the alternative solutions developed by the AFA without its own graduations, pending the availability of a more representative historical contrast that would stabilise the Bank's best estimate model.

Individualised analysis. The specific coverage of the transactions is estimated using an expert and detailed analysis of the customer cash flows, taking into account the situation of the holder and the cash flows expected to be recovered.

The individualised monitoring procedures are applied in portfolios with significant risk exposures and/or with specific characteristics, and consist of the preparation of periodic reports on the economic groups of borrowers in order to assess the existence of objective evidence of impairment and/or significant increase in credit risk since the initial recognition of the borrower.

The Group has a methodological guide for carrying out individual analyses in compliance with IFRS 9. The guide makes a distinction between:

- The method to be applied for individualised analysis of transactions in Stages 2 and 3 (Lifetime).

  To determine the recoverable amount from borrowers subject to individualised analysis, the Group has developed a calculation method that proposes a dual approach. Providing for the particularities of the loan investment, a method is established to calculate the amount of the impairment loss associated with each financial asset individually in the different scenarios and taking into account the forward-looking information available. The method includes the following approaches:

  - Discounted cash flow approach to debt servicing. Used in cases where, although the borrower shows evidence of a significant increase in credit risk, it is estimated that the borrower has the capacity to generate free future cash flows in the development of its business that will enable it to repay the debt. Here it is important to note that a last residual cash flow is considered in the optimistic and baseline scenario projections in order to incorporate the terminal value as a result of applying the "going concern" principle.

  - Collateral recovery approach. Estimates recoverability according to the collateral available to the borrower, assuming an eventual execution of the collateral. This methodology is applied to borrowers without the capacity to generate free cash flows from the development of their own business, so they are forced to liquidate assets to meet debt repayments.

    In this approach, an analysis is made of the effectiveness of the guarantees to be taken into account. Among the factors considered in that analysis will be: the time required to execute the guarantees; the capacity of the entity to execute the guarantees; and its experience in executing them.

    - Mixed approach. Sometimes there is the possibility to combine the two methodologies above, as the debtor has non-essential guarantees for the generation of cash flows to service the debt that may be used to repay the debt. The value of the guarantees is taken into account in determining the recoverable amount (terminal value).

- Method to be used in individualised analysis of transactions in Stage 1 (12 months).

  The individualised analysis of significant or non-homogeneous borrowers with normal risk is methodologically different from that described in the previous point, as expected credit losses are calculated over 12 months, unlike Stages 2 and Stages 3 where losses are calculated over the lifetime.

  In this respect, neither forward looking information nor macroeconomic scenarios are incorporated in the individualised analysis methodology, since the result of including or the not including them would be similar given the time horizon of only 12 months. In general, the method used is the adjustment of the provisions that would result from applying the collective model by adjusting the PD or LGD (that which would correspond to the combination of the internal customer rating and the risk product analysed) on the basis of the analyst's expert view, since their exhaustive and detailed knowledge of the borrower's situation enables them to adjust the parameters arising from the collective model more specifically.

  Below is a breakdown of the customer loans and advances, alongside their hedging levels, based on their default status, the method used to calculate the hedge and, where applicable, the number of days past due.

In thousands of euros	Customer loans and advances 31.12.2023	Customer loans and advances 31.12.2022	Customer commitments and guarantees given 31.12.2023	Customer commitments and guarantees given 31.12.2022	Total customers 31.12.2023	Total customers 31.12.2022
Not in default (Stages 1 and 2)						
Central banks and central governments	50,037	62,858	32,199	36,147	82,236	99,005
Other public bodies and semi-public bodies	50,829	54,048	11,557	11,608	62,386	65,656
Financial corporates	213,744	197,545	85,017	87,790	298,761	285,335
Other corporate	1,410,020	1,343,636	389,201	413,686	1,799,221	1,757,322
Exposures secured by first home/commercial mortgages	478,616	409,006	15,076	20,890	493,692	429,896
Exposures secured by mortgages on land	59,484	156,451	1,418	687	60,902	157,138
Retail - SME	20,328	23,466	5,067	5,009	25,395	28,475
Retail leverage	29,036	35,921	23,617	31,617	52,653	67,538
Retail others	100,000	98,258	29,918	44,840	129,918	143,098
Speculative financing real estate	217,875	208,712	125,418	109,837	343,293	318,549
Financing venture capital and alternatives	12,594	20,513	15,301	9,321	27,895	29,834
Gross value	2,642,563	2,610,414	733,789	771,432	3,376,352	3,381,846
Credit risk hedging	-90,727	-65,370	-678	-2,216	-91,405	-67,586
Net value	2,551,836	2,545,044	733,111	769,216	3,284,947	3,314,260
In default (Stage 3)						
<= 30 days	1,148	3,729	3,194	3,912	4,342	7,641
<= 60 days	4	133	-	-	4	133
<= 90 days	599	67,671	-	-	599	67,671
<= 180 days	2,286	341	-	-	2,286	341
<= 365 days	578	1,084	-	-	578	1,084
> 365 days	80,221	77,721	-	-	80,221	77,721
Gross value	84,836	150,679	3,194	3,912	88,030	154,591
Credit risk hedging	-36,567	-67,243	-368	-603	-36,935	-67,846
Net value	48,269	83,436	2,826	3,309	51,095	86,745
Total	**2,600,105**	**2,628,480**	**735,937**	**772,525**	**3,336,042**	**3,401,005**

Management and recovery of NPLs

Recovery activity is conceived as an integral management circuit that begins even before the default or enforceability of the obligation. The Commercial Department has primary responsibility for managing NPLs.

NPL management principles include:

- Prevention.
- Customer overview.
- Prudence.
- Standardisation and automation.
- Determination of specific recovery circuits.
- Effectiveness and anticipation.
- Alignment with business areas.
- Prompt and immediate recognition.
- Future customer eligibility.

The Group holds regular meetings between the heads of the Credit Operations and Foreclosed Asset Management department and the business units in order to continuously monitor all transactions with suspended ratings, i.e., those that are non-performing or in default and those with indications of increased risk, such as past-due transactions, etc. At these meetings, the various action plans are monitored and the results of the NPL or pre-NPL recovery processes (mainly transactions with past-due balances) are analysed.

Recovery targets are monitored on a fortnightly basis, separating the population already in default from that not yet in default. Therefore, management of the curing period before classification as impaired is important.

Refinancing and restructuring of operations

These operations correspond to those where the customer has had or is expected to have financial difficulties in meeting payment obligations under the current contractual terms and, for this reason, the operation has been changed, cancelled or a new operation has been formalised.

As a general rule, refinanced or restructured operations and new operations are classified in the category of performing with increased risk. However, taking into account the specific characteristics of the operations, they are classified as non-performing when they meet the general criteria for classification as such (for more information, see Note 2.8.1.1. “Classification based on insolvency risk”).

The Group’s exposure to operations that have been refinanced and that, at 31 December 2023 and 2022, have not been remedied amount to EUR 229,392 thousand and EUR 337,314 thousand respectively.

Assets acquired in lieu of debt

Although Crèdit Capital Immobiliari, SA's sole activity is the holding and management of real estate, the Group’s policy is that this special purpose vehicle manages the real estate for the Group’s own use and that the Bank directly holds and manages the assets acquired lieu of debts incurred as part of the banking business.

In general, the Bank acquires real estate assets in lieu of debt via the following channels:

- **Foreclosure** at auction as a consequence of judicial foreclosure proceedings. The auction prices are set, within the limits determined by the applicable legislation at any given time, on the basis of updated appraisals carried out by independent experts (see Note 2.16).
- Through **assignment** or donation in payment by the borrowers with the subsequent subrogation and cancellation of debt. In this case, the prices are determined with reference to the latest available appraisals. For reasons of practicality and diligence, the Group’s policy is to prioritise assignment, wherever logistically and financially possible.

In either case, the entire process is managed by the Recoveries Department, with the collaboration of the Legal Advisory, Compliance and Anti-Money Laundering Division.

For further information on the volume of assets from debt payments (via foreclosure or assignment), see Note 18.

The strategy designed and implemented by the Group for the management/marketing of these assets is mainly the sale via a series of agreements with different real estate agents, which are remunerated with a marketing commission for each unit sold.

5.2.1.2. Movement in impairment provisions

The movement in impairment provisions for financial assets granted to customers at 31 December 2023 and 2022 is as follows:

	Loans and advances				Commitments and guarantees			
In thousands of euros	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit risk hedge at 31/12/22	**-8,759**	**-56,611**	**-67,243**	**-132,613**	**-1,338**	**-878**	**-603**	**-2,819**
Movements affecting net allocations	**-19,549**	**-5,811**	**30,033**	**4,673**	**793**	**745**	**235**	**1,773**
Changes of stage								
Transfer from Stage 1 to 2	37	-37	-	-	3	-3	-	-

Transfer from Stage 2 to 3	-	1,406	-1,406	-	-	10	-10	-
Transfer from Stage 3 to 2	-	-54	54	-	-	-1	1	-
Transfer from Stage 2 to 1	-1,267	1,267	-	-	-14	14	-	-
Changes to models (alternative solutions, updates to assumptions, methods, etc.)	-20,819	-9,462	-	-30,281	-	-	-	-
Net origination and changes to estimates	2,500	1,069	31,385	34,954	804	725	244	1,773
Movements affecting financial margin	**-**	**-**	**-1,482**	**-1,482**	**-**	**-**	**-**	**-**
Impact on recognition of interest Stage 3 (see Note 2.10.1)	-	-	-1,482	-1,482	-	-	-	-
Movements with no change in profit and loss	**4**	**-1**	**2,125**	**2,128**	**-**	**-**	**-**	**-**
Foreclosures and assignments	-	-	-	-	-	-	-	-
Recognition of write-offs	-	-	2,130	2,130	-	-	-	-
Other movements	4	-1	-5	-2	-	-	-	-
Credit risk hedge at 31/12/23	**-28,304**	**-62,423**	**-36,567**	**-127,294**	**-545**	**-133**	**-368**	**-1,046**

In thousands of euros	Loans and advances Stage 1	Stage 2	Stage 3	Total	Commitments and guarantees Stage 1	Stage 2	Stage 3	Total
Credit risk hedge at 31/12/21	**-6,011**	**-60,288**	**-66,204**	**-132,503**	**-1,512**	**-1,815**	**-313**	**-3,640**
Movements affecting net allocations	**-528**	**9,091**	**-4,482**	**4,081**	**246**	**937**	**-290**	**893**
Changes of stage								
Transfer from Stage 1 to 2	117	-117	-	-	180	-180	-	-
Transfer from Stage 2 to 3	-	2,312	-2,312	-	-	294	-294	-
Transfer from Stage 3 to 2	-	-350	350	-	-	-	-	-
Transfer from Stage 2 to 1	-3,676	3,676	-	-	-886	886	-	-
Changes to models (alternative solutions, updates to assumptions, methods, etc.)	-	-	-	-	-	-	-	-
Net origination and changes to estimates	3,031	3,570	-2,520	4,081	952	-63	4	893
Movements affecting financial margin	**-**	**-**	**-401**	**-401**	**-**	**-**	**-**	**-**
Impact on recognition of interest Stage 3 (see Note 2.10.1)	-	-	-401	-401	-	-	-	-
Movements with no change in profit and loss	**-2,220**	**-5,414**	**3,844**	**-3,790**	**-72**	**-**	**-**	**-72**
Foreclosures and assignments	-	-	840	840	-	-	-	-
Recognition of write-offs	-	-	3,937	3,937	-	-	-	-
Other movements IFRS 3 - BC (*)	-2,160	-5,408	-152	-7,720	-38	-	-	-38
Other movements	-60	-6	-781	-847	-34	-	-	-34
Credit risk hedge at 31/12/22	**-8,759**	**-56,611**	**-67,243**	**-132,613**	**-1,338**	**-878**	**-603**	**-2,819**

5.2.1.3. Principal figures

At 31 December 2023 and 2022, the NPL ratio was 3.11% and of 5.46% respectively (2.54% and 4.37% including customer commitments and guarantees given). At 31 December 2023 and 2022, the coverage ratio of provisions to non-performing assets was 43.10% and 44.63%, respectively (41.96% and 43.89% including customer commitments and guarantees given). Furthermore, the coverage ratio, understood as the total level of provisions relative to the volume of exposure to Stage 3 transactions, amounted to 150.05% at 31 December 2023 (88.01% at 31 December 2022).

5.2.1.4. Sector and geographic concentration

The Creand Group monitors credit risk concentration. The details of loan investment by economic sector and geographic region as at 31 December 2023 and 2022 are shown below.

	Loans and advances to customers		Of which in default		Coverage for credit risk	
In thousands of euros	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Concentration by sector						
Public sector	**32,599**	**33,798**	**-**	**-**	**-95**	**-122**
Financial corporations	**235,439**	**215,157**	**566**	**633**	**-408**	**-1,116**
Non-financial corporations	**1,591,796**	**1,579,491**	**66,360**	**100,367**	**-93,302**	**-83,525**
Agriculture, livestock and fisheries	2,545	3,037	1	1	-4	-5
Extractive industries	4	7	-	-	-	-
Manufacturing industry	22,136	25,636	-	33	-445	-411
Construction	271,163	280,837	6,718	7,079	-27,276	-27,748
Wholesale and retail trade	253,327	222,701	17,606	18,303	-8,967	-10,620
Transport and storage	20,173	20,193	8	241	-93	-273
Hotels	59,524	56,721	4,391	20	-1,481	-1,391
Information and communications	20,830	43,792	-	1	-12	-12
Real estate activities	391,599	377,988	28,187	64,676	-12,964	-30,863
Professional activities	268,031	285,487	9,274	9,946	-5,836	-6,348
Public administration and social security	19,154	22,360	-	-	-22	-
Education	5,251	7,863	-	-	-33	-50
Healthcare activities and social services	3,502	3,909	-	-	-12	-14
Artistic and recreational activities	69,815	59,502	-	-	-60	-67
Other services	184,742	169,458	175	67	-36,097	-5,723
Individuals	**867,565**	**932,647**	**17,910**	**49,679**	**-33,489**	**-47,850**
Total exposure by sector	**2,727,399**	**2,761,093**	**84,836**	**150,679**	**-127,294**	**-132,613**
Geographic concentration						
Andorra	2,082,610	2,096,131	82,356	148,197	-126,297	-130,563
Spain	328,960	308,185	2,119	2,170	-418	-1,177
France	5,106	4,541	-	12	-48	-60
Other countries in the Euro Zone	89,747	130,898	265	199	-497	-409
Other European countries	4,577	10,056	-	-	-3	-39
Latin America and the Caribbean	157,045	155,677	1	4	-13	-341
Other	59,354	55,605	95	97	-18	-24
Total exposure by region	**2,727,399**	**2,761,093**	**84,836**	**150,679**	**-127,294**	**-132,613**

5.2.1.5. Update on macroeconomic scenarios

The declaration of the COVID-19 pandemic in 2020 and the measures adopted, with restrictions to economic activity and the movement of people, had economic consequences. To mitigate the potential impacts, the Government of Andorra approved a series of measures, only part of which has been implemented in financial years 2023 and/or 2022 (also see Note 48.2).

From the last guarantee programmes granted by the Government of Andorra, the last loan repayment/conversion of the outstanding debt took place on 3 August 2023. The total loans, resulting from the conversion of the Bank's soft loans, are performing and 100% guaranteed by the Government of Andorra. Below is a breakdown of the outstanding government-backed operations as at 31 December 2023 and 2022:

31/12/2023

In thousands of euros	Number of operations	Amount granted	Amount outstanding risk	Average maturity date

Non-financial corporations	**420**	**67,064**	**49,090**	**28/05/2027**
Agriculture, livestock and fisheries	-	-	-	-
Extractive industries	-	-	-	-
Manufacturing industry	17	682	467	01/09/2027
Construction	44	3,904	2,686	28/06/2026
Wholesale and retail trade	128	33,466	24,713	12/07/2027
Transport and storage	20	5,373	4,134	29/11/2027
Hospitality	82	5,918	4,016	15/11/2026
Real estate activities	76	5,882	4,286	01/04/2027
Public administration and social security	2	1,177	909	01/04/2029
Education	10	390	234	04/01/2027
Healthcare activities and social services	8	325	230	20/04/2027
Other services	33	9,947	7,416	09/10/2026
Individuals	**9**	**997**	**762**	**11/06/2027**
Total outstanding operations	**429**	**68,061**	**49,852**	**29/05/2027**

31/12/2022

In thousands of euros	Number of operations	Amount granted	Amount outstanding risk	Average maturity date
Non-financial corporations	**490**	**69,499**	**60,847**	**05/01/2027**
Agriculture, livestock and fisheries	-	-	-	-
Extractive industries	-	-	-	-
Manufacturing industry	23	877	771	30/12/2026
Construction	47	4,067	3,453	06/05/2026
Wholesale and retail trade	135	29,230	26,062	08/04/2027
Transport and storage	23	5,421	4,858	30/09/2026
Hospitality	103	6,805	5,236	16/07/2026
Real estate activities	95	11,173	9,871	09/12/2026
Public administration and social security	2	1,177	1,066	01/04/2029
Education	11	398	327	12/11/2026
Healthcare activities and social services	11	360	312	25/11/2026
Other services	40	9,991	8,891	14/04/2026
Individuals	**11**	**1,006**	**914**	**06/05/2027**
Total outstanding operations	**501**	**70,505**	**61,761**	**16/01/2027**

In the current global context, increased uncertainty about different social, economic and climatic aspects, as well as the consequences carried over from COVID-19, have led to greater concern in the sector about possible future risks.

The main reasons for this uncertainty are the risk posed by climate change, given that Andorra is a mountainous country, which enables it to promote winter activities that depend on the climate and snow cover and which mainly develop the service sector; inflationary scenarios caused by the rise in commodities prices due to the collateral effects of the anti-COVID measures primarily in China, and in energy prices as a result of economic and trade sanctions imposed on Russia, leading to the rise in interest rates; and lastly, the armed conflicts in Ukraine and Palestine, and their possible spread to Western Asia.

Due to these situations of uncertainty, the Bank has decided to adjust the level of provisions, with a view to being able to anticipate possible future risks within the lending portfolio, following the European Central Bank's recommendations in *Overlays and in-model adjustments: identifying best practices for capturing novel risks*. This publication sets out the "overlays" (generic provision) on the different stages and which have now been applied at 95% of European banks, representing an average increase of 27.9% of the provisions.

The Bank has established, at year-end 2023, a generic "add-on" provision of EUR 35.5 million, which is 27.8% of the total provisions. The following table includes the details for financial years 2023 and 2022.

31/12/2023

In thousands of euros	Collective	Individual	Total
Stage 1	10,674	11,543	**22,217**
Stage 2	2,274	7,188	**9,462**
Stage 3	437	3,408	**3,845**
Total	**13,385**	**22,139**	**35,524**

31/12/2022

In thousands of euros	Collective	Individual	Total
Stage 1	698	699	**1,397**
Stage 2	-	-	**-**
Stage 3	437	3,407	**3,844**
Total	**1,135**	**4,106**	**5,241**

5.2.2. Interbank deposits and debt securities

5.2.2.1. Counterparty and settlement risk

The table below shows the composition of the balance of loans and advances to credit institutions at 31 December 2023 and 2022, according to the credit quality of the counterparty.

In thousands of euros	At amortised cost 31/12/2023	At amortised cost 31/12/2022
Between AAA and AA-	192,025	245,005
Between A+ and BBB	234,986	434,413
BBB-	2,551	3,693
Between BB+ and B+	-	-
Between B and CCC	-	-
D	-	-
N/D	1,308	-
Gross book value	430,870	683,111
Credit risk hedging	-	-
Net book value	**430,870**	**683,111**

In order to control counterparty and settlement risk, and to a large extent the risk of concentration in financial institutions, the ALCO approves counterparty exposure limits for different on- and off-balance-sheet time horizons.

At 31 December 2023 and 2022, the Group has no past due or unpaid positions with credit institutions.

At 31 December 2023 and 2022, the Group recognises its total exposure to lending institutions as normal risk (Stage 1).

The table below shows the composition of the balance with debt securities at 31 December 2023 and 2022, according to the credit quality of the issuer and the valuation model in which they appear in the statement of financial position.

	At amortised cost		Fair value through other comprehensive income		Fair value through profit and loss		Total	
In thousands of euros	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Between AAA and AA-	552,332	641,207	149,026	140,716	10,303	98	711,661	782,021
Between A+ and BBB	931,196	1,103,113	105,345	90,276	107,953	78,260	1,144,494	1,271,649
BBB-	33,964	33,971	24,605	26,710	13,703	3,059	72,272	63,740
Between BB+ and B+	-	-	3,783	1,028	47,486	35,248	51,269	36,276
Between B and CCC	-	-	-	-	10,863	11,301	10,863	11,301
D	-	-	-	-	-	-	-	-
N/D	-	-	1,831	8,514	62,929	29,504	64,760	38,018
Gross book value	1,517,492	1,778,291	284,590	267,244	253,237	157,470	2,055,319	2,203,005
Credit risk hedging	-585	-653	-	-	-	-	-585	-653
Net book value	**1,516,907**	**1,777,638**	**284,590**	**267,244**	**253,237**	**157,470**	**2,054,734**	**2,202,352**

At 31 December 2023 and 2022, the debt securities portfolio does not include any past due or unpaid positions.

At 31 December 2023 and 2022, the Group recognises its total debt securities portfolio as normal risk (Stage 1).

The balance of the debt securities portfolio at 31 December 2023 and 2022, with the rating of BBB+, includes the debt of the Government of Andorra, for an amount of EUR 164,777 thousand and EUR 163,916 thousand respectively.

By means of an internal model for assigning exposure by counterparty, which is intended to establish an internal and objective criterion for measuring the credit quality of the different interbank counterparties and financial institutions, the Group aims to assign the maximum exposure limit, in accordance with the range of limits considered at any given time. A uniform and equitable assignment is then made for each Group subsidiary while respecting the maximum exposure limit assigned.

In terms of the exposure of off-balance-sheet financial counterparties, a grid of ratios is established according to the maturity of the assets in order to weigh the consumption of assets concentrated off the balance sheet. A financial counterparty cap has also been established by adding together the total consumption on and off the balance sheet.

The Global Risk Division also monitors and controls settlement risk by assigning settlement risk limits for each financial lending institution. Settlement risk is the risk that one of the parties of the financial contract fails to deliver an asset or the monetary value of an asset on the settlement date specified in the contract with the other counterparty.

The settlement risk limit for a financial lending institution is at least that resulting from the maximum exposure limit assigned by the counterparty exposure model.

5.2.2.2. Sector and geographic concentration

Within credit risk, special attention is given to counterparty risk and to sectoral and geographical diversification, which are monitored regularly, always respecting the limits set by the ALCO.

Below is a breakdown of the exposure with credit institutions by geographical area as at 31 December 2023 and 2022.

	Loans and advances to credit institutions	
In thousands of euros	**31/12/2023**	**31/12/2022**
Geographic concentration		
France	52,802	213,963
Spain	181,960	260,387
Germany	-	16,015
Luxembourg	192,023	190,011
Other	4,085	2,735
Total	**430,870**	**683,111**

Below is a breakdown of the debt securities portfolios by economic sector and geographic area at 31 December 2023 and 2022:

	Debt securities		Credit risk hedging	
In thousands of euros	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Concentration by sector				
Public sector	1,764,619	2,002,592	-585	-651
Credit institutions and other financial institutions	171,630	115,080	-	-1
Non-financial corporations	119,070	85,333	-	-1
Total exposure by sector	**2,055,319**	**2,203,005**	**-585**	**-653**
Geographic concentration				
Italy	616,900	692,498	-	-
USA	30,711	18,133	-	-
France	554,300	632,927	-436	-497
Spain	521,703	536,464	-56	-63
Germany	23,512	16,434	-	-1
UK	47,630	54,392	-	-
Andorra	167,107	163,368	-91	-90
Other	93,456	88,789	-2	-2
Total exposure by geography	**2,055,319**	**2,203,005**	**-585**	**-653**

Country risk is the risk incurred by counterparties residing in a given country due to circumstances other than normal commercial risk. Depending on the economic evolution of the countries, their political situation, the regulatory and institutional framework, and the rating assigned by the credit rating agencies in each country, the Group classifies its transactions with third parties and assigns to each group the percentages of provisions for bad debts resulting from this analysis.

With regard to exposure by geographical area, the ALCO establishes percentage limits of maximum exposure for countries or groups of countries, as appropriate. The purpose of this is to control the maximum concentration in certain geographies.

The consolidated amount in euros, calculated on a country-by-country basis, includes on-balance-sheet or off-balance-sheet investments with a specific country exposure.

5.2.2.3. Movement in impairment provisions

The movement in provisions for impairment of loans and advances to credit institutions and debt securities during the financial years ending 31 December 2023 and 2022 is as follows.

In thousands of euros	31/12/2022	Net allocations	Exchange rate differences and others	31/12/2023
Loans and advances to credit institutions	-	-	-	-
Debt securities	-653	94	-26	-585
Total hedges	**-653**	**94**	**-26**	**-585**

In thousands of euros	31.12.2021	Net allocations	Exchange rate differences and others	31/12/2022
Loans and advances to credit institutions	-	-	-	-
Debt securities	-58	-603	8	-653
Total hedges	**-58**	**-603**	**8**	**-653**

5.2.3. Derivatives

In order to mitigate exposure to counterparty risk, the Group maintains a solid base of guarantee contracts. Almost all of the risks assumed by derivatives trading are covered by the signing of a standardised ISDA Master Agreement and/or Master Agreement for Financial Transactions, which take into account in their clauses the possibility of netting the outstanding collection and payment flows between the parties for all the transactions covered by these agreements.

In addition, the Group has signed collateral agreements (CSAs) with interbank counterparties, which serve as a guarantee for the market value of the derivatives transactions.

The Group collateralises all derivatives transactions with financial institutions, as well as transactions involving repurchase commitments, hedged by Global Master Repurchase Agreements (GMRAs) or similar.

Below is a breakdown of the net exposure to credit risk associated with derivatives transactions as at 31 December 2023 and 2022.

	Nominal amount		Gross amount		Net collateral (CSA)		Net exposure	
In thousands of euros	2023	2022	2023	2022	2023	2022	2023	2022
Held-for-trading assets	1,860,616	1,371,092	40,641	51,489				
Hedging assets	6,291	45,023	209	1,413				
Gross book value - Asset	**1,866,907**	**1,416,115**	**40,850**	**52,902**				
Held-for-trading liabilities	-1,904,803	-1,372,248	-41,484	-53,960				
Hedging liabilities	-45,841	-13,523	-1,121	-511				
Gross book value - Liability	**-1,950,644**	**-1,385,771**	**-42,605**	**-54,471**				
Total net exposure	**-83,737**	**30,344**	**-1,755**	**-1,569**	**-5,800**	**-42,368**	**-7,555**	**-43,937**

In line with market practice, the CSA agreements contain clauses to determine the levels above which collateral exchange is required and, therefore, the net exposures should not be zero. However, taking into account the credit quality of the counterparties and the limits on collateral exchange, the Group considers the credit risk associated with these transactions to be immaterial.

The amount of liability derivatives held for trading at 31 December 2022 included, in compliance with IFRS 10, the value of the option held by one of Banco de Alcalá's minority shareholders (EUR 2,535 thousand), which was derecognised once it was exercised by its holders (see Note 3.6).

5.3. Liquidity risk management

Liquidity risk is the risk arising from potential difficulties in meeting obligations associated with liabilities that are settled by the delivery of cash or another financial asset. Liquidity risk therefore represents the risk of not having sufficient funds to meet payment obligations to third parties or having to do so at a higher cost.

The Global Risk Division is responsible for monitoring, controlling and reporting to the Assets, Liabilities and Risk Committee (ALCO) regarding liquidity risk and the corresponding regulatory and management liquidity ratios and metrics. The ALCO is responsible for defining liquidity management targets, determining portfolio investment strategies and taking decisions on proposals for balance sheet management.

The key objective for liquidity risk is to establish a robust control and management environment to ensure that payment commitments can be met at all times through high quality liquid assets and other instruments and processes within the Group on a timely basis; and to have a sufficient liquidity buffer to enable the Group to develop its business and achieve its strategic objectives.

The measurement of liquidity risk is approached from the point of view of liquidity needs, i.e., making decisions on how to meet these needs. These measures should cover both the short term and the medium/long term, and always with a global vision, including both retail and wholesale positions.

The Group has a liquidity risk contingency plan in place, which includes commercial and institutional measures to deal with various systemic and/or idiosyncratic crisis scenarios.

5.3.1. Analysis of maturities of financial assets and liabilities

Below is a breakdown of the balances by contractual remaining maturities, disregarding, where applicable, valuation adjustments and impairment:

In thousands of euros	Book value	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2023						
Financial assets (inflows)						
Cash, cash balances in central banks and other demand deposits	349,122	349,122	-	-	-	-
Loans and receivables	3,030,975	499,971	199,202	990,921	886,812	454,069
Credit institutions	430,870	369,791	-	60,852	226	1
Customers	2,600,105	130,180	199,202	930,069	886,586	454,068
Debt securities	2,054,734	10,614	35,901	232,175	1,207,919	568,125
Derivatives	40,850	12,777	14,350	2,798	416	10,509
Book value	**5,475,681**	**872,484**	**249,453**	**1,225,894**	**2,095,147**	**1,032,703**
Financial liabilities (outflows)						
Central bank deposits	63,399	153	16,323	46,923	-	-
Credit institution deposits	46,428	22,920	13,273	8,593	1,642	-
Customer deposits	4,652,491	393,519	483,470	922,822	2,715,360	137,320
Debt securities at amortised cost	51,578	-	-	3,504	14,000	34,074
Financial liabilities at fair value	329,017	20,832	34,414	188,613	85,158	-
Financial liabilities at amortised cost	54,643	54	851	4,601	19,049	30,088
Other financial liabilities	4,966	-	-	-	-	4,966
Derivatives	42,605	16,421	14,035	2,170	711	9,268
Book value	**5,245,127**	**453,899**	**562,366**	**1,177,226**	**2,835,920**	**215,716**

In thousands of euros	Book value	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2022						
Financial assets (inflows)						
Cash, cash balances in central banks and other demand deposits	302,620	302,620	-	-	-	-
Loans and receivables	3,311,591	697,847	156,957	1,016,192	1,217,215	223,380
Credit institutions	683,111	608,032	630	72,959	-	1,490
Customers	2,628,480	89,815	156,327	943,233	1,217,215	221,890
Debt securities	2,202,352	5,696	37,468	287,536	1,421,901	449,751
Derivatives	52,902	723	802	6,640	24,665	20,072
Book value	**5,869,465**	**1,006,886**	**195,227**	**1,310,368**	**2,663,781**	**693,203**
Financial liabilities (outflows)						
Central bank deposits	78,653	67	128	78,458	-	-
Credit institution deposits	73,547	73,547	-	-	-	-
Customer deposits	5,219,871	403,842	528,461	805,242	3,446,940	35,386
Debt securities at amortised cost	51,582	-	-	3,500	14,000	34,082
Financial liabilities at fair value	159,212	5,328	11,000	13,218	129,666	-
Financial liabilities at amortised cost	56,930	58	789	3,475	19,433	33,175
Other financial liabilities	3,795	-	-	-	-	3,795
Derivatives	54,471	749	904	6,483	23,976	22,359
Book value	**5,698,061**	**483,591**	**541,282**	**910,376**	**3,634,015**	**128,797**

The maturity of certain items included in the above tables (mainly customer deposits with no contractual maturity) has been estimated based on the past experience of effective maturities, and this information is consistent with the information used by the Group in its liquidity management.

The Group also has commitments and guarantees given (see Note 5.2), although a significant portion of these amounts will mature without being used or any payment obligation materialising for the Group. Therefore, the aggregate balance of these commitments cannot be considered as a certain future need for liquidity or financing to be granted to third parties to the Group.

5.3.2. Available liquidity

Creand has good availability of liquid assets. These assets can be classified, under regulatory and internal criteria, into different levels according to the degree of liquidity, which will in turn determine the haircut applied for LCR purposes. In general terms, the definitions of these levels are as follows:

- Level 1: coins and notes, central bank reserves and sovereign debt securities and/or those guaranteed by central governments or supranational agencies with a credit rating of at least AA.
- Level 2A: sovereign debt securities and/or those guaranteed by central governments or supranational agencies with a credit rating of below AA, non-financial corporate debt with a credit rating of at least AA and certain mortgage bonds.
- Level 2B: non-financial corporate debt with a credit rating of at least BBB (investment grade) and non-financial listed equities.

The table below shows the market value of volumes of the Level 1, 2A and 2B liquid assets as per the above definition, as at 31 December 2023 and 2022, differentiating between those that are currently available for obtaining additional liquidity and those that are not:

In thousands of euros	Encumbered	Unencumbered	Total	Average haircut	Available liquidity
31 December 2023					
Level 1	256,334	1,838,907	2,095,241	0%	1,838,907
Level 2A	-	625	625	15%	531
Level 2B	6,536	24,275	30,811	50%	12,137
Total assets	**262,870**	**1,863,807**	**2,126,677**	**0.66%**	**1,851,575**

In thousands of euros	Encumbered	Unencumbered	Total	Average haircut	Available liquidity
31 December 2022					
Level 1	417,745	2,132,197	2,549,942	0%	2,132,197
Level 2A	-	-	-	15%	-
Level 2B	-	23,316	23,316	50%	11,658
Total assets	**417,745**	**2,155,513**	**2,573,258**	**0.54%**	**2,143,855**

The level of available liquid assets and the average haircut of 0.66% at 31 December 2023 (0.54% at 31 December 2022) are evidence of the excellent quality of the Group's portfolio.

5.3.3 Key figures

With regard to liquidity ratios, in accordance with AFA Communiqué No. 255/19 of 27 March 2019, the LCR began to be reported according to European standards, as set out in Article 81 of Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking institutions and investment firms.

The LCR is calculated and reported on a monthly basis, under the directives of Commission Implementing Regulation (EU) 2016/322 of 10 February 2016, transposed in Andorra by the Decree of 3 April 2019. This ratio compares the level of liquid assets with the net outflows of liquidity at 30 days, which as established in the second transitional provision of 31 December 2023 is required to be no less than 100%.

In addition, in line with the European standard, through Law 26/2022 the obligation to maintain a minimum level of the Net Stable Funding Ratio (NSFR) was transposed in Andorra, this being set at 100%.

Creand has maintained these ratios comfortably above 100%. The table below shows consolidated liquidity ratios at 31 December 2023 and 2022.

	31/12/2023	31/12/2022
LCR	155.92%	157.71%
NSFR	139.01%	179.46%

5.4. Market risk management

Market risk arises as a consequence of operations carried out in financial markets via financial instruments whose value can be affected by variations in market conditions, reflected in changes in the various assets and financial risk factors. In all cases, market risk relates to the potential loss in the profitability or value of the portfolio resulting from unfavourable movements in market rates or prices.

In order to monitor and control the market risks assumed by the Group, the ALCO approves a global structure of limits implemented through the existence of:

- Geographic investment limits, by type of market and authorised instruments.

- Limits on investment by minimum issuer rating.
- Limits on investment by country risk concentration.
- Limits on volume by portfolio or sub-portfolio.
- Limits for annual and monthly maximum cumulative loss.
- Limits for currency exposure.

The Risk Oversight Department in the Global Risk Division is responsible for monitoring and controlling these limits and the risks assumed.

5.4.1. Exposure to market risk (assets recognised at market value)

This table shows the exposures of assets and liabilities subject to market risk in the trading and non-trading portfolios as at 31 December 2023 and 2022.

In thousands of euros	Book value	Portfolio: trading	Portfolio: non-trading
31 December 2023			
Assets subject to market risk	**732,374**	**55,131**	**677,243**
Derivatives	40,850	40,641	209
Other	691,524	14,490	677,034
Liabilities subject to market risk	**377,582**	**41,484**	**336,098**
Derivatives	42,605	41,484	1,121
Other	334,977	-	334,977

In thousands of euros	Book value	Portfolio: trading	Portfolio: non-trading
31 December 2022			
Assets subject to market risk	**626,112**	**60,400**	**565,712**
Derivatives	52,902	51,489	1,413
Other	573,210	8,911	564,299
Liabilities subject to market risk	**223,433**	**53,960**	**169,473**
Derivatives	54,471	53,960	511
Other	168,962	-	168,962

5.4.2. Market risk oversight

In relation to the measurement, control and management of the different risks, Creand bases the monitoring of market risk on the VaR methodology.

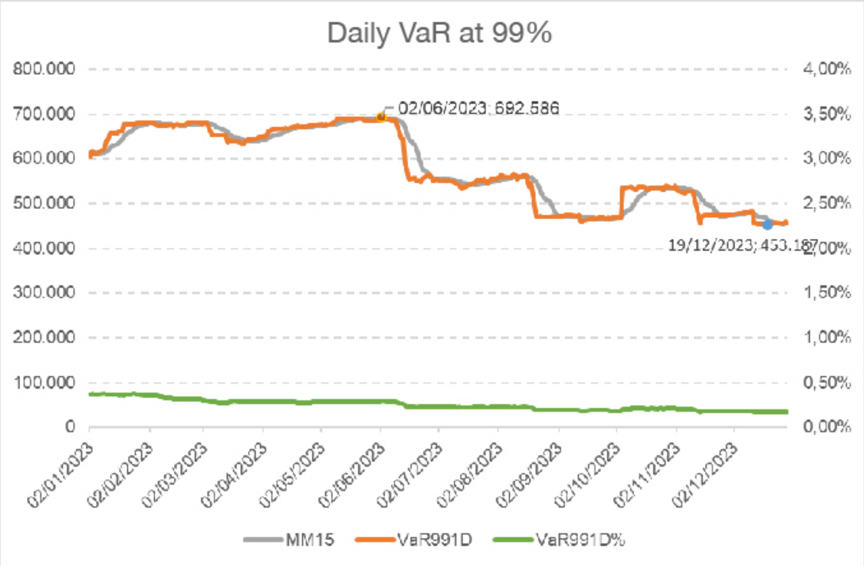
The Bank's VaR calculation method is historical simulation, which calculates the impact on the value of the current portfolio of historical changes in risk factors, taking into account the variations over the last 250 days and a one-day time horizon.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to certain limitations. Among these limitations is the fact that it is a metric that does not include the liquidity risk of the positions. This is a risk that could cause an increase over time of holding the asset in the portfolio, due to insufficient liquidity in the market to be able to close the position, as well as an increase in the cost of liquidating the position in the less liquid assets, thus increasing the potential losses. In addition, a confidence level of 99% does not reflect the potential losses that may occur outside this range. This means that within the model used, there is a 1% probability that losses will exceed the calculated VaR. Another limitation of VaR is that it is calculated on the basis of the day's closing positions and, therefore, does not reflect the contributions from the intraday trading positions.

Another limitation of this method is that the use of historical data for determining the possible range of future variations does not cover those scenarios that have not occurred in the past or those that are exceptional.

To supplement the limitations of the VaR method, stop losses have been set at different time horizons (monthly and annual), as well as concentration limits aimed at limiting the potential effects on trading books.

The graph below shows a summary of the daily VaR for the trading portfolio during the 2023 financial year.



A summary of the 1-day VaR with a confidence level of 99% in the trading book at 31 December 2023 and 2022 is shown below.

	VaR		Average		Maximum		Minimum	
In thousands of euros	2023	2022	2023	2022	2023	2022	2023	2022
Exchange rate risk	-	-	-	-	-	-	-	-
Interest rate risk	-	-	-	-	-	-	-	-
Credit risk	413	573	517	379	657	869	356	149
Equity risk	88	104	98	144	115	243	78	102
Other	257	118	163	75	262	118	116	43
Diversification effect	-299	-185	-197	-143	N/A	N/A	-	N/A
Total	**459**	**610**	**581**	**455**	**693**	**922**	**453**	**243**

The annual highs and lows in the table above are individually expressed by risk factor and/or total VaR. That is why, in this case, the sum of the different factors is not equal to the total VaR and the inclusion of a single diversification effect does not apply.

5.5. Structural interest rate risk

The exposure to interest rate risk should be understood as the potential impact of changes in the benchmark interest rate on the balance sheet items. This effect may cause adverse variations in the Group's economic value and/or financial margin.

The ALCO is the body responsible for defining interest rate risk management objectives, determining portfolio investment strategies, hedging strategies and deciding on structural risk management proposals.

The Global Risk Division is responsible for measuring, analysing, controlling and reporting to the ALCO on the interest rate risk to which the Group is exposed. To properly carry out this task, the Group has an Asset and Liability Management (ALM) working group comprising the Investment, Innovation and Digital Transformation Division, the Financial Planning, Operations and Resources Division and the Global Risk Division. This group is responsible for analysing and validating, prior to submission to the ALCO, both the structural risk monitoring reports and asset management proposals in the statement of financial position.

The Balance Sheet Management and Structuring Department is responsible for the operational implementation of the decisions taken by ALCO with regard to structural interest rate risk management.

The control and monitoring of structural interest rate risk management is performed by means of a series of tools and models aimed at showing the risk profile, on the basis of which maximum exposure limits are established:

- Sensitivity measurement and scenario analysis of interest rate movements and assessment of the impacts that could materially affect the Group. The scenarios used provide for both parallel movements of the interest rate curve and changes in the slope and curvature.
- The metrics analysed in the sensitivity scenarios are the financial margin and economic value. Financial margin sensitivity focuses on the short and medium term, while economic value sensitivity focuses on the medium and long term. These measures complement each other and help to provide an overview of the Group's structural risk.
- Static maturity and repricing gaps, which allow for the analysis of the difference between the assets and liabilities sensitive to different terms and, on the basis of these, the possible sensitivity to rate changes.

The models used also require the development of a number of assumptions as to the behaviour of certain items in the statement of financial position in order to model behaviour as close as possible to reality. Among these assumptions, it is worth highlighting those relating to contracts with options and those with no contractual maturity, such as demand accounts. In these cases, behavioural assumptions are considered on the basis of historical data for these items.

The structural interest rate risk management model is subject to regular review by the Bank's internal and external auditors.

5.5.1. Gap analysis

The static gap shows the distribution of maturities and interest rate revisions at a given date. For the items of the statement of financial position without contractual maturity, their sensitivity to interest rate movements is analysed, together with their granularity and stability, also considering the implicit option of early cancellation of some products by the customer.

The following table summarises the interest rate repricing gap for all of Creand's financial assets and liabilities, excluding portfolios including trading activities:

In thousands of euros	Book value	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Not sensitive
31 December 2023							
Cash, cash balances at central banks and other demand deposits	349,122	226,874	-	-	-	-	122,248
Loans and receivables	3,030,975	1,923,848	302,346	559,269	129,821	95,350	20,341
Credit institutions	430,870	370,018	-	60,852	-	-	-
Customers	2,600,105	1,553,830	302,346	498,417	129,821	95,350	20,341
Debt securities	2,054,734	41,734	86,988	129,200	1,164,230	483,317	149,265
Other assets	49,279	-	-	-	-	-	49,279
Total assets	5,484,110	2,192,456	389,334	688,469	1,294,051	578,667	341,133
Financial liabilities at amortised cost	4,873,505	1,453,008	28,698	28,620	3,310,114	52,668	397
Central bank deposits	63,399	53,000	-	10,399	-	-	-
Credit institution deposits	46,428	44,788	-	-	1,640	-	-
Customer deposits	4,652,491	1,340,460	305	18,221	3,293,505	-	-
Debt securities	51,578	-	-	-	-	51,578	-
Other financial liabilities	59,609	14,760	28,393	-	14,969	1,090	397
Financial liabilities at fair value	329,017	53,452	83,048	100,540	89,142	1,821	1,014
Other liabilities	84,260	-	-	-	-	-	84,260
Total liabilities	5,286,782	1,506,460	111,746	129,160	3,399,256	54,489	85,671
Interest rate risk hedging effects	-	57,647	-1,676	-3,259	-17,932	-34,780	-
Total net	**197,328**	**743,643**	**275,912**	**556,050**	**-2,123,137**	**489,398**	**255,462**

In thousands of euros	Book value	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Not sensitive
31 December 2022							
Cash, cash balances at central banks and other demand deposits	302,620	270,311	-	-	-	-	32,309
Loans and receivables	3,311,591	1,479,594	380,606	562,495	203,710	684,221	965
Credit institutions	683,111	416,693	9,341	7,380	-	249,697	-
Customers	2,628,480	1,062,901	371,265	555,115	203,710	434,524	965
Debt securities	2,202,352	37,791	26,629	245,267	963,751	928,914	-
Other assets	57,856	-	-	-	-	-	57,856
Total assets	5,874,419	1,787,696	407,235	807,762	1,167,461	1,613,135	91,130
Financial liabilities at amortised cost	5,484,378	1,078,534	23,176	132,880	3,197,677	1,048,315	3,796
Central bank deposits	78,653	-	-	58,719	-	19,934	-
Credit institution deposits	73,547	73,547	-	-	-	-	-
Customer deposits	5,219,871	1,004,929	22,387	70,686	3,178,244	943,625	-
Debt securities	51,582	-	-	-	-	51,582	-
Other financial liabilities	60,725	58	789	3,475	19,433	33,174	3,796
Financial liabilities at fair value	159,212	15,852	2,000	9,234	132,126	-	-
Other liabilities	83,040	-	-	-	-	-	83,040
Total liabilities	5,726,630	1,094,386	25,176	142,114	3,329,803	1,048,315	86,836
Interest rate risk hedging effects	-	57,647	-1,676	-3,259	-17,932	-34,780	-
Total net	**147,789**	**750,957**	**380,383**	**662,389**	**-2,180,274**	**530,040**	**4,294**

5.5.2. Sensitivity analysis

The sensitivity measure on the financial margin shows the possible impact on the repricing of transactions included in the statement of financial position caused by changes in the yield curve. This sensitivity is obtained by comparing the simulation of the most probable financial margin with other forecast scenarios of decreases or increases in rates and shocks in the slope of the curve.

The sensitivity analysis performed does not assume a zero floor for sections of the curve with negative interest rates. Specifically, the Group has implemented the assumptions derived from the Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02 and EBA/GL/2022/14) and the principles of *Interest Rate Risk in the Banking Book* (IRRBB) of the BIS, which take into account:

- The application of six scenarios: parallel shock up; parallel shock down; steepener shock (short rates down and long rates up); flattener shock (short rates up and long rates down); short rates shock up; and short rates shock down.
- The setting of a floor on the shifted curve for the scenario of a decline of -100 basis points (bp) for immediate maturities; the floor increases 5 bp per year up to 0% for maturities of 20 years and more.
- The impacts of the margin, on the one hand, and economic value, on the other, of each currency are added linearly to each rate scenario; the impacts of those currencies that generate an increase in the scenario are weighted by a factor of 50%.
- Different shocks depending on the currency in order to capture heterogeneous economic environments across jurisdictions.
- The adjustment for the remuneration of unstable demand balances considering the assumptions of behaviour under different scenarios of interest rate increases.
- The sensitivity of the economic value to interest rates measures the impact of changes in interest rates on the present value of statement of financial position items. This sensitivity is measured by comparing the calculation of the Group's economic value and considering the changes in market interest rates, and dividing the result by the Group's Tier 1 capital.

The economic value and financial margin sensitivities to parallel shifts in the yield curve at 31 December 2023 and 31 December 2022 are as follows.

	Economic value sensitivity		Financial margin sensitivity	
In thousands of euros	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Parallel shock up scenario	2.6%	4.5%	12.2%	19.6%

Parallel shock down scenario	-5.2%	-9.1%	-12.3%	-19.8%

5.6. Structural exchange rate risk

This is the risk of losses arising from structural net foreign currency positions due to changes in the exchange rate of foreign currencies against the Group's benchmark currency, the euro. The Group's statement of financial position includes assets and liabilities in currencies other than the euro, due to the consolidation of subsidiaries that operate in other currencies, business activity conducted with customers who operate in other currencies and the Group's investments in assets with foreign currencies.

The ALCO is responsible for defining and overseeing strategies for managing this type of risk, so as to control the possible impact of exchange rate fluctuations on the Group's solvency and on the euro equivalent value of investments and gains or losses of subsidiaries with currencies other than the euro.

The Investment, Innovation and Digital Transformation Department is responsible for the daily control of the overall exposure in each currency, a position calculated on an aggregate basis for the spot and forward position. A maximum exposure limit is established on this net open position for all currencies. To manage this exposure, the department can hedge with spots, forwards and derivatives. This maximum open currency position limit amounts to EUR 5,000 thousand.

Below is the open position in the main currencies to which the Bank has open exposure (equivalent in euro), calculated on both spot and forward transactions at year-end 2023 and 2022.

Open position (in thousands of euros)	31/12/2023	31/12/2022
GBP	510	21
CHF	-491	2
USD	248	-469

5.7. Operational risk

The Creand Group, pursuant to the criterion established by the Basel Committee on Banking Supervision, defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This broad definition includes several types of risks, such as fraud, commercial practices, conduct risk, legal risk, technological risk, cybersecurity or human error, but expressly excludes risks such as strategic or business risks and reputational risk.

Given the broad scope of operational risk, both in terms of the different types of risk and due to the fact that all processes, systems, people and lines of business are exposed to said risks, the Group has decided to actively manage its operational risk by establishing the following management objectives:

- Identify the exposures to operational risk in all entities that are part of the Creand Group and in all their processes.
- Assess the level of exposure to operational risk and the effectiveness of the current control environment, with the aim of monitoring the Group's operational risk profile and prioritising risk management.
- Manage operational risks by defining plans for improvement and mitigation.
- Perform ongoing monitoring of operational risk, identifying new sources of operational risk or changes in the level of exposure to operational risk, always ensuring senior management is informed of the evolution of the Group's operational risk profile.

5.7.1. Corporate governance model in the management of operational risk

The General Management and the Board of Directors are directly involved in managing operational risk by approving the operational risk management policy and periodically monitoring the evolution of the Group's risk profile.

The Risk Oversight Department, which is part of the Global Risk Division, is responsible for developing the operational risk management framework of the Group as a whole. The principal functions it performs in this area are:

- Assisting the Board of Directors in approving an operational risk management policy which establishes a management framework that enables operational risks to be identified, assessed and managed.
- Establishing methodologies for identifying, assessing and monitoring operational risk, as well as providing the Group with the necessary tools for implementing said methodologies.
- Leading the process of self-assessment of operational risk and the compilation of operational risk losses that materialise in the different entities that form part of the Group.
- Promoting an operational risk culture by means of actions such as the definition of policies and procedures relating to operational risk, establishing the figure of the operational risk coordinator in each department and providing these coordinators with training.
- Monitoring the Group's operational risk profile, while keeping senior management informed of its evolution.

The operational risk coordinator, in addition to their functions within the department, works directly with the corporate operational risk control function to identify, assess, manage and report operational risk events to the department.

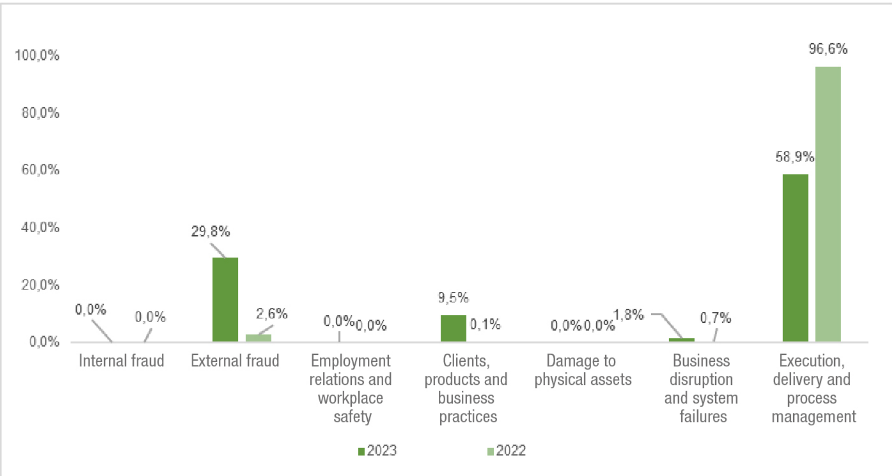
5.7.2. Tools and methodologies for managing operational risk

The operational risk management framework defined by the Creand Group provides for the integration of quantitative and qualitative methodologies, combining a retrospective view of the losses that have materialised for the Group with a forward-looking view of the exposure to future risk provided by the self-assessment of risks and controls and the scenario analysis.

The pillars on which the operational risk management methodology is based are as follows.

- **CAM-ROP (control, analysis and mitigation of operational risk) database of internal losses due to operational risk.** The Group has created an internal database that includes the events involving losses due to operational risk. This database is a quantitative tool that allows understanding and analysis of the operational risk profile based on calculated losses, which have been analysed and classified based on the type of risk, line of business and department affected, using the criteria set by the Basel Committee on Banking Supervision. The CAM-ROP database has been developed internally within the Bank and contains historical data on operational risk losses from 2013 onwards. Along with the database of losses caused by operational risk, the Group has approved several policies and procedures that enable the Risk Oversight Department to receive information related to all operational losses that materialise in all entities that are part of the Crèdit Andorrà Group.

  During the 2023 and 2022 financial years, the percentage distribution of losses due to operational risk based on the types of operational risk under Basel was as follows:



- **Self-assessment of operational risks and controls**. Self-assessment is a qualitative methodology that complements the retrospective vision of the internal database through the identification of the operational risks inherent in all the processes of the different entities comprising the Group, the controls that exist for mitigating these risks and a forward-looking assessment of the likelihood and severity of the resulting residual risk, after taking into account the mitigation provided by the existing controls.

The self-assessment methodology defined by the Group includes techniques such as the analysis of scenarios and losses due to external operational risks, which for certain operational risks assist in carrying out a more accurate qualitative assessment of the level of risk exposure, when a sufficient historical basis is not available.

In order to support this self-assessment process, the Group has developed the ARC-ROP tool (for the self-assessment of risks and controls of operational risks), which in addition to becoming the repository of processes, operational risks and controls for the entire Group, provides the necessary functions for conducting the self-assessment methodology defined and for generating the operational risk maps.

After the definition of the internal methodology and the development of the ARC-ROP tool, a complete self-assessment was carried out in relation to the operational risks and controls of all the business lines and teams of the Group's entities. A complete review of the map of processes, operational risks and controls is currently underway, covering the Creand Group's banking activity (parent company and banking subsidiaries).

- **Regulatory capital calculation**. Law 35/2018 on solvency, liquidity and prudential supervision of banking institutions and investment firms adapts the European Union CRD IV and CRR to the Andorran legal framework. This law introduces the capital requirement for operation risk and allows entities to use the basic indicator approach or the standardised approach, subject to compliance with a series of requirements set out in the law and after giving notice to the supervisor. The Group calculates its own capital requirements for operational risk in accordance with the basic indicator approach. This calculation provides the capital requirement that must be held to ensure the Group's solvency in the event of unexpected losses due to operational risk.

- **Monitoring and reporting.** The Risk Oversight Department carried out bottom-up and top-down reporting on the operation risk situation. Bottom-up reporting is provided periodically to the ALCO and senior management with the operational losses that have occurred, as well as the self-assessment developments. Top-down reporting is provided to all the departments in the Group to inform them of the developments in their operational risk profile.

5.8. Compliance and conduct risk

The Bank's objectives in managing compliance and conduct risk are: (1) to minimise the likelihood of irregularities occurring with regard to current legislation and internal regulations; and (2) to ensure that any irregularities that do occur are identified, reported and promptly resolved. In addition, certain actions by the Bank may result in a loss of confidence in the entity, or reputational risk.

These risks can be defined as follows:

- The risk of non-compliance is the risk of incurring legal or administrative penalties or financial losses or damage to reputation due to non-compliance with laws, regulations, internal rules and codes of conduct applicable to the banking business.
- Conduct risk refers to the risks associated with the conduct of the Bank's personnel and with respect to dealing with customers and investors, miss-selling of financial products, non-compliance with rules and/or market abuse.
- Reputational risk is the risk arising from the Bank's actions that could cause negative publicity relating to its practices and business relationships, leading to a loss in confidence in the Bank and, thus, affect its solvency.

The Bank's organisational model is based on the identification and management of risks, and part of these risks are structured around the Legal Advisory, Compliance and Anti-Money Laundering Division which, among other functions, is responsible for managing compliance and conduct risks.

The Bank's strategy to minimise these risks is based, among other things, on the following pillars:

- Oversight of the management and control of non-compliance and conduct risks through a committee structure designed by senior management to address these risks: Management Committee; Assets, Liabilities and Risks Committee; Strategy Committee; Senior Credit Committee, Ethics Committee; and Anti-Money Laundering Committee, which performs the function of the Internal Control and Communication Body (ICCB).

- The existence of corporate policies prepared on the basis of both Andorran and international law and best practices in this area. These policies are subject to a centralised and regular review and verification.
- The empowerment of the Compliance Department as a unit independent of the functions of the business areas. In addition, in terms of the second line of defence, it is responsible for monitoring compliance with applicable laws and internal regulations, overseeing compliance with the Creand Group's code of ethics and the internal code of conduct on securities markets of Crèdit Andorrà, SA, as well as proposing improvements.
- The drawing up of rules and procedures that develop the content of the Group's policies and codes mentioned above, which are approved by the Bank's relevant bodies.
- The existence of a Customer Service Unit, responsible for processing and resolving the complaints and claims of customers and users of the Bank's services, in order to identify the reasons for their dissatisfaction, provide suitable solutions for each case and propose improvements. Furthermore, the Chief Compliance Officer (hereinafter, "CCO") is the head of the anonymous Whistleblowing Channel, which allows employees to report any conduct, activity or event detected within the organisation that may constitute a breach of the law and/or Bank's internal rules of conduct.

The Bank's Board of Directors is responsible for approving, within the area of compliance and conduct risk, the documents that make up the Bank's framework for action, which to date are as follows:

- The Creand Group Code of Ethics.
- The Crèdit Andorrà, SA Internal Code of Conduct on the Securities Markets.
- The Crèdit Andorrà, SA Conflict of Interest Management Policy.
- The Compliance Policy.
- The Policy on the Prevention of Money Laundering and Combating the Financing of Terrorism.
- The Asset Protection Policy.

The compliance function reports to the Audit and Risk Committee on a regular basis, through the head of the Legal Advisory, Compliance and Anti-Money Laundering Division, and through the preparation and presentation of a quarterly report.

5.8.1. Regulatory Compliance Unit

The Regulatory Compliance Unit is part of the Regulatory Compliance and Anti-Money Laundering Department, and it is the internal independent unit responsible for identifying, assessing, overseeing and reporting—in an effective, independent and ongoing basis—the risk of non-compliance with applicable legislation and internal rules. It is also tasked with advising Senior Management on matters of regulatory compliance and providing guidance and training to personnel.

The main functions of the Regulatory Compliance Unit are:

- Periodically reporting the results of the compliance risk assessment to the Bank's Senior Management, stating the most relevant aspects that may have arisen, indicating in particular whether the appropriate measures were taken in the event of shortcomings.
- Identifying and assessing compliance risk in order to determine the principal objectives of the monitoring and advisory activities to be carried out, leading, inter alia, to the definition of an action plan for the year.
- Promoting and developing a culture of compliance by drawing up policies and internal rules, as well as providing training and advice.

Among others, the responsibilities of the unit include: a) investor protection in the provision of investment and ancillary services; b) the internal code of conduct on securities markets and market abuse; c) conflict of interest management policy; d) automatic exchange of tax information (FATCA, QI and CRS); e) complaints handling and resolution service and whistleblowing channel; and f) legislative monitoring of all the jurisdictions where the Group operates.

The unit has been consolidated as a control function of the second line of defence, reporting independently to Senior Management through the head of the Legal Advisory, Compliance and Anti-Money Laundering Division.

The function has also been in the Bank's following projects:

- Responsible Banking – UNEP FI.
- SFDR, ESG, SRD II, EMIR and BMR regulations.
- Foreign investment.

5.9. Money laundering and terrorist financing risk

Money laundering and terrorist financing risk should be understood as the risk that the Entity may be used to channel, conceal or convert into lawful funds or securities the proceeds of crime, or for the provision or gathering of funds or securities for terrorist purposes.

Money laundering and terrorist financing are a national and international concern, which lead, inter alia, to reputational damage to financial institutions and undermine relations with intermediaries, regulators and the general public.

The Bank and all its business areas and subsidiaries have the strategic mission to have in place an advanced and effective system to prevent money laundering and terrorist financing (AML/CFT) that is constantly adapted to national and international regulations and standards on the matter. The purpose of such a system is to deal with the emergence of new techniques by criminal individuals and organisations and to prevent Group entities from being used for illicit purposes that could affect the reputation of the Group and/or the countries in which it operates.

For this reason, the Bank bases its money laundering and terrorist financing prevention policy on the following lines of action:

- Having a suitable structure in terms of the organisation, human resources and materials sufficient for the prevention of money laundering and terrorist financing, with the aim of developing the banking business, the insurance business and any other business conducted by the entities within the Bank, in accordance with the regulations in force and applying the best practices for each sector.
- Having policies, internal procedures and prevention and control systems in place to prevent the use of the Group entities to channel money laundering or terrorist financing operations.
- Having the necessary communication procedures and resources (internal and external) to report the detection of indications or operations that could be related to money laundering or terrorist financing or any other as determined by the legislation in force.
- Ensuring that all Bank employees are duly trained and aware of the policies, procedures and regulations in force on the prevention of money laundering and terrorist financing, in particular those related to identification, knowledge of the customer and detection of suspicious operations.
- Submitting its policies, internal rules and procedures to periodic review by internal and external auditors.

In order to guard against this risk, the Bank takes appropriate measures to identify, assess and understand its money laundering and terrorist financing risk, considering all relevant risk factors before determining its overall level of risk and the appropriate mitigation measures. These risk factors include factors relating to customers, countries or geographical regions, products, services, transactions and distribution channels.

The Group entities adopt the appropriate measures to identify, assess and understand their money laundering or terrorist financing risks by regularly preparing risk assessments and definitions. In the case of the Bank in particular, it prepares an individual risk assessment (IRA), duly documented and approved by the Board of Directors.

The policies, procedures, measures and controls for the mitigation of the risks must be consistent with that self-assessment, with the aim of identifying those areas which are most vulnerable and in which, consequently, most efforts and measures to reduce and mitigate the risk should be concentrated.

In addition to the policy mentioned above, the Bank has the following tools to prevent the Group's entities from being used for criminal purposes:

- A customer classification system built on a risk-based approach (RBA), in accordance with the best international standards, the approval of which requires different hierarchical and organisational levels.
- An Internal Control and Communication Body (ICCB).
- Dedicated or shared human resources with a support structure appropriate to the risk and size of each entity.
- Procedures that develop the above policy and that are adapted and updated regularly. These procedures are designed by the Bank's Anti-Money Laundering Unit and are approved by the competent bodies according to the type of document.
- A range of technological tools that allow for AML/CFT controls, such as identifying politically exposed persons, automatic supervision of operations and control of transfers and customers, among others.
- Regular and independent supervision which, depending on the entity concerned, may be carried out by an external expert hired by the subsidiary itself, by the regulator or by the Bank's Internal Audit Department, the function of which is corporate. In relation to this point, monitoring by the Bank's corporate function is ongoing, through regular requests for information and documentation that allow for the accreditation of the degree of progress in compliance with the recommendations made, both by the Internal Audit Department and external auditors.
- For a period to be determined by the relevant authorities, starting from the end of the relevant business relationship or transaction or operation, the following documents are kept: (1) a copy of the documents required under the due diligence measures; and (2) the original or a verified copy of the documents or records that adequately substantiate the transactions, the parties involved and the business relationships.
- Specific training programmes complemented by training courses that are occasionally initiated at the Bank, with the aim of improving knowledge in area of AML/CFT.

5.9.1. Internal Control and Communication Body

In each of the jurisdictions in which the Bank operates, an Anti-Money Laundering Committee is appointed to perform the function of an Internal Control and Communication Body (ICCB).

Its responsibilities therefore include the organisation and monitoring of compliance with standards for the prevention of money laundering and terrorist financing.

The Internal Control and Communication Body has the following responsibilities:

- Regularly monitoring and assessing the adequacy and effectiveness of the measures and procedures established for the prevention of money laundering, as well as the measures taken to combat any shortcomings in the Bank's compliance with its obligations.
- Verifying the ongoing and effective compliance with the Bank's obligations, its directors, general management and personnel, in accordance with Andorran law on preventing and combating money laundering and terrorist financing and applicable internal regulations.

- Advising Creand's governing bodies on AML/CFT, in particular on acts that require the adoption of resolutions by these bodies.
- Establishing, modulating and modifying the parameters of the customer approval criteria according to international and national standards, and based on its technical and legal criteria and accumulated experience and knowledge.

The Internal Control and Communication Body must have the authority, the appropriate human resources, training, materials and technical and organisational resources to perform its functions and have access to all the information and documentation concerning customer identification, other documentation relating to compliance with due diligence obligations, transaction records and any other relevant information.

5.9.2. Anti-Money Laundering and Terrorist Financing Unit

This is the unit that is part of the Regulatory Compliance and Anti-Money Laundering Department. It specialises in the prevention of money laundering and the financing of terrorism (AML/CFT) and it is also integrated into the Legal Advisory, Regulatory Compliance and Anti-Money Laundering Division, to which it reports hierarchically and functionally. It performs the functions assigned by the CCO and, where appropriate, by the Internal Control and Communication Body, within the framework of the obligations to monitor compliance with the rules on anti-money laundering and combating the financing of terrorism, especially with regard to customer due diligence and the ongoing scrutiny of their operations.

The Unit plays an important role in maintaining a high level of awareness of the prevention of money laundering and terrorist financing throughout the organisation. Within this framework, it has prepared and delivered the refresher and continuous training course on this subject for the Bank and for all its Andorran subsidiaries.

The management of the Unit notifies the ICCB of internal reports of suspicions sent by employees or managers of the Bank, as well as requests for confirmation by the ICCB of analyses of proposals to open accounts and of suspicious transactions carried out on its own initiative or as a result of the ongoing scrutiny of transactions and customers.

The Unit is actively involved in developing the prevention control system, including the continuous assessment and updating of this system and its effectiveness. It also advises and assists the parties responsible for the provision of services and business activities.

The Unit has immediate access to all the documentation concerning customer identification, other documents relating to compliance with due diligence obligations, transaction records and any other relevant information in this regard; it centralises and manages—through the representatives to the UIFAND—the prompt response to requests for additional information sent to them by the aforementioned control body; and it holds and manages the databases and IT tools for the prevention of money laundering and terrorist financing within the Bank.

In financial year 2023, the Unit has focused its efforts on the following areas:

- Updating the Policy on the Prevention of Money Laundering and Combating the Financing of Terrorism.
- Reinforcement of customer monitoring controls, risk jurisdictions and control of subsidiaries.
- Participation in different internal business development projects to establish the controls required for new activities, products and services.
- Establishing and developing the IT tools that allow for greater optimisation and efficiency in the controls.
- Incorporation of professional profiles that will help to make the Unit's work more dynamic and enable it to tackle projects related to IT tools and those related to initiatives to expand the control perimeter.

6. Fair value of financial instruments

6.1. Introduction and overview

The fair value of a financial instrument is the amount for which an asset could be realised, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The most objective reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market. As such, the listed or market price is used.

If there is no market price, fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence of recent transactions, of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, in particular, the various types of risk associated with it. However, the models must preclude arbitrage.

The Internal Risk Control and Validation Department of the Global Risk Division is responsible for determining these unobservable market prices.

All financial instruments are classified in one of the following levels, depending on the method used to obtain the fair value:

- Level I: valuation based on the direct use of the actual listed price of the financial instrument on active markets, which is observable and available from independent sources, i.e., prices listed on active markets.
- Level II: valuation based on applying techniques that use variables obtained from the market, i.e., the assumptions considered correspond to directly or indirectly observable market data, or prices listed on active markets for similar instruments.
- Level III: valuation based on applying techniques that, for some of the significant assumptions, use variables not obtained from observable market data.

6.2. Fair value of financial assets and liabilities

The following table shows the book value at 31 December 2023 and 2022 of the Group's financial assets and liabilities and their corresponding fair value, broken down according to the valuation method used in estimating fair value.

31/12/2023 In thousands of euros	Note	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets held for trading	**9**	**55,131**	**55,131**	**11,793**	**42,838**	**500**
Derivatives		40,641	40,641	73	40,568	-
Equity instruments		3,424	3,424	2,924	-	500
Debt securities		11,066	11,066	8,796	2,270	-
Loans and advances		-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss		**138,291**	**138,291**	**120,755**	**-**	**17,536**
Equity instruments		136,791	136,791	120,755	-	16,036
Debt securities		-	-	-	-	-
Loans and advances		1,500	1,500	-	-	1,500
Financial assets designated at fair value through profit or loss	**10**	**242,171**	**242,171**	**186,094**	**43,182**	**12,895**
Debt securities		242,171	242,171	186,094	43,182	12,895
Other		-	-	-	-	-
Financial assets at fair value through other comprehensive income	**11**	**296,572**	**296,572**	**284,001**	**592**	**11,979**
Equity instruments		11,982	11,982	3	-	11,979
Debt securities		284,590	284,590	283,998	592	**-**
Financial assets at amortised cost	**12**	**4,546,382**	**4,447,059**	**1,415,967**	**-**	**3,031,092**
Loans and advances		3,029,475	3,031,092	-	-	3,031,092
Credit institutions		430,870	430,870	-	-	430,870
Customers		2,598,605	2,600,224	-	-	2,600,224
Debt securities		1,516,907	1,415,967	1,415,967	-	-
Hedging derivatives	**14**	**209**	**209**	**-**	**209**	**-**
Total assets		**5,278,756**	**5,179,433**	**2,018,610**	**86,821**	**3,074,002**
Financial liabilities held for trading	**9**	**41,484**	**41,484**	**46**	**39,522**	**1,916**
Derivatives		41,484	41,484	46	39,522	1,916
Financial liabilities at fair value through profit or loss	**10**	**334,977**	**334,977**	**-**	**334,977**	
Financial liabilities at amortised cost	**19**	**4,873,505**	**4,873,505**	**-**	**-**	**4,873,505**
Central bank deposits		63,399	63,399	-	-	63,399
Lending institution deposits		46,428	46,428	-	-	46,428
Customer deposits		4,652,491	4,652,491	-	-	4,652,491
Other financial liabilities		111,187	111,187	-	-	111,187
Hedging derivatives	**14**	**1,121**	**1,121**	**-**	**1,121**	**-**
Total liabilities		**5,251,087**	**5,251,087**	**46**	**375,620**	**4,875,421**

31/12/2022 In thousands of euros	Note	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets held for trading	**9**	**60,400**	**60,400**	**3,706**	**56,194**	**500**
Derivatives		51,489	51,489	5	51,484	-
Equity instruments		3,085	3,085	2,585	-	500
Debt securities		5,826	5,826	1,116	4,710	-
Loans and advances		-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss		**131,829**	**131,829**	**122,094**	**-**	**9,735**
Equity instruments		127,379	127,379	122,094		5,285
Debt securities		-	-	-	-	-
Loans and advances		4,450	4,450	-	-	4,450
Financial assets designated at fair value through profit or loss	**10**	**151,644**	**151,644**	**133,071**	**12,738**	**5,835**
Debt securities		151,644	151,644	133,071	12,738	5,835
Other		-	-	-	-	-
Financial assets at fair value through other comprehensive income	**11**	**280,826**	**280,826**	**267,244**	**-**	**13,582**
Equity instruments		13,582	13,582	-		13,582
Debt securities		267,244	267,244	267,244		
Financial assets at amortised cost	**12**	**5,084,779**	**4,906,449**	**1,599,328**	**-**	**3,307,121**
Loans and advances		3,307,141	3,307,121	-	-	3,307,121
Credit institutions		683,111	683,111	-	-	683,111
Customers		2,624,030	2,624,010	-	-	2,624,010
Debt securities		1,777,638	1,599,328	1,599,328	-	-
Hedging derivatives	**14**	**1,413**	**1,413**	**-**	**1,413**	**-**
Total assets		**5,710,891**	**5,532,561**	**2,124,413**	**70,345**	**3,336,773**
Financial liabilities held for trading	**9**	**53,960**	**53,960**	**-**	**53,960**	**-**
Derivatives		53,960	53,960	-	53,960	
Financial liabilities at fair value through profit or loss	**10**	**168,962**	**168,962**	**-**	**168,829**	**133**
Financial liabilities at amortised cost	**19**	**5,484,378**	**5,484,378**	**-**	**-**	**5,484,378**
Central bank deposits		78,653	78,653	-	-	78,653
Lending institution deposits		73,547	73,547	-	-	73,547
Customer deposits		5,219,871	5,219,871	-	-	5,219,871
Other financial liabilities		112,307	112,307	-	-	112,307
Hedging derivatives	**14**	**511**	**511**	**-**	**511**	**-**
Total liabilities		**5,707,811**	**5,707,811**	**-**	**223,300**	**5,484,511**

6.3. Financial assets and liabilities recognised at fair value – Levels 2 and 3

6.3.1. Main valuation methods, assumptions and inputs used

The table below shows the main valuation methods, assumptions and inputs used to estimate the fair value of financial instruments classified in Levels 2 and 3, by type of financial instrument.

Financial instruments	Fair value			
31/12/2023	Level 2	Level 3	Main valuation techniques	Main inputs used
Debt securities				
Financial assets held for trading	2,270	-	**Present value method** (discounted cash flow)	- Prepayment rates - Issuer credit risk - Market interest rate - Market benchmark levels
Non-trading financial assets mandatorily at fair value through profit or loss	-	-		
Financial assets designated at fair value through profit or loss	43,182	12,895		
Financial assets at fair value through other comprehensive income	592	-		
Financial assets at amortised cost	-	-		
Financial liabilities at fair value through profit or loss	334,977	-		
Assets and liabilities at amortised cost				
Loans and receivables	-	3,031,092	**Present value method** (discounted cash flow)	- Prepayment rates - Issuer credit risk - Market interest rate
Financial liabilities at amortised cost	-	4,873,505		
Equity instruments				
Financial assets held for trading	-	500	**Net equity** **Comparable prices** (prices of similar instruments)	- Net asset value issued by the managers of collective investment institutions - Prices of similar instruments or market benchmarks
Non-trading financial assets mandatorily at fair value through profit or loss	-	16,036		
Financial assets at fair value through other comprehensive income	-	11,979		
Loans and advances				
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,500	**Present value method** (discounted cash flow)	- Prepayment rates - Issuer credit risk - Market interest rate
Derivatives				
Trading derivatives			- **Credit**: probability of default - **Exchange rate**: discounted cash flow, Black-Scholes - **Debt securities**: discounted cash flow - **Equity**: Black-Scholes and discounted cash flow - **Interest rate**: discounted cash flow - **Interest Rate Swaps, Call Money Swaps and FRA**: discounted cash flow - **Caps/Floors**: Libor Market Model - **Options on debt securities**: Black-Scholes	- Exchange rate - Future prices quoted on markets or consensus services - Market interest rate - Prices of underlying assets: shares, funds, commodities - Volatility observed on the market or consensus services - Levels of credit spreads for issuers - Quoted dividends
Assets	40,568	-		
Liabilities	39,522	1,916		
Hedging derivatives				
Assets	209	-		
Liabilities	1,121	-		

Financial instruments

Fair value

31/12/2022	Level 2	Level 3	Main valuation techniques	Main inputs used
Debt securities				
Financial assets held for trading	4,710	-	**Present value method** (discounted cash flow)	- Prepayment rates - Issuer credit risk - Market interest rate - Market benchmark levels
Non-trading financial assets mandatorily at fair value through profit or loss	-	-		
Financial assets designated at fair value through profit or loss	12,738	5,835		
Financial assets at fair value through other comprehensive income	-	-		
Financial assets at amortised cost	-	-		
Financial liabilities at fair value through profit or loss	168,829	133		
Assets and liabilities at amortised cost				
Loans and receivables	-	3,307,121	**Present value method** (discounted cash flow)	- Prepayment rates - Issuer credit risk - Market interest rate
Financial liabilities at amortised cost	-	5,484,378		
Equity instruments				
Financial assets held for trading	-	500	**Net equity** **Comparable prices** (prices of similar instruments)	- Net asset value issued by the managers of collective investment institutions - Prices of similar instruments or market benchmarks
Non-trading financial assets mandatorily at fair value through profit or loss	-	5,285		
Financial assets at fair value through other comprehensive income	-	13,582		
Loans and advances				
Non-trading financial assets mandatorily at fair value through profit or loss	-	4,450	**Present value method** (discounted cash flow)	- Prepayment rates - Issuer credit risk - Market interest rate
Derivatives				
Trading derivatives			- **Credit**: probability of default - **Exchange rate**: discounted cash flow, Black-Scholes - **Debt securities**: discounted cash flow - **Equity**: Black-Scholes and discounted cash flow - **Interest rate**: discounted cash flow - **Interest Rate Swaps, Call Money Swaps and FRA**: discounted cash flow - **Caps/Floors**: Libor Market Model - **Options on debt securities**: Black-Scholes	- Exchange rate - Future prices quoted on markets or consensus services - Market interest rate - Prices of underlying assets: shares, funds, commodities - Volatility observed on the market or consensus services - Levels of credit spreads for issuers - Quoted dividends
Assets	51,484	-		
Liabilities	53,960	-		
Hedging derivatives				
Assets	1,413	-		
Liabilities	511	-		

For instruments recognised at amortised cost, where the interest rate is variable, or for fixed rate instruments with maturities of less than one year (for which interest rate risk is not considered material), the Group considers that their book value (including valuation adjustments for credit risk hedges) does not differ significantly from their fair value.

A more detailed description of the main techniques mentioned in the preceding tables is set out below.

Net present value (present value method). This model uses the future cash flow of each instrument, as established in the different contracts, and discounts them to calculate the present value. The necessary inputs may or may not be observable on the market. Some examples could be:

- Yield curves. For the valuation of any financial instrument, it is necessary to have the discount factors for each of the dates on which a flow is set. The process applied to the calculation of the zero coupon yield curves is known as bootstrapping and is based on the calculation of the discount factors at the different maturities for the benchmarks selected according to the following process: first the discount factors generated by the deposits and deposit futures are calculated, and then for the swaps, each in its own currency.
- Credit spread. The credit spread represents the difference between the yield of an instrument and the benchmark rate, and reflects the additional yield that a market participant would require to take on the credit risk of said instrument. Therefore, the credit spread of an instrument is part of the discount rate used for calculating the present value of future cash flows. The process applied to the calculation of counterparty curves, or credit spread, quantifies the additional discount to be applied to an issue due to the effect of issuer risk and is based on the price of the issuer’s credit default swaps (CDS). For those issuers for which no CDS exists, the credit spread is calculated on the basis of the issuer’s listed debt securities.
- Recovery rate. It is defined as the percentage of principal and interest expected to be recovered from a debt instrument that has defaulted.

Comparable prices (prices of similar instruments). Prices of comparable instruments or market benchmarks are used to calculate the fair value of a financial instrument with subsequent adjustments to take into account differences that may exist between the instrument being measured and the one used as a benchmark. It is also possible to simply assume that the market price of one instrument is equivalent to that of another.

Net equity. Represents the total value of all assets and liabilities of a company, fund, etc., and is published by the managers or management company of the investment vehicle.

Black-Scholes. The Black-Scholes model has been the model on which the main organised markets and over-the-counter (OTC) contracts for simple call and put options have been developed. The Black-Scholes model is based on the following assumptions: (1) the prices of the underlying assets follow a geometric Brownian distribution; (2) it is possible to take short positions on the underlying; (3) there is no arbitrage opportunity; (4) market trading is continuous; (5) there are no transaction costs; (6) all the underlying assets are divisible; (7) cash may be borrowed and loaned at the risk-free interest rate; and (8) the share price follows a random walk, where the expected value and standard deviation are constant. As can be seen, options add a new financial variable that conditions valuation: the volatility of the underlying asset.

Value adjustments for default risk

In the valuation of assets that are subject to issuer credit risk, this risk is incorporated into the valuation process through credit value adjustment (CVA). This concept is intended to measure the adjustment to be made to the value of the derivative under the assumption that it is free of risk in order to obtain the value adjusted for the risk of default by the counterparty (risk-adjusted value = risk-free value – CVA).

The amounts corresponding to the value adjustments for issuer credit risk on the positions at 31 December 2023 were EUR -275 thousand (EUR -275 thousand at 31 December 2022).

6.3.2. Sensitivity analysis

At 31 December 2023, the effect on profit or loss of changing the main assumptions used in the valuation of level 3 financial assets for other reasonably possible assumptions (taking as a favourable assumption the parallel shift down of the curve of 100 basis points, and as an unfavourable assumption the parallel shift up of 100 basis points) would be EUR +2,776 thousand and EUR -4,485 thousand respectively (EUR +3,033 thousand and EUR -4,908 thousand respectively at 31 December 2022).

6.3.3. Movement in the year of assets and liabilities classified as level 3

The movement in 2023 and 2022 of assets and liabilities classified as level 3 is presented below:

	2023		2022	
In thousands of euros	Assets	Liabilities	Assets	Liabilities

Opening balance	**3,336,773**	**-5,484,511**	**2,928,265**	**-4,272,788**
Value adjustments recognised in profit and loss			10,402	-
Value adjustments not recognised in profit and loss			-	-
Purchases, sales and settlements	-262,771	609,090	112,114	-353,821
Additions IFRS 3 - BC(*)			285,992	-857,902
Net level 3 additions/(disposals)			-	-
Exchange rate differences and others	-	-	-	-
Closing balance	**3,074,002**	**-4,875,421**	**3,336,773**	**-5,484,511**

(*) Vall Banc SA Business Combination (see Note 3.5.1)

During 2023 and 2022, no significant transfers of financial instruments measured at fair value took place between the different valuation levels.

7. Operating segments

7.1. Segmentation criteria

The purpose of the information by business segment is to carry out the control, monitoring and internal management of the Crèdit Andorrà Group's activity and results. It is compiled according to the different lines of business established in line with the structure and organisation of the Group. The Board of Directors is the highest operational decision-making body for each business.

The definition of business segments considers the inherent risks, the particularities of management and the geographical area of each one. Furthermore, the segregation of business activity and results is based on the core business units for which accounting and management figures are available. The same general principles are applied as those used in the Group's management information, and the measurement, valuation and accounting principles applied are fundamentally the same as those used in preparing the financial statements, without the use of asymmetrical allocations.

Segment results and business volumes are presented in four major business segments:

- **Private banking.** This is the Group's main activity and the line of business specialising in advisory and comprehensive management of customers' assets and investments. It is organised by geographical areas, which are: Andorra, for customers residing in this geography; Europe, mainly comprising the Spanish market and Luxembourg; America, which mainly includes the Latin American market; and New Geographies, the area intended to serve customers in Eastern Europe, Africa and the Middle East.
- **Commercial banking.** This segment includes domestic customers in Andorra, who are offered products and services aimed mainly at financing and savings. It also comprises corporate banking, aimed at offering a specialised service to business and commerce, as well as the public sector.
- **Insurance business.** This encompasses the Group's entire insurance business, focused on life, health and accident insurance in the Andorran and Spanish markets.
- **Investment Department**. This is the Group's treasury and capital markets and asset management departments, including the management and administration of investment vehicles.

7.2. Information by operating segment

The results and business volume of the Creand Group are presented below for the 2023 and 2022 financial years, by business segments.

In thousands of euros	Private Banking	Commercial Banking	Insurance Business	Investments, CS and adjustments	Total 31.12.23
Interest margin	74,182	80,441	-	-39,886	114,737
Net operating result	144,509	99,303	1,550	-26,687	218,675
Operating result (1)	123,591	92,000	421	-152,330	63,682
Profit for the year	**105,400**	**76,035**	**2,969**	**-113,095**	**71,309**
Assets	905,389	1,661,771	-	160,239	2,727,399
Liabilities	2,257,896	1,959,304	-	435,291	4,652,491
Off balance sheet	19,128,570	721,850	-	389,799	20,240,219
Business volume	**22,291,855**	**4,342,925**	**-**	**985,329**	**27,620,109**

(1) Net operating result less administrative expenses and depreciation and amortisation

In thousands of euros	Private Banking	Commercial Banking	Insurance Business	Investments, CS and adjustments	Total 31.12.22
Interest margin	33,661	34,208	-	5,223	73,092
Net operating result	102,193	49,565	3,025	31,697	186,480
Operating result (1)	82,139	43,897	-236	-101,349	24,451
Profit for the year	**81,928**	**43,897**	**2,858**	**-84,129**	**44,554**
Assets	958,088	1,645,520	2,950	154,535	2,761,093
Liabilities	2,752,429	2,149,062	-	318,380	5,219,871
Off balance sheet	16,096,576	557,713	-	366,302	17,020,591
Business volume	**19,807,093**	**4,352,295**	**2,950**	**839,217**	**25,001,555**

(1) Net operating result less administrative expenses and depreciation and amortisation

The definition of the different components of business volume in the tables above is as defined internally by the Group and, therefore, may differ from the accounting items presented elsewhere in the financial statements.

8. Cash, cash balances at central banks and other demand deposits

The breakdown of this item in the statement of financial position as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Cash	29,995	38,379
Cash balances in central banks	86,347	18,947
Other demand deposits	232,780	245,294
Total	**349,122**	**302,620**

9. Assets and liabilities held for trading and non-trading assets mandatorily at fair value through profit or loss

9.1. Financial assets held for trading

The breakdown of this item in the statement of financial position as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Non-derivative assets		
Equity instruments	**3,424**	**3,085**
Listed instruments	2,924	2,585
Unlisted instruments	500	500
Debt securities	**11,066**	**5,826**
Public debt and central banks	7,659	-
Credit institutions	2,276	4,705
Other financial corporations	1,131	1,121
Other	-	-
Loans and advances	-	-
Total non-derivative assets	**14,490**	**8,911**
Derivative assets		
Interest rate	10,993	11,535
Currencies	28,988	39,929
Credit	653	14
Equity instruments	7	6
Other	-	5
Total derivative assets	**40,641**	**51,489**
Total	**55,131**	**60,400**

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

The breakdown of this item in the statement of financial position as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Equity instruments	**136,791**	**127,379**
Listed instruments	120,755	122,094
Of which Unit-Linked	104,882	108,837
Unlisted instruments	16,036	5,285
Debt securities	**-**	**-**
Public debt and central banks	-	-
Credit institutions	-	-
Other financial corporations	-	-
Other	-	-
Loans and advances	**1,500**	**4,450**
Total	138,291	131,829

Unit-linked listed equity instruments correspond to investments linked to the operation of life insurance products where the investment risk is borne by the policyholder. This product is marketed through Crèdit Assegurances, SAU.

At 31 December 2023, the total balance stated under “Loans and advances”, EUR 1,500 thousand, corresponds to the asset receivable arising from the Vall Banc purchase transaction. At 31 December 2022, there was a balance of EUR 4,450 thousand, corresponding to EUR 2,950 thousand in the outstanding financial instrument receivable arising from the sale of the insurance business and EUR 1,500 thousand in the asset receivable from the Vall Banc transaction (see Note 3.6).

In 2023 and 2022, there were no reclassifications of financial assets between portfolios affecting financial assets held for trading and assets measured mandatorily at fair value through profit or loss.

9.3. Financial liabilities held for trading

The breakdown of this item in the statement of financial position as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Derivative liabilities		
Interest rate	8,497	12,259
Currencies	32,941	40,072
Credit	-	-
Equity instruments	46	1,629
Other	-	-
Total	**41,484**	**53,960**

10. Financial assets and liabilities designated at fair value through profit or loss

The breakdown of these items in the statement of financial position as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Assets		
Debt securities	**242,171**	**151,644**
Of which Unit-Linked	-	-
Other financial assets	**-**	**-**
Of which Unit-Linked	-	-
Total assets	**242,171**	**151,644**
Liabilities		
Debt securities	**329,017**	**159,212**
Other financial liabilities	**5,960**	**9,750**
Total liabilities	**334,977**	**168,962**

10.1. Financial assets designated at fair value through profit or loss

At 31 December 2023, EUR 222,478 thousand are recognised as debt securities that are hedges of structured products issued by the Group (EUR 136,717 thousand at 31 December 2022).

At 31 December 2023 and 2022, there are no amounts recognised under “Unit-linked debt securities” and “Other unit-linked assets”, as they are invested in “Equity instruments” (see Note 9.2).

10.2. Financial liabilities at fair value through profit or loss

This item includes the structured liabilities, i.e., financial liabilities containing an embedded derivative, through which customers assume additional risk to Crèdit Andorrà’s credit risk and interest rate risk. These liabilities are mainly linked to certain assets held by the Group, the risks and rewards of which have been transferred to customers through these structured liabilities.

The total of “Other financial liabilities” correspond to the recognition of the contingent price pending payment for the acquisition of GBS Finanzas Investcapital AV, SA by Banco Alcalá, SA. (see Note 3.6).

11. Financial assets at fair value through comprehensive income

The breakdown of this item by type of financial instrument in the statement of financial position as at 31 December 2023 and 2022 is as follows:

	31/12/2023			
In thousands of euros	Cost / Amortised cost	Unrealised capital gains	Unrealised capital losses	Fair value
Equity instruments	**9,865**	**2,130**	**-13**	**11,982**
Gross amount	9,865	2,130	-13	11,982
Listed instruments	-	-	-	-
Unlisted instruments	9,865	2,130	-13	11,982
Accumulated impairment	-	-	-	-
Debt securities	**299,143**	**684**	**-15,237**	**284,590**
Gross amount	299,166	684	-15,260	284,590
Public debt and central banks	284,126	264	-13,877	270,513
Credit institutions	9,003	282	-893	8,392
Other corporations	6,037	138	-490	5,685
Accumulated impairment	-23	-	23	-
Total	**309,008**	**2,814**	**-15,250**	**296,572**

	31/12/2022			
In thousands of euros	Cost / Amortised cost	Unrealised capital gains	Unrealised capital losses	Fair value
Equity instruments	**11,465**	**2,131**	**-14**	**13,582**
Gross amount	11,465	2,131	-14	13,582
Listed instruments	-	-	-	-
Unlisted instruments	11,465	2,131	-14	13,582
Accumulated impairment	-	-	-	-
Debt securities	**293,670**	**-**	**-26,426**	**267,244**
Gross amount	293,785	-	-26,541	267,244
Public debt and central banks	245,210	-	-23,140	222,070
Credit institutions	22,275	-	-1,357	20,918
Other corporations	26,300	-	-2,044	24,256
Accumulated impairment	-115	-	115	-
Total	**305,135**	**2,131**	**-26,440**	**280,826**

In financial year 2022, the Crèdit Andorrà Group sold financial assets classified under this item in the consolidated statement of financial position and made unrealised capital gains of EUR 3,488 thousand. In financial year 2023, the Group has not sold financial assets classified under this idem in the consolidated statement of financial position (see Note 37).

On 1 October 2022, Banco Alcalá, SA recorded a change in the business model of a portfolio of European Union sovereign bonds that it had previously recognised as “Financial assets at fair value through other comprehensive income” and reclassified them from that date under “Financial assets at amortised cost” (see Note 2.3.).

12. Financial assets at amortised cost – Loans and advances

12.1. Loans and advances to credit institutions

The breakdown of this item in the statement of financial position by type of financial instrument as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Loans and advances to credit institutions	**429,585**	**681,995**
Time accounts	2,986	24,117
Other	196,110	247,740
Reverse repurchase agreements	230,489	410,138
Valuation adjustments	**1,285**	**1,116**
Interest and fees accrued	1,285	1,116
Total	**430,870**	**683,111**

12.2. Customer loans and advances

The breakdown of this item in the statement of financial position by type of financial instrument as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Customer loans and advances	**2,725,899**	**2,756,643**
Debtors with monetary guarantees	161,559	148,979
Debtors with security guarantees	533,598	564,885
Mortgages for purchase of first home	272,852	287,436
Other mortgages	1,113,328	1,064,438
Debtors with personal guarantees	559,726	540,226
Credit cards	21,826	21,928
Commercial discount	17,742	17,647
Credit accounts	269,262	218,691
Overdrafts and overdrawings	6,477	2,058
Other consumer lending	244,419	279,902
Defaulted assets	84,836	150,679
Valuation adjustments	**-127,294**	**-132,613**
Impairment losses	-127,294	-132,613
Net book value	2,598,605	2,624,030

13. Financial assets at amortised cost – Debt securities

The breakdown of this item in the statement of financial position by type of counterparty as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Debt securities	**1,512,292**	**1,772,607**
Public debt and central banks	1,442,907	1,755,995
Credit institutions and other financial institutions	38,287	15,420
Other corporations	31,098	1,192
Valuation adjustments	**4,615**	**5,031**
Impairment losses	-585	-653
Interest and fees accrued	5,200	5,684
Total	1,516,907	1,777,638

In financial year 2022, the Group sold certain financial assets classified under this item of the consolidated statement of financial position, and it made unrealised gains of EUR 13 thousand gross, which are recognised under “Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net” in the consolidated profit and loss account (see Note 37). In financial year 2023, there have been so sales of assets classified under this item.

On 1 October 2022, Banco Alcalá, SA recorded a change in the business model of a portfolio of European Union sovereign bonds that it had previously recognised as “Financial assets at fair value through other comprehensive income”, with reclassification from that date to “Financial assets at amortised cost” (see Note 2.3.).

14. Derivatives from hedge accounting and changes to fair value of hedged items in portfolio hedge of interest rate risk

The breakdown of the derivatives designated as hedging derivatives and changes to fair value of hedged items in portfolio hedge of interest rate risk as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Assets	**1,828**	**1,413**
Hedging derivatives	209	1,413
Fair value changes of the hedged items in hedge of interest rate risk	1,619	-
Liabilities	**1,121**	**531**
Interest rate accounting hedge derivatives	1,121	511
Of which micro-hedge	1,121	511
Of which macro-hedge	-	-
Fair value changes of the hedged items in hedge of interest rate risk	-	20

All of the hedges shown in the table correspond to interest rate risk hedges carried out using OTC derivative contracts.

14.1. Fair value hedges

These hedges aim to mitigate the impact of changes in the value of the hedged item arising from the hedged risks.

The Group carries out **micro-hedging** of interest rate risk on a portion of the fixed-rate loan portfolio. The hedged items are included under “Financial assets at amortised cost” in the balance sheet.

The hedging instruments used are wholly OTC interest rate swaps that transform the hedged item from fixed rate to floating rate.

At 31 December 2023 and 2022, the Group has carried out the corresponding effectiveness tests in relation to the above hedges. Any hedge ineffectiveness has been recorded under “Gains or losses from hedge accounting, net” in the profit and loss account.

Below is a summary of the information used in the effectiveness tests corresponding to 2023 and 2022. It is not an exhaustive breakdown of the value of the hedged and hedging items.

	Risk hedged	Hedging instrument	Value of hedging instrument as at 31.12.23 Assets	Liabilities	Change in FV used to calculate hedge ineffectiveness	Ineffectiveness recognised in profit or loss	Value of hedging instrument as at 31.12.22 Assets	Liabilities
Macro-hedges	Fixed-interest loans	Interest rate swaps	-	-	-	-	-	-
Micro-hedges	Fixed-interest loans	Interest rate swaps	209	1,121	-1,847	-208	1,413	511
		Total	209	1,121	-1,847	-208	1,413	511

	Risk hedged	Hedging instrument	Value of hedged item at 31.12.23 Assets	Liabilities	Cumulative adjustment to FV of hedged item	Change in FV used to calculate hedge ineffectiveness	Value of hedged item at 31.12.22 Assets	Liabilities
Macro-hedges	Fixed-interest loans	Interest rate swaps	-	-	3,202	-268	-	-
Micro-hedges	Fixed-interest loans	Interest rate swaps	52,132	-	-1,583	1,907	59,674	-
		Total	52,132	-	1,619	1,639	59,674	-

	Risk hedged	Hedging instrument	Value of hedging instrument as at 31.12.22 Assets	Liabilities	Change in FV used to calculate hedge ineffectiveness	Ineffectiveness recognised in profit or loss	Value of hedging instrument as at 31.12.21 Assets	Liabilities
Macro-hedges	Fixed-interest loans	Interest rate swaps	-	-	-	-	-	-
Micro-hedges	Fixed-interest loans	Interest rate swaps	1,413	511	13,941	702	-	13,087
		Total	1,413	511	13,941	702	-	13,087

	Risk hedged	Hedging instrument	Value of hedged item at 31.12.22 Assets	Liabilities	Cumulative adjustment to FV of hedged item	Change in FV used to calculate hedge ineffectiveness	Value of hedged item at 31.12.21 Assets	Liabilities
Macro-hedges	Fixed-interest loans	Interest rate swaps	-	-	3,470	-268	-	-
Micro-hedges	Fixed-interest loans	Interest rate swaps	59,674	-	-3,490	-12,971	61,220	-
		Total	59,674	-	-20	-13,239	61,220	-

During financial year 2023, the Group has recognised a net result for hedge accounting of EUR -208 thousand (EUR +702 thousand during 2022).

In financial year 2020, the Bank took the decision to discontinue the fair value macro-hedge covering fixed-rate mortgages as well as a fair value micro-hedge that covered fixed-rate policies. Upon discontinuation of the hedge, the hedging derivative is treated as a derivative held for trading, and the valuation adjustment of the hedged item at the date of discontinuation of the hedge is recognised linearly in the profit and loss account up to the maturity date of the hedged item. In this regard, at 31 December 2023, an amount of EUR 3,308 thousand had yet to be recognised prospectively in the profit and loss account (EUR 3,668 thousand at 31 December 2022). At 31 December 2023 and 2022 all hedges in place were effective.

14.2. Cash flow hedges

The Group does not perform cash flow hedges.

15. Tangible assets

The breakdown of “Tangible assets”, their accumulated depreciation, the related impairment allowances, and, if any, the changes that occurred in 2023 and 2022, are as follows:

Tangible assets for own use

In thousands of euros	Land and real estate	Building works underway	Furniture and facilities	Hardware	Other	Right of use	Total	Investment property	Total
Cost									
Balance at 31 December 2022	**91,359**	**959**	**25,972**	**21,759**	**7,700**	**76,820**	**224,569**	**91,903**	**316,472**
Additions	-	428	1,050	490	23	4,356	6,347	-	6,347
Disposals	-	-	-47	-1	-	-	-48	-	-48
Sales	-	-	-	-	-	-	-	-	-
Transfers	-	-830	346	482	-	-	-2	2	-
Exchange rate differences and others	-82	-	-144	-27	-1	-24	-278	-	-278
Balance at 31 December 2023	**91,277**	**557**	**27,177**	**22,703**	**7,722**	**81,152**	**230,588**	**91,905**	**322,493**
Accumulated depreciation									
Balance at 31 December 2022	**-6,215**	**-**	**-17,523**	**-19,539**	**-243**	**-22,582**	**-66,102**	**-271**	**-66,373**
Additions	-1,045	-	-1,892	-1,316	-15	-6,542	-10,810	-291	-11,101
Disposals	-	-	47	-	-	-	47	-	47
Sales	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Exchange rate differences and others	36	-	70	13	-1	7	125	4	129
Balance at 31 December 2023	**-7,224**	**-**	**-19,298**	**-20,842**	**-259**	**-29,117**	**-76,740**	**-558**	**-77,298**
Impairment losses									
Balance at 31 December 2022	**-596**	**-**	**-**	**-**	**-**	**-**	**-596**	**-41,147**	**-41,743**
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-
Transfers and reclassifications	-	-	-	-	-	-	-	-	-
Exchange rate differences and others	-	-	-	-	-	-	-	-	-
Balance at 31 December 2023	**-596**	**-**	**-**	**-**	**-**	**-**	**-596**	**-41,147**	**-41,743**
Net book value at 31 December 2022	**84,548**	**959**	**8,449**	**2,220**	**7,457**	**54,238**	**157,871**	**50,485**	**208,356**
Net book value at 31 December 2023	**83,457**	**557**	**7,879**	**1,861**	**7,463**	**52,035**	**153,252**	**50,200**	**203,452**

The additions under “Right-of-use assets” in the above table correspond to the renewal of lease agreements.

In thousands of euros	Tangible assets for own use: Land and real estate	Building works underway	Furniture and facilities	Hardware	Other	Right of use	Total	Investment property	Total
Cost									
Balance at 31 December 2021	**65,914**	**460**	**24,488**	**21,313**	**7,784**	**74,013**	**193,972**	**69,086**	**263,058**
Additions	-	943	524	242	1	2,013	3,723	25	3,748
Additions IFRS 3 - BC(*)	28,202	-	775	1,302	-	8,410	38,689	25,658	64,347
Disposals	-48	-14	-317	-1,304	-93	-8,533	-10,309	-	-10,309
Sales	-2,843	-	-23	-	-	-	-2,866	-2,866	-5,732
Transfers	-	-430	317	102	5	-	-6	-	-6
Exchange rate differences and others	134	-	208	104	3	917	1,366	-	1,366
Balance at 31 December 2022	**91,359**	**959**	**25,972**	**21,759**	**7,700**	**76,820**	**224,569**	**91,903**	**316,472**
Accumulated depreciation									
Balance at 31 December 2021	**-5,327**	**-**	**-15,950**	**-18,982**	**-314**	**-16,814**	**-57,387**	**-2**	**-57,389**
Additions	-1,033	-	-1,985	-1,765	-11	-5,815	-10,609	-550	-11,159
Additions IFRS 3 - BC(*)	-	-	-	-	-	-	-	-	-
Disposals	-	-	529	1,305	88	47	1,969	-	1,969
Sales	202	-	14	-	-	-	216	281	497
Transfers	-	-	5	-	-5	-	-	-	-
Exchange rate differences and others	-57	-	-136	-97	-1	-	-291	-	-291
Balance at 31 December 2022	**-6,215**	**-**	**-17,523**	**-19,539**	**-243**	**-22,582**	**-66,102**	**-271**	**-66,373**
Impairment losses									
Balance at 31 December 2021	**-597**	**-**	**-**	**-**	**-**	**-**	**-597**	**-41,146**	**-41,743**
Additions	-	-	-	-	-	-	-	-	-
Additions IFRS 3 - BC(*)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-
Transfers and reclassifications	1	-	-	-	-	-	1	-1	-
Exchange rate differences and others	-	-	-	-	-	-	-	-	-
Balance at 31 December 2022	**-596**	**-**	**-**	**-**	**-**	**-**	**-596**	**-41,147**	**-41,743**
Net book value at 31 December 2021	**59,990**	**460**	**8,538**	**2,331**	**7,470**	**57,199**	**135,988**	**27,938**	**163,926**
Net book value at 31 December 2022	**84,548**	**959**	**8,449**	**2,220**	**7,457**	**54,238**	**157,871**	**50,485**	**208,356**

(*) Vall Banc SA Business Combination (see Note 3.5.1)

15.1. Property, plant and equipment

This item in the statement of financial position includes property, plant and equipment for own use, which is allocated to cash-generating units (CGUs) of the Group's various businesses (see Note 7). At 31 December 2023 and 2022 there were no indications of impairment on the net value of assets associated with the different CGUs.

At 31 December 2023 and 2022, all properties are unrestricted.

The amount of fully depreciated property, plant and equipment for own use as at 31 December 2023 and 2022 amounts to EUR 21,405 thousand and EUR 16,572 thousand, respectively. In financial year 2023, the Group derecognised fully depreciated idle assets amounting to EUR 44 thousand with no impact on the profit and loss account (EUR 1,336 thousand in 2022).

At 31 December 2023 and 2022, there are no restrictions on the realisation of the tangible assets and the collection of the income from them.

At 31 December 2023 and 2022, the Group holds no significant commitments to purchase property, plant and equipment.

15.2. Investment property

Annual appraisals are carried out for investment property. As a result of these appraisals, at 31 December 2023 and 2022 no impairment was recorded for these assets.

Based on the valuations available at 31 December 2023, the fair value of the investment property portfolio amounts to EUR 63,640 thousand (EUR 57,636 thousand at 31 December 2022). The fair value of real estate assets classified as investment property is classified, according to the fair value hierarchy, as level 2.

The net book value of income-generating investment property at 31 December 2023 amounts to EUR 50,200 thousand (EUR 50,485 thousand at 31 December 2022).

Income from the rental of investment property is recorded under “Other operating income” in the profit and loss account (see Note 38).

16. Intangible assets

The breakdown of “Intangible assets”, their accumulated depreciation, the related impairment allowances, and, if any, the changes that occurred in 2023 and 2022, are as follows:

In thousands of euros	Differences from first consolidation and goodwill	Computer software	Other	Total
Cost				
Balance at 31 December 2022	**84,872**	**122,703**	**1,920**	**209,495**
Additions	28	6,770	-	6,798
Disposals	-8,761	-438	-	-9,199
Sales	-	-	-	-
Transfers	-723	117	-	-606
Exchange rate differences and others	-930	-20	-22	-972
Balance at 31 December 2023	**74,486**	**129,132**	**1,898**	**205,516**
Accumulated depreciation				
Balance at 31 December 2022	**-**	**-83,972**	**-1,526**	**-85,498**
Additions	-	-10,251	-89	-10,340
Disposals	-	248	-	248
Sales	-	-	-	-
Transfers	-	-	-	-
Exchange rate differences and others	-	30	-	30
Balance at 31 December 2023	**-**	**-93,945**	**-1,615**	**-95,560**
Impairment losses				
Balance at 31 December 2022	**-11,110**	**-**	**-**	**-11,110**
Additions	-28	-	-	-28
Disposals	8,761	-	-	8,761
Sales	-	-	-	-
Transfers	-	-	-	-
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2023	**-2,377**	**-**	**-**	**-2,377**
Net book value at 31 December 2022	**73,762**	**38,731**	**394**	**112,887**
Net book value at 31 December 2023	**72,109**	**35,187**	**283**	**107,579**

Cost

Balance at 31 December 2021	**68,190**	**117,096**	**1,598**	**186,884**
Additions	14,630	5,016	332	19,978
Additions IFRS 3 - BC(*)	-	191	-	191
Disposals	-	-125	-10	-135
Sales	-	-	-	-
Transfers	-	6	-	6
Exchange rate differences and others	2,052	519	-	2,571
Balance at 31 December 2022	**84,872**	**122,703**	**1,920**	**209,495**

Accumulated depreciation

Balance at 31 December 2021	**-**	**-72,601**	**-1,192**	**-73,793**
Additions	-	-11,400	-334	-11,734
Additions IFRS 3 - BC(*)				
Disposals	-	-	-	-
Sales	-	-	-	-
Transfers	-	-	-	-
Exchange rate differences and others	-	29	-	29
Balance at 31 December 2022	**-**	**-83,972**	**-1,526**	**-85,498**

Impairment losses

Balance at 31 December 2021	**-11,110**	**-**	**-**	**-11,110**
Additions	-	-	-	-
Additions IFRS 3 - BC(*)				
Disposals	-	-	-	-
Sales	-	-	-	-
Transfers	-	-	-	-
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2022	**-11,110**	**-**	**-**	**-11,110**
Net book value at 31 December 2021	**57,080**	**44,495**	**406**	**101,981**
Net book value at 31 December 2022	**73,762**	**38,731**	**394**	**112,887**

(*) Vall Banc SA Business Combination (see Note 3.5.1)

16.1. Goodwill and differences from first consolidation

Under this heading in the statement of financial position, the Group recognises both the goodwill included in the individual accounts of the companies in the Group and the differences from the first consolidation arising during the consolidation process. The following is a breakdown by company of the goodwill and first consolidation differences at 31 December 2023 and 2022.

	31/12/2023			31/12/2022		
In thousands of euros	Cost	Provision	Net book value	Cost	Provision	Net book value
Banque de Patrimoines Privés SA	10,091	-	10,091	10,091	-	10,091
Banco Alcalá SA	28,982	-2,128	26,854	28,954	-2,100	26,854
Beta Capital Management LP	34,895	-	34,895	35,825	-	35,825
CA Perú Agente de Valores de Bolsa	112	-112	-	112	-112	-
SPA SA	-	-	-	723	-	723
CLIGE SA	137	-137	-	137	-137	-
CA México Asesores Patrimoniales SA	-	-	-	8,761	-8,761	-
Crèdit Assegurances SA	269	-	269	269	-	269
Total	**74,486**	**-2,377**	**72,109**	**84,872**	**-11,110**	**73,762**

The main changes in goodwill and differences from first consolidation, which are ultimately reflected in the composition by company shown in the table above, are chiefly due to the events described below:

- The variation shown in the above table with regard to Beta Capital Management LP is related to the fluctuation of the euro/dollar exchange rate. Here, it is important to note that the Group manages the currency position in the statement of financial position on an aggregated basis, so that only the open currency position has an impact on the profit or loss (see Note 5.6).
- The variation in the above table with regard to CA México Asesores Patrimoniales, SA is related to its sale (see Note 3.6).

Goodwill is not amortised and, instead, impairment tests must be performed to verify whether the true value of goodwill is higher or lower than the carrying amount. If it is lower, the corresponding impairment must be recognised directly in the profit and loss account.

The method used to perform these impairment tests for the years ending 31 December 2023 and 2022 was discounted free cash flow. With regard to the discounted free cash flow method, the assumptions used for 2023 were as follows:

- Methodology: discounted free cash flows.
- Time horizon: 7 years and perpetual.
- Expected growth: 2.26% corresponding to expected long-term inflation based on historical euro inflation for the last 20 years.
- Discount rate used (WACC): between 7.33% and 8.03% calculated on the basis of the cost of capital of sectors and geographies comparable to those of the countries in which it has exposure through subsidiaries and obtained from external sources.

16.2. Computer software

Additions under computer software correspond both to the programming of several peripheral and management applications, and the development of the Group's core banking capabilities, in order to adapt them to regulatory and business requirements.

At 31 December 2023 and 2022, there were no intangible assets subject to any restrictions on ownership or that serve as debt collateral.

In addition, at 31 December 2023 and 2022, there are no significant commitments to purchase intangible assets.

At 31 December 2023 and 2022, the Crèdit Andorrà Group holds intangible assets for a gross amount of EUR 57,284 thousand and EUR 44,913 thousand, respectively, which are fully amortised.

17. Other assets

The breakdown of this item in the statement of financial position as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Transactions in transit	25,774	32,711
Prepayments and accruals	22,579	21,451
Expenses paid and not accrued	4,381	4,328
Other asset prepayments and accruals	18,198	17,123
Inventories	358	214
Other	568	3,480
Total	**49,279**	**57,856**

The item "Transactions in transit" mainly includes ongoing transfers and customer transactions still to be settled. The balance of this item may vary significantly due to the operations carried out by customers.

The item "Other assets" includes, among other things, non-financial services rendered pending collection not related to bank charges.

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

This item in the statement of financial position includes assets from acquisitions and foreclosures in the process of regularising lending operations that are not included as assets for own use or investment property, and assets initially classified as investment property, once the decision to sell them has been taken.

18.1. Balance composition

The breakdown of this item in the statement of financial position as at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Property, plant and equipment	79,430	78,391
From foreclosures	56,770	54,398
Other	22,660	23,993
Other assets	11,440	11,440
Total	**90,870**	**89,831**

The amount shown in the table above under “Other assets” corresponds to financial instruments (mainly shares in a non-financial corporation) that the Bank recognised as part of the loan assignment process. The Group classified these assets as “Non-current assets and disposal groups classified as held for sale”, as the intention is the sell them in the short/medium term as part of the loan recovery process.

18.2. Movements

The composition of this item in the statement of financial position, including impairment allowances, if any, and the changes that have occurred in financial years 2023 and 2022 are as follows:

	Property, plant and equipment		Other assets	
In thousands of euros	From foreclosures	Other	From foreclosures	Total
Cost				
Balance at 31 December 2022	81,883	38,533	11,440	131,856
Additions	3,153	-	-	3,153
Disposals	-1,904	-1,868	-	-3,772
Transfers	-	2	-	2
Exchange rate differences and others	-3	-	-	-3
Balance at 31 December 2023	83,129	36,667	11,440	131,236
Impairment losses				
Balance at 31 December 2022	-27,485	-14,540	-	-42,025
Additions	-	-	-	-
Disposals	1,126	533	-	1,659
Transfers	-	-	-	-
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2023	-26,359	-14,007	-	-40,366
Net book value at 31 December 2022	54,398	23,993	11,440	89,831
Net book value at 31 December 2023	56,770	22,660	11,440	90,870

	Property, plant and equipment		Other assets	
In thousands of euros	From foreclosures	Other	From foreclosures	Total
Cost				
Balance at 31 December 2021	91,324	38,531	11,440	141,295
Additions	853	2	-	855
Additions IFRS 3 - BC(*)	-	-	-	-
Disposals	-10,294	-	-	-10,294
Transfers	-	-	-	-
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2022	81,883	38,533	11,440	131,856
Impairment losses				
Balance at 31 December 2021	-29,192	-14,540	-	-43,732
Additions	-39	-	-	-39
Additions IFRS 3 - BC(*)	-	-	-	-
Disposals	1,746	-	-	1,746
Transfers	-	-	-	-
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2022	-27,485	-14,540	-	-42,025
Net book value at 31 December 2021	62,132	23,991	11,440	97,563
Net book value at 31 December 2022	54,398	23,993	11,440	89,831

(*) Vall Banc SA Business Combination (see Note 3.5.1)

The disposals of non-current assets held for sale shown in the table above resulted in a result for the Crèdit Andorrà Group amounting to EUR -179 thousand for the year ended 31 December 2023 (EUR -107 thousand for the year ended 31 December 2022).

For further information on the transfers detailed in the above table, see Note 15.

18.3. Information on foreclosed assets

The net values of assets from loan regularisations, by type of asset and age of the asset, in the statement of financial position as at 31 December 2023 and 2022 are as follows.

In thousands of euros	31/12/2023	31/12/2022
Assets for residential use	-	-
Assets for industrial or commercial use	29,195	26,095
Building works underway	-	-
Land for development	38,672	39,561
Land not for development	343	182
Developed land	-	-
Total	**68,210**	**65,838**
Up to 1 year	3,148	-
From 1 to 2 years	-	-
From 2 to 3 years	-	-
More than 3 years	65,062	65,838
Total	**68,210**	**65,838**

The assets classified as “Other assets” (see Note 18.1) are shown in the above table as part of the category “Assets for industrial or commercial use”.

19. Financial liabilities at amortised cost

19.1. Balance composition

The composition of the balance of this item in the statement of financial position at 31 December 2023 and 2022, based on the nature of the financial instrument giving rise to the liability, is as follows:

In thousands of euros	Note	31/12/2023	31/12/2022
Deposits		**4,762,318**	**5,372,071**
Central bank deposits	19.2.	63,399	78,653
Credit institution deposits	19.3.	46,428	73,547
Customer deposits	19.4.	4,652,491	5,219,871
Debt securities	19.5.	**51,578**	**51,582**
Other liabilities	**19.5.**	**59,609**	**60,725**
Total		**4,873,505**	**5,484,378**

19.2. Central bank deposits

The composition of the balances for this item in the statement of financial information at 31 December 2023 and 2022, based on the nature of the operations, is as follows:

In thousands of euros	31/12/2023	31/12/2022
Central bank deposits	**62,677**	**78,498**
Demand	9,677	42,726
Term	53,000	35,772
Interest accrued	**722**	**155**
Total	**63,399**	**78,653**

19.3. Credit institution deposits

The composition of this item in the statement of financial information at 31 December 2023 and 2022, based on the nature of the operations, is as follows:

In thousands of euros	31/12/2023	31/12/2022
Credit institution deposits	**46,362**	**73,496**
Demand	46,362	73,492
Term	-	4
Repurchase agreements	-	-
Interest accrued	66	51
Total	**46,428**	**73,547**

19.4. Customer deposits

The composition of this item in the statement of financial information at 31 December 2023 and 2022, based on the nature of the operations and customer economic segment, is as follows:

In thousands of euros	31/12/2023	31/12/2022
By nature	**4,652,491**	**5,219,871**
Current and other demand accounts	3,251,716	4,068,707
Term deposits	1,400,775	1,151,164
By sector	**4,652,491**	**5,219,871**
Public administrations	86,707	265,378
Private sector	4,565,784	4,954,493

19.5. Debt securities and other liabilities

The composition of the balance of this item in the statement of financial position at 31 December 2023 and 2022, based on the nature of the financial instrument giving rise to the liability, is as follows:

In thousands of euros	31/12/2023	31/12/2022

Debt securities	51,578	51,582
Lease liabilities	54,643	56,930
Other liabilities	4,966	3,795
Total	**111,187**	**112,307**

19.5.1. Debt securities and subordinated liabilities

In July 2019, Crèdit Andorrà, SA issued EUR 50 million in instruments fully eligible as Tier II under the terms of Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking institutions and investment firms and its implementing Regulation of 6 March 2019 (regulation aimed at transposing the CRD IV and the CRR into Andorran law) (see Note 28).

These instruments (Fixed Rate Resettable Callable Subordinated Securities, according to the terminology used in the issue prospectus) have a maturity of 10 years, although they can be redeemed early by the Bank five years after their issue provided that a number of conditions are met, as set out in the regulation, including obtaining authorisation from the regulator. However, these instruments remunerate the holders with an initial fixed coupon of 7% annual for the first five years of the issue, and then at a fixed rate indexed to the 5-year mid-swap with a spread of 724 basis points.

19.5.2. Lease liabilities

This item includes the amount of lease liabilities arising from the application of IFRS 16.

A list of the maturities of these lease liabilities are shown in Note 5.3.1.

Lease payments of EUR 7,867 thousand were recorded during 2023 (EUR 6,653 thousand in 2022).

The movement in lease liabilities during 2023 and 2022 is shown below.

In thousands of euros

Balance at 31 December 2021	**59,304**
Additions for contract amendments	3,059
Financial depreciation	-5,433
Balance at 31 December 2022	**56,930**
Additions for contract amendments	3,239
Financial depreciation	-5,526
Balance at 31 December 2023	**54,643**

19.5.3. Other liabilities

This item mainly includes the amount equivalent to the redeemable value of outstanding E shares for which the Bank has a current or future repurchase obligation (see Note 24.1).

In financial year 2023, the redeemable value of outstanding E shares was adjusted in the amount of EUR -1,171 thousand (EUR -196 thousand in financial year 2022), recognised under "Gains or losses on financial assets and liabilities held for trading, net" in the profit and loss account.

20. Assets and liabilities under insurance and reinsurance contracts

The composition of the balance of these items in the statement of financial position at 31 December 2023 and 2022, based on the nature and components of the provision giving rise to the liability, is as follows:

	31/12/2023

In thousands of euros	BBA	VFA	Total
Liability for remaining coverage (LRC)	**108,887**	**106,349**	**215,236**
Present value of future cash flows (PVFC)	93,201	90,956	184,157
Loss component (LC)	10,197	13,569	23,766
Risk adjustment (RA)	2,589	349	2,938
Contractual service margin (CSM)	2,900	1,475	4,375
Liability for incurred claims (LIC)	**457**	**4,193**	**4,650**
Liabilities under insurance contracts	**109,344**	**110,542**	**219,886**

	31/12/2022		
In thousands of euros	BBA	VFA	Total
Liability for remaining coverage (LRC)	**101,884**	**109,716**	**211,600**
Present value of future cash flows (PVFC)	83,486	103,693	187,179
Loss component (LC)	11,968	5,023	16,991
Risk adjustment (RA)	2,959	382	3,341
Contractual service margin (CSM)	3,471	618	4,089
Liability for incurred claims (LIC)	**376**	**11,684**	**12,060**
Liabilities under insurance contracts	**102,260**	**121,400**	**223,660**

See Appendix VI for the reconciliation statements of the liability for remaining coverage and liabilities for incurred claims on insurance contracts and the reconciliation statements of the valuation components of insurance contracts for the years 2023 and 2022, valued using the BBA and VFA methods.

20.1 Maturity of the contractual service margin (CSM) by valuation model

In thousands of euros	31/12/2023 BBA	VFA	Total
CSM expected amortisation in 5 years	**565**	**540**	**1,105**
CSM expected amortisation in > 5 years	**2,335**	**935**	**3,270**
Total	2,900	1,475	4,375

In thousands of euros	31/12/2022 BBA	VFA	Total
CSM expected amortisation in 5 years	**665**	**185**	**850**
CSM expected amortisation in > 5 years	**2,806**	**433**	**3,239**
Total	3,471	618	4,089

21. Provisions

The composition of the balance of this item in the statements of financial position at 31 December 2023 and 2022, based on the nature of the risk giving rise to the provision, is as follows:

In thousands of euros	31/12/2023	31/12/2022
Pensions and other post-employment obligations	11,965	11,076
Other long-term employee benefits	1,530	2,446
Provisions for taxes and other legal contingencies	261	338
Commitments and guarantees given	1,046	2,819
Other provisions	1,039	2,591
Total	**15,841**	**19,270**

21.1. Movement in provisions not related to post-employment benefits and other commitments with employees

Movement in provisions not related to post-employment benefits and other commitments with employees during 2023 and 2022:

In thousands of euros	Provisions for taxes and other legal contingencies	Commitments and guarantees given	Other provisions	Total
Balance at 31 December 2021	**451**	**3,640**	**1,101**	**5,192**
Allowances	-190	-893	654	-429
Charged to profit and loss account	-190	-893	654	-429
Charged to other comprehensive income	-	-	-	-
Recoveries	-	-	-	-
Charged to profit and loss account	-	-	-	-
Charged to other comprehensive income	-	-	-	-
Applications / payments	-	-	-590	-590
Other movements	77	34	24	135
Other movements (additions to IFRS 3 - BC)*	-	38	1,402	1,440
Balance at 31 December 2022	**338**	**2,819**	**2,591**	**5,748**
Allowances	-	4	1	5
Charged to profit and loss account	-	4	1	5
Charged to other comprehensive income	-	-	-	-
Recoveries	-	-1,772	-317	-2,089
Charged to profit and loss account	-	-1,772	-317	-2,089
Charged to other comprehensive income	-	-	-	-
Applications / payments	-	-2	-756	-758
Other movements	-77	-3	-480	-560
Balance at 31 December 2023	**261**	**1,046**	**1,039**	**2,346**

(*) Vall Banc SA Business Combination (see Note 3.5.1)

The amounts disclosed above under "Other movements" are mainly related to the reclassification of certain amounts to other accounting items with no impact on the profit and loss account.

21.1.1. Provisions for taxes and other legal contingencies

Based on the information available, the Group believes that, at 31 December 2023 and 2022, it has reliably estimated the obligations associated with each of the proceedings and has recognised, where required, adequate provisions to reasonably cover the liabilities that may arise, if any, from these tax and legal situations. It also believes that the liabilities that may arise from these proceedings will not, overall, have a material adverse effect on the Group's business, financial position or operating profit.

21.1.2. Commitments and guarantees given

This item records the credit risk provisions for guarantees and contingent commitments outstanding at the end of the years ended 31 December 2023 and 2022 (see Note 5.2.1).

21.1.3. Other provisions

This item records the provisions that, due to the nature of the risk or type of contingency covered, cannot be classified in the other categories described above.

22. Post-employment benefits and other commitments with employees

The composition of the balance of these items in the statement of financial position at 31 December 2023 and 2022, based on the nature of the risk giving rise to the provision, is as follows:

In thousands of euros	31/12/2023	31/12/2022

Pensions and other post-employment obligations	11,965	11,076
Other long-term employee benefits	1,530	2,446
Total	**13,495**	**13,522**

On 30 January 2012, the Crèdit Andorrà Group converted the commitments linked to retirement (Crèdit Andorrà, SA mutual pension and employee assistance fund) into a defined contribution system for active employees and a defined benefit system for former passive mutual fund members and for active employees close to retirement. In addition, as a result of the CaixaBank acquisition, Crèdit Andorrà, SA assumed the post-employment benefits with its passive employees. The Group currently has a defined contribution plan to which employees may also make contributions.

22.1. Post-employment defined benefit pension obligations

Obligations for post-employment defined benefit pensions at year-end 2023 amounted to EUR 11,965 thousand (EUR 11,076 thousand at year-end 2022). All of the commitments are insured through policies taken out with Crèdit Assegurances, SAU, a company that reports to the Group and, consequently, these insurance contracts do not meet the conditions to be considered plan assets. The fair value of the insurance contracts is recorded on the asset side of the individual statement of financial position of Crèdit Andorrà, SA under “Other assets - Insurance contracts linked to pensions”.

22.1.1. Movement in the provisions for post-employment commitments

The movement in the present value of the post-employment defined benefit obligation during the years ended 31 December 2023 and 2022 is as follows.

In thousands of euros	Present value of obligations	Net defined benefit liability (asset)
Balance at 31 December 2021	**11,604**	**11,604**
Total impact on profit	**402**	**402**
Current service cost	-	-
Past service costs	-	-
Net result for interest	402	402
Total impact on other comprehensive income	**-212**	**-212**
Actuarial losses/(gains)	-212	-212
Other	-	-
Other impact	**-718**	**-718**
Benefits paid	-718	-718
Other movements	-	-
Capital settlements	-	-
Balance at 31 December 2022	**11,076**	**11,076**
Total impact on profit	**410**	**410**
Current service cost	-	-
Past service costs	-	-
Net result for interest	410	410
Total impact on other comprehensive income	**1,240**	**1,240**
Actuarial losses/(gains)	1,240	1,240
Other	-	-
Other impact	**-761**	**-761**
Benefits paid	-761	-761
Other movements	-	-
Capital settlements	-	-
Balance at 31 December 2023	**11,965**	**11,965**

22.1.2. Actuarial methodology and assumptions

All of the pension commitments are in the payment phase; therefore, no new obligation arising from the accrual of years of service is generated.

The actuarial assumptions used in these calculations are:

		31/12/2023	31/12/2022
Mortality tables		PERM/F-2020 P	PERM/F-2020 P
Technical interest rate	Plan 1	3.29%	3.99%
	Plan 2	3.29%	3.99%
	Pension	3.29%	3.99%
CPI		2.00%	2.00%

The amounts projected at 31 December 2023 were determined on the basis of the real CPI in 2023 for payments in the year 2023 and for all other future years according to the assumed scenario.

The technical interest rate used to discount the flows was determined with reference to the market yields of the assets hedging these commitments and the yields of the German bond debt curve.

22.1.3. Sensitivity analysis of the main assumptions

The variations of the main assumptions may affect the calculation of the commitments. The effect on the obligation resulting from increasing or decreasing the assumptions is shown below:

		31/12/2023		31/12/2022	
In thousands of euros	Variation in basis points	Increase	Decrease	Increase	Decrease
Technical interest rate	100	-1,104	1,309	-997	1,187
CPI	100	1,243	-1,070	1,133	-971

The sensitivity analysis was determined by replicating the calculation of the value of the obligations changing the variable in question and keeping the other actuarial assumptions constant.

22.2. Defined contribution plans

For further information on the contributions to defined contribution plans during 2022 and 2023, see Note 39.

These contributions are an expense for the year when they accrue and are expensed in the profit and loss account of the corresponding year. Therefore, they do not lead to the recognition of liabilities for this item on the liabilities side of the Group's statement of financial position.

22.3. Obligations for other long-term commitments

The Crèdit Andorrà Group has commitments with pre-retired employees whereby it undertakes to pay an agreed long-term remuneration to terminate the employment relationship prior to retirement.

A fund is set up to cover retirement-related commitments to its pre-retired employees, both in terms of salary and social security contributions, from the time of their pre-retirement until the date of their actual retirement.

22.3.1. Movement in provisions for other long-term employee benefits

The present value of the Group's long-term employee benefit commitments at 31 December 2023 and 2022 is shown below.

In thousands of euros	Present value of obligations	Net defined benefit liability (asset)

Balance at 31 December 2021	3,008	3,008
Total impact on profit	**120**	**120**
Current service cost	-	-
Net interest cost	13	13
Past service costs	203	203
Actuarial losses/gains	-96	-96
Total impact on other comprehensive income	**-**	**-**
Actuarial losses/(gains)	-	-
Other	-	-
Other impact	**-682**	**-682**
Benefits paid	-1,200	-1,200
Other movements (additions to IFRS 3 - BC)*	518	518
Balance at 31 December 2022	2,446	2,446
Total impact on profit	**147**	**147**
Current service cost	-	-
Net interest cost	76	76
Past service costs	-	-
Actuarial losses/gains	71	71
Total impact on other comprehensive income	**-**	**-**
Actuarial losses/(gains)	-	-
Other	-	-
Other impact	**-1,063**	**-1,063**
Benefits paid	-1,063	-1,063
Balance at 31 December 2023	1,530	1,530

(*) Vall Banc SA Business Combination (see Note 3.5.1)

22.3.2. Actuarial methodology and assumptions

The value of other long-term employee benefit obligations has been determined by applying unbiased and mutually compatible actuarial assumptions. The main assumptions used in the calculations are:

	31/12/2023	31/12/2022
Mortality tables	PERMF 2000P	PERMF 2000P
Technical interest rate	3.37%	3.95%
CPI CA	0%	0%
CPI VB	4.6%	7%

The technical interest rate used to discount the cash flows was determined on the basis of the Mercer yield curve for IFRS 17 with a duration of 5 years.

The value of the obligations of the group of employees from Crèdit Andorrà, SA does not increase with the CPI and the pension is constant.

The value of the obligations of the group of employees from Vall Banc, SA is revalued with the real CPI for the year 2023 (see Note 3.5.1).

22.3.3. Sensitivity analysis of the main assumptions

The variations of the main assumptions may affect the calculation of the commitments. The effect on the obligation resulting from increasing or decreasing the assumptions is shown below.

		31/12/2023		31/12/2022	
In thousands of euros	Variation in basis points	Increase	Decrease	Increase	Decrease
Technical interest rate	100	19	-20	-36	38
CPI	100	1	-	2	-2

The sensitivity analysis was determined by replicating the calculation of the value of the obligations changing the variable in question and keeping the other actuarial assumptions constant.

22.4. Share-based payment obligations

Neither at 31 December 2023 and 2022 nor during the years ended on those dates did the Group have share-based payment obligations to employees.

23. Other liabilities

The composition of the balance of this item in the statement of financial position at 31 December 2023 and 2022, based on the nature of the event giving rise to the liability, is as follows:

In thousands of euros	31/12/2023	31/12/2022
Transactions in transit	34,079	37,786
Prepayments and accruals	41,878	38,737
Expenses accrued not paid	20,078	19,430
Other liability prepayments and accruals	21,800	19,307
Suppliers and other creditors	6,278	5,299
Other	2,025	1,218
Total	**84,260**	**83,040**

The item “Transactions in transit” mainly includes ongoing transfers and customer transactions still to be settled. The balance of this item may vary significantly due to the operations carried out by customers.

The item “Other liabilities” includes, among other things, non-financial services received pending payment not related to bank charges.

24. Capital and reserves

24.1. Share capital

The share capital of Crèdit Andorrà SA is represented by two types of shares: Class A shares and Class E shares.

Both classes of shares have the same economic and political rights, although Class E shares are syndicated in terms of transfer rights and in terms of the exercise of political rights.

This Class E share syndication regime is characterised by the fact that holders are entitled to have their shares purchased by the Bank at the price set by the Bank's General Shareholders' Meeting at their request, and at least at the time of death of the employee.

In accordance with IAS 32, a share that provides for mandatory redemption for a fixed or determinable amount, on which the issuer may pay dividends at its discretion, is a compound instrument in which the liability component equals the present value of the redemption price, and the residual amount of the issue price is allocated to the equity component as the future sequence of potential non-cumulative dividends. This requirement is equally applicable when the price of the redemption equals the fair value, on the redemption date, of the underlying equity instrument (Class E shares in this case). In this respect, the present value of the obligation to repurchase the class E shares assumed by the Bank coincides with their fair value at the analysis date.

Therefore, from the entry into force of the EU-IFRS, Class E shares are recorded as financial liabilities (see Note 19.5).

For commercial purposes, at 31 December 2023 and 2022 the share capital of Crèdit Andorrà, SA amounts to EUR 63,102,130 distributed in 901,459 shares, specifically 894,396 Class A shares and 7,063 class E shares at a nominal value of EUR 70 each.

24.2. Issue premium and reserves

The composition of the balance of this item in the statement of financial position at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Restricted reserves	**140,020**	**137,520**
Legal	14,000	14,000
Restricted reserves Law 20/2018	53,205	51,657
Fagadi	12,627	13,813
SAGI	2,757	3,118
Treasury stock and shares	-	-
Notices 227/12 and 228/12	57,431	54,932
Unrestricted reserves	**321,446**	**295,297**
Reserves for investments in subsidiaries	111,484	98,596
Other	209,962	196,701
Total	**461,466**	**432,817**

24.2.1. Restricted reserves

24.2.1.1. Legal reserve

In accordance with the Companies Act approved by the Andorran Parliament on 18 October 2007, a legal reserve of a minimum amount equivalent to 10% of the profits must be set aside, up to 20% of the share capital. At 31 December 2023 and 2022, the Bank has fully established this reserve.

24.2.1.2. Fagadi and SAGI

On 4 October 2018, Law 20/2018 of 13 September regulating the Andorran deposit guarantee fund (Fagadi) and the Andorran investment guarantee system (SAGI) entered into force. In compliance with the provisions of Law 20/2018 (see Note 48.1.8), Crèdit Andorrà, SA reallocated the guarantee reserve it had set aside up to that date pursuant to Law 1/2011 on the creation of a guarantee scheme for banking institutions (EUR 57,710 thousand) as follows:

- The guarantee reserves arising from Law 1/2011 and which were affected in the coverage of investments (EUR 2,689 thousand) were kept as guarantee reserves for investments covered by the SAGI together with the liquid assets assigned to them in accordance with the second transitory provision of Law 20/2018.
- An amount equivalent to 1.6% of the guaranteed deposits (EUR 17,464 thousand) were kept as deposit guarantee reserves with the corresponding liquid assets assigned to these reserves, which are not subject to charge, lien, hindrance, seizure or enforcement order and may not respond to other obligations or be applied for other purposes than those provided for in Law 20/2018. As established in the first additional provision of Law 20/2018, as and when member banks of the Fagadi make ordinary contributions in accordance with Article 12 of Law 20/2018, these deposit guarantee reserves may be simultaneously reclassified as restricted reserves and they may be used immediately and without restriction by banking institutions to cover risks or losses when they occur.
- Lastly, the deposit guarantee reserves arising from Law 1/2011 not allocated according to the preceding two points (EUR 37,557 thousand) were reclassified as restricted reserves, which may be used immediately and without restriction to cover risks and losses when they occur. These reserves must be kept in this category until used to cover risks or losses when they occur, or until the AFA authorises their reclassification to available reserves.

During financial year 2023, having received confirmation from the Deposit Guarantee System Management Committee of the ordinary annual contribution to constitute the ex-ante portion of the Fagadi and from the Investment Guarantee System Management Committee of the restricted reserve to be held for the SAGI, amounts calculated by the Banking Institution Deposit Guarantee System Management Committee on the basis of the calculation on 31 December 2022, the adjustment was recorded against restricted reserves, as stipulated in Law 20/2018. In this regard, at 31 December 2023, the Fagadi guarantee reserve is EUR 12,627 thousand, the guarantee reserve held restricted and assigned to the SAGI is EUR 2,757 thousand and the restricted reserve is EUR 53,205 thousand. Both the Fagadi and SAGI guarantee reserve and the Law 20/2018 restricted reserve incorporate the balances from Vall Banc, SA (see Note 3.5.1).

24.2.1.3. Treasury stock and shares

Pursuant to Article 23 of Law 20/2007 of 18 October on public limited companies and limited liability companies, the Group is required to set up restricted reserves for the outstanding amount of loans granted to shareholders for the purchase of treasury shares.

However, Crèdit Andorrà, SA has not set up any restricted reserves in relation to the financing of the Class E shares since, as explained in section 24.1, under EU-IFRS, the Class E shares are considered financial liabilities and not equity instruments. Therefore, the full fair value of the outstanding Class E shares is no longer part of the Group's equity.

With regard to Class A shares, regardless of the fact that the Group prudently over-collateralises transactions with shares of the Parent Company (i.e., to complement the principal guarantees on which the decision to grant the transactions was originally taken and on which the recoverability analysis of such transactions is based), the Group has not set aside any restricted reserves.

24.2.1.4. Reserves for differences from first consolidation and goodwill

In addition, on the basis of the provisions of Notice 227/12 on differences from first consolidation and Notice 228/12 on goodwill, the Bank, through the appropriation of profit or loss, establishes a restricted reserve each year of at least 10% of the book value of the differences from first consolidation and goodwill that appear, directly or indirectly, in its statement of financial position, up to 100% of their value. In order to avoid duplication, this reserve is not established for goodwill arising from subsidiaries where local regulations require them to set aside a reserve of a similar nature to the one described above. At 31 December 2023, the restricted reserve was EUR 57,431 thousand (EUR 54,932 thousand at 31 December 2022). At 31 December 2023, the amount of reserves for the differences from first consolidation and goodwill includes both the application of the 2022 profit for the year, as indicated in AFA Notice 227/12 and 228/12 (see Note 4.1), and the impact of the exchange rate variation for the goodwill and first consolidation differences accounted for in foreign currency and translated at the euro exchange rate (this restricted reserve has been charged to unrestricted reserves).

24.2.2. Voluntary reserves

These reserves correspond to profits from previous years that have not been distributed by the General Shareholders' Meeting and have not been allocated to a restricted reserve.

24.2.2.1. Consolidation reserves

Consolidation reserves correspond to profits accrued in previous years by Group companies forming part of the consolidation scope from the date of their acquisition or incorporation, up to 31 December 2023 and 2022, that have not been distributed as dividends.

In thousands of euros	31/12/2023	31/12/2022
Entities consolidated by full integration	**104,519**	**96,764**
Patrigest subgroup	4,482	6,572
Banque BPP subgroup	39,044	32,675
CA Panamá subgroup	12,021	10,833
Banco Alcalá subgroup	7,051	2,851
Holding Luxembourg subgroup	-1,361	-1,827
Crèdit Iniciatives subgroup	319	1,665
Beta Capital subgroup	15,332	14,521
Crèdit Capital Immobiliari SAU	-7,659	-6,506
Credi-Invest SA	1,459	3,384
CA México Asesores Patrimoniales	-134	-56
Informàtica Crèdit Andorrà SLU	3,489	3,544
Insurance Group	29,504	28,021
CA Vincles	1,155	1,112
CA Perú	-63	-25
Vall Banc Fund SAU	19	-
Vall Banc Assegurances SAU	-204	-
Argenta Patrimonis EAF SL	65	-
Entities consolidated by the equity method	**6,272**	**357**
SERMIPA XXI	44	3
SETAP365	6,228	87
CA Life	-	267
Consolidation reserves	110,791	97,121
Conversion reserves	693	1,475
Total investment reserves in Group companies	**111,484**	**98,596**

25. Treasury shares

At 31 December 2023 and 2022, Crèdit Andorrà, SA does not hold any treasury shares, neither in terms of Class E shares nor Class A shares.

26. Valuation adjustments

The composition of the balance of this item in the statement of financial position at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Financial assets through other comprehensive income	-12,436	-24,309
Financial liabilities through comprehensive income	20,405	26,367
Cash flow hedges (effective portion)	-	-
Exchange rate differences	-	-
Non-current assets available for sale	-	-
Other recognised income and expenses	-926	190
Total	**7,043**	**2,248**

The amounts included in the above table under "Other recognised income and expenses" relate to the actuarial differences arising from defined benefit pension obligations (see Note 22.1).

The balances recognised under these items are net of their corresponding tax effect. The statement of changes in equity shows the movements that have occurred in the financial years ended 31 December 2023 and 2022.

27. Minority interests

This item includes the amount of equity of subsidies attributable to equity instruments not owned, directly or indirectly, by the parent company, including the corresponding share of profit or loss for the year.

At 31 December 2023 and 2022, the breakdown of "Minority interests" in the statement of financial position is as follows:

In thousands of euros	31/12/2023	31/12/2022
Banco Alcalá Group	3,662	7,258
Total	**3,662**	**7,258**

The decrease in the balance shown in the table above is related to the purchase of 9.1% of the shares of Banco Alcalá, SA, which were held by one of the minority shareholders (see Note 3.6).

28. Equity and capital management

On 26 June 2013, the Basel III legal framework was transposed into European law through Directive 2013/36 (CRD IV) and Regulation 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

As a result of the signing of the Monetary Agreement on 30 June 2011, CRD IV was transposed into Andorran law through Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking institutions and investment firms, and with the approval of the implementing Regulation of Law 35/2018 of 6 March 2019, which completes the adaptation to Andorran law.

The application of this regulation (CRR in Europe) entered into force in 2019, with a gradual implementation schedule that allows for progressive adaptation to the new requirements.

Law 35/2018 on solvency, liquidity and prudential supervision, as well as its implementing Regulation, also restrict the concentration of risks in favour of a single counterparty to 25% of the Group's eligible capital for non-financial counterparties and EUR 150,000 thousand for financial counterparties.

28.1. Eligible capital

The elements that make up the eligible capital are known as the total capital, which is the sum of the Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital.

Common Equity Tier 1 capital (CET1) is made up of the highest quality capital (mainly eligible capital) after applying the prudential filters provided in the regulations. These elements are adjusted by the CET1 deductions after application of the regulatory limits.

Below are the figures for the current year and a comparison with the previous year.

At 31 December 2023, the instruments eligible as regulatory CET1 amounted to EUR 458,397 thousand (EUR 429,381 thousand at 31 December 2022), while the deductions applicable to regulatory CET1 amounted to EUR 106,578 thousand (EUR 112,667 thousand at 31 December 2022). The change in deductions is mainly due to the following factors:

- Intangible assets subject to deduction increase by EUR 3,445 thousand.

On the other hand, the deduction from the insurance participation is reduced by EUR 9,478 thousand.

As set out in the AFA notice "EB 03/2020 – Informative Note", the result at 31 December 2023 was considered Common Equity Tier 1 capital (CET1). As a result, the regulatory CET1 ratio was 16.04% (15.39% at 31 December 2022).

Additional Tier 1 capital (AT1) consists of eligible hybrid issues net of AT1 deductions. In the absence of AT1, all deductions are allocated to CET1, so Tier 1 capital is equal to CET1.

Tier 2 capital components include subordinated financing of EUR 50,000 thousand issued in October 2019, with no associated deduction due to the end of the transition period (EUR 2,543 thousand in financial year 2022). As a result, Tier 2 capital stands at 1.75% (1.70% in 2022).

Total capital amounts to EUR 508,397 thousand (EUR 476,838 thousand in 2022) and the total regulatory capital ratio is 17.78% (17.09% at 31 December 2022).

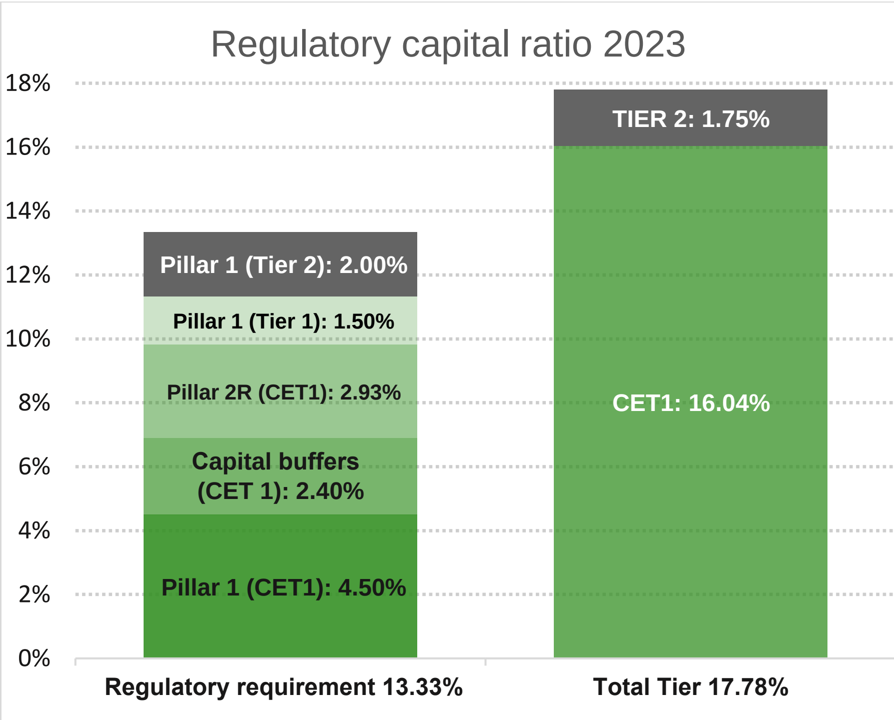
The distribution of eligible capital is as follows:

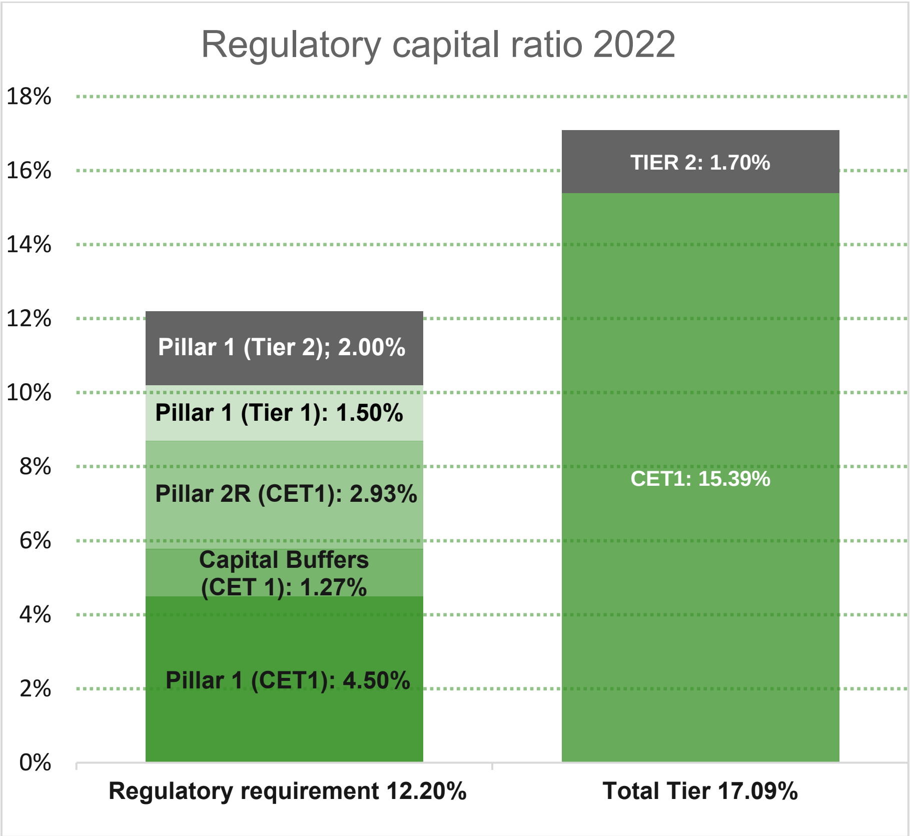
	(Regulatory)	
In thousands of euros	31/12/2023	31/12/2022
CET1	**458,397**	**429,381**
Additional Tier 1	-	-
Tier 1	**458,397**	**429,381**

Tier 2	50,000	47,457
Total capital	**508,397**	**476,838**
RWA	**2,858,584**	**2,790,579**

The impact of the first-time application of IFRS 17 on the Creand Group's solvency ratios for 2023 was immaterial since, in compliance with the provisions of Law 35/2018 and its implementing Regulation, the equity from the insurance subgroup that was reduced as part of the first-time application (see Appendices IV and V) was already being deducted from the eligible capital in the calculation of the capital ratio.

The solvency ratios that are applicable to the Bank under Law 35/2018 on solvency, liquidity and prudential supervision of banking institutions and investment firms are detailed below.




Regulatory capital ratio 2022
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
Pillar 1 (Tier 2); 2.00%
Pillar 1 (Tier 1): 1.50%
Pillar 2R (CET1): 2.93%
Capital Buffers (CET 1): 1.27%
Pillar 1 (CET1): 4.50%
TIER 2: 1.70%
CET1: 15.39%
Regulatory requirement 12.20%
Total Tier 17.09%

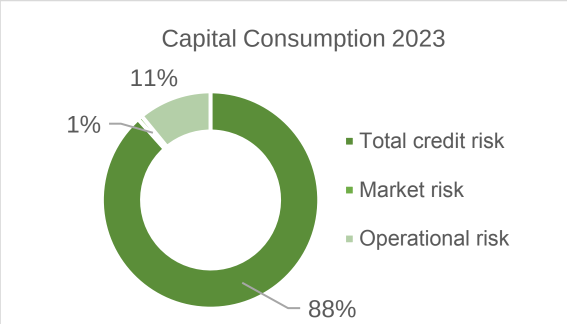
In relation to concentration, the Group, in accordance with Law 35/2018, must report the level of concentration of those counterparties whose exposure, net of provisions and excluding the application of risk mitigation techniques and credit conversion factors, exceeds 10% of eligible capital. In this regard:

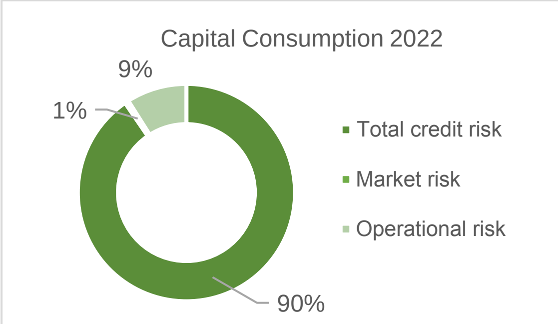
- The maximum eligible risk concentration associated with a single beneficiary at 31 December 2023 amounts to 16.92% (19.36% at 31 December 2022). In both cases, the maximum concentration is below the 25% limit set by Law 35/2018.

28.2. Capital requirements

The total volume of RWAs (risk-weighted assets) at 31 December 2023 was EUR 2,858,584 thousand (EUR 2,790,579 thousand at 31 December 2022).

The distribution of the risks included in Pillar 1 is similar to the previous year.





28.3. Capital management

Capital management in the Creand Group is carried out comprehensively, in order to ensure the Group's solvency, compliance with regulatory requirements and to maximise profitability. To this end, a series of guidelines have been established, which shape the Group's approach to capital management:

- Establish adequate capital planning to cover current needs and to provide the capital necessary to cover the needs of business plans, regulatory requirements and the associated risks.
- Ensure that, under stress scenarios, the Group and its companies maintain sufficient capital to cover the needs arising from the increase in risks due to deteriorating macroeconomic conditions.
- Optimise the use of capital through appropriate allocation between the businesses based on relative return on regulatory capital, taking into account risk appetite, growth and strategic objectives.

29. Commitments and guarantees given

The composition of the guarantees and contingent commitments given at 31 December 2023 and 2022 is as follows.

In thousands of euros	31/12/2023	31/12/2022
Loan commitments given	**539,056**	**596,757**
Public sector	35,936	42,331
Credit institutions	-	-
Other financial corporations	111,796	94,600
Non-financial corporations	289,067	321,347
Individuals	102,257	138,479
Financial guarantees given	**197,927**	**178,587**
Public sector	2	32
Credit institutions	22,460	29,951
Other financial corporations	-	-
Non-financial corporations	153,418	133,601
Individuals	22,047	15,003
Other commitments and guarantees given	**-**	**-**
Non-financial corporations	-	-
Total	**736,983**	**775,344**

A significant portion of these amounts will mature without any payment obligation materialising for the Group. Therefore, the aggregate balance of these commitments cannot be considered a certain future need for liquidity or financing to be given to third parties to the Group.

The provisions recorded to cover these guarantees have been recognised under “Provisions – Commitments and guarantees given” (see Note 21.1).

At 31 December 2023 and 2022, the Group had no additional guarantees or contingent commitments other than those described in the aforementioned note.

30. Assets assigned to other own and third-party obligations

The most significant items at 31 December 2023 and 2022 comprising assets assigned to other own and third-party obligations are detailed below.

- At 31 December 2023, the Group has deposits taken with financial intermediaries as collateral for commitments amounting to EUR -5,800 thousand (EUR -42,368 thousand in deposits pledged at 31 December 2022) (see Note 5.2.3).
- At 31 December 2023, the Group uses a total of EUR 61,455 thousand of the portfolio of debt securities at amortised cost to cover the reserve requirements arising as a result of the entry into force of Law 20/108 (EUR 63,038 thousand at December 2022) (see Note 24.2 and Note 48.1.7).
- At 31 December 2023, the Group uses a total of EUR 29,783 thousand to guarantee the credit facilities with regulators (EUR 27,357 thousand at 31 December 2022).

31. Purchase and sale commitments

Neither at 31 December 2023 nor at 31 December 2022 does the Group have any repurchase agreements with independent third parties affecting the portfolio of debt securities at amortised cost (see Note 19.3).

At 31 December 2023, the Group has reverse repurchase agreements for a market value of EUR 230,488 thousand (EUR 410,138 thousand at 31 December 2022). These reverse repurchase agreements bear interest at a rate of between 3.85% and 5.38% (between 1.29% and 4.29% at 31 December 2022) (see Note 12.1).

32. Third-party operations

The composition of the assets deposited by third parties as at 31 December 2023 and 2022 is as follows.

In thousands of euros	31/12/2023	31/12/2022
Financial instruments deposited by third parties	**11,396,302**	**8,685,548**
Of which managed by the Group	2,804,642	2,143,152
Discretionary portfolios	1,175,047	863,561
Collective investment institutions	1,629,595	1,279,591
Other	8,591,660	6,542,396
Total	**11,396,302**	**8,685,548**

The amounts recognised in the above table relate to financial assets held by customers with Group entities, excluding financial liabilities. Therefore, these assets do not form part of the Group's statement of financial position as the customer does not assume the credit risk of Crèdit Andorrà, SA.

33. Business volume

The composition of the Group's business volume at 31 December 2023 and 2022 is as follows:

In thousands of euros	31/12/2023	31/12/2022
Loans and receivables from customers	**2,727,399**	**2,761,093**
Customer assets under management	**24,892,710**	**22,240,462**
Customer deposits	4,652,491	5,219,871
Financial instruments deposited by third parties	9,329,086	7,100,166
Financial instruments not held by the Group	10,911,133	9,920,425
Total	**27,620,109**	**25,001,555**

The definition of the different components of business volume shown in the tables above is as defined internally by the Group and may, therefore, differ from the items presented elsewhere in these financial statements.

For more information on the breakdown of business volume by operating segments, see Note 7.

34. Interest income and expenses

The source of interest income and expenses recognised in the accompanying profit and loss account for the financial years ended 31 December 2023 and 2022 is as follows.

In thousands of euros	2023	2022
Interest income		
Financial assets held for trading	5,089	167
Non-trading financial assets mandatorily at fair value through profit or loss	-	45

Financial assets at fair value through profit or loss	3,034	2,139
Financial assets at fair value through other comprehensive income	580	669
Financial assets at amortised cost	150,970	70,982
Correction for hedging income	1,841	248
Other income	4,800	1,006
Liability interest income	23	1,184
Interest income from insurance activity	6,684	22,110
Total interest income	**173,021**	**98,550**
Interest expenses		
Central bank deposits	-171	-245
Financial liabilities held for trading	-4,061	-452
Financial liabilities at fair value through profit or loss	-6,418	-1,569
Financial liabilities at amortised cost (*)	-40,800	-11,572
Correction for hedging expenses	-1,820	-2,468
Other financial liabilities	-	-
Asset interest expenses	-81	-2,269
Interest expenses from insurance activity	-4,933	-6,883
Total interest expenses	**-58,284**	**-25,458**
Net interest income	**114,737**	**73,092**

(*) Includes EUR 1,257 thousand as interest expense on lease liabilities in 2023, EUR 1,334 in 2022 (see Note 2.17)

This section of the accompanying profit and loss account includes interest accrued during the year on financial assets/liabilities with implicit or explicit returns obtained by applying the effective interest rate method, as well as adjustments to income as a result of accounting hedges.

34.1. Average effective interest rate

The average effective interest rate for the different categories of financial assets and liabilities in 2023 and 2022, respectively, calculated on average gross balances, is shown below.

These rates result from interest accrued during the year and do not include corrections from hedging operations or the return of products accounted for at fair value through profit or loss.

	2023	2022
Income		
Financial assets at fair value through other comprehensive income	0.48%	0.43%
Financial assets at amortised cost		
Loans and receivables		
Credit institutions	2.69%	0.24%
Customers	4.32%	1.99%
Debt instruments	1.42%	1.10%
Expenses		
Deposits		
Central bank deposits	1.79%	0.34%
Credit institution deposits	0.28%	0.12%
Customer deposits	0.71%	0.10%
Debt securities		
At amortised cost	7.00%	7.00%
At fair value	2.50%	1.15%

35. Dividend income

The balance of this items in the accompanying profit and loss account corresponding to the financial years ended on 31 December 2023 and 2022 is as follows:

In thousands of euros

	2023	2022
From financial assets held for trading and financial assets at fair value through profit or loss	29	295
Non-trading financial assets mandatorily at fair value through profit or loss	153	291
Financial assets at fair value through other comprehensive income	365	229
Other	6	-
Total	**553**	**815**

36. Net fee and commission income

The most significant fee and commission income and expenses recognised in the accompanying profit and loss account for 2023 and 2022 are detailed in the table below, according to the nature of the non-financial service that gave rise to them.

In thousands of euros

	2023	2022

Fee and commission income		
Securities and currency transactions	24,202	28,985
Custody of securities	20,340	19,124
Asset management and advisory	15,416	15,563
Account administration and maintenance	9,965	10,103
Product marketing	28,985	29,615
Credit operations	11,337	10,857
Other	6,104	6,725
Total fee and commission income	**116,349**	**120,972**
Commission expense		
Brokerage	-170	-218
Transactions with financial intermediaries	-15,984	-14,820
Other	-6,828	-6,182
Total commission expense	**-22,982**	**-21,220**
Net fee and commission income	**93,367**	**99,752**

37. Gains or losses on financial assets and liabilities and net exchange rate differences

The balance of these items in the accompanying profit and loss account for 2023 and 2022 is as follows.

In thousands of euros	2023	2022
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**538**	**3,666**
Equity instruments	542	-
Debt securities	-4	3,502
Other	-	164
Gains or losses on financial assets and liabilities held for trading, net	**841**	**2,251**
Derivatives	-881	250
Equity instruments	425	-288
Debt securities	1,296	2,289
Other	1	-
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	**275**	**11,706**
Equity instruments	275	11,745
Debt securities	-	-39
Other	-	-
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	**2,893**	**1,863**
Equity instruments	-	1
Debt securities	2,893	1,862
Exchange rate differences (gain or loss), net	**4,087**	**4,726**
Gains or losses on derecognition of non-financial assets, net	**-804**	**-601**
Total net result	**7,830**	**23,611**

The item “Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net – Debt securities” show in the above table in relation to financial year 2022 includes EUR 3,488 from the sale of financial assets classified as “Financial assets at fair value through comprehensive income” (see Note 11).

The item “Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss – Equity instruments” includes the profit or loss obtained from the change in the price of units in venture capital funds for which the Group has not transferred the associated risks and benefits to customers, as well as the change in the price of units in collective investment institutions for which Crèdit Andorrà, SA has transferred the associated risks and benefits to customers through the issue of structured liabilities (see Note 9.2).

Similarly, the item “Gains or losses on financial assets and liabilities at fair value through profit and loss, net – Debt securities” includes the changes in the market value of the aforementioned structured liabilities (see Note 10.2).

The item “Exchange rate differences (gain or loss), net” includes, in addition to the net results of translating the financial assets and liabilities denominated in foreign currencies into euro, the results from foreign currency transactions (mainly derivatives) on both its own account and on behalf of customers.

38. Other operating income and expenses, and income and expenses from assets and liabilities under insurance and reinsurance contracts

38.1. Other operating income and expenses

The breakdown of the balance in these items in the accompanying profit and loss account for 2023 and 2022 is shown in the following tables:

In thousands of euros	2023	2022
Other operating income	217	1,495
Other operating expenses	-3,117	-1,230
Net result	**-2,900**	**265**

Under “Other operating income” and “Other operating expenses”, the Group records the income and expenses arising from the operating income or expenses not related to the banking business, such as income from real estate rentals, etc.

“Other operating income” at 31 December 2023 includes EUR 179 thousand from property sublease income (EUR 145 thousand at 31 December 2022).

38.2. Other income and expenses from assets and liabilities under insurance and reinsurance contracts

The breakdown of the balance in these items in the accompanying profit and loss account for 2023 and 2022 is shown in the following tables:

	2023	2022
Income under insurance and reinsurance contracts	**19,567**	**15,417**
Income under insurance contracts	19,567	14,985
Reinsurance income	-	432
Expenses under insurance and reinsurance contracts	**-14,271**	**-27,174**
Expenses under insurance contracts	-14,271	-27,146
Reinsurance expenses	-	-28
Result from insurance activity	**5,296**	**-11,757**

39. Staff expenses

The composition of this item in the accompanying profit and loss account for 2023 and 2022 is shown in the following table:

In thousands of euros	2023	2022
Wages and salaries	-62,628	-60,507
Social security	-8,161	-8,135
Termination benefits	-972	-3,864
Provisions for defined post-employment contribution pensions (Note 22)	-1,046	-1,003
Provisions for defined post-employment benefit pensions	-	-
Training	-466	-383
Other staff expenses	-6,175	-5,720
Total staff expenses	**-79,448**	**-79,612**

The expense recorded under “Provisions for defined post-employment contribution pensions” mainly includes the mandatory contributions established in the Internal Regulation of the Pension Plan for Crèdit Andorrà, SA employees. These contributions to the pension plan are made to cover retirement, death or disability commitments and certain departures of active employees.

To cover these commitments, Crèdit Andorrà, SA makes a monthly contribution equivalent to a percentage of the pensionable wages, ranging from 0% to 12% depending on the contribution percentage chosen by the employee, which can be between 0% and 5.5%. The employee has the option to change the contribution rate once a year, so he/she has the flexibility to adjust the monthly net salary received and the contributions to the pension plan according to his/her liquidity needs.

“Other staff expenses” includes, among other things, the remuneration and bonuses for supplementary medical, life and debit balance insurance, and other short-term social benefits, as well as expenses related to expatriate employees.

During financial years 2023 and 2022, the composition of the Creand Group workforce, in average terms, by professional category and gender, is as follows:

	31/12/2023	31/12/2022

	Men	Women	Total	Men	Women	Total
Directors	10	2	12	10	3	13
Managers	141	85	226	140	76	216
Administration staff	259	295	554	245	305	550
Temporary staff	4	-	4	1	2	3
Total	**414**	**382**	**796**	**396**	**386**	**782**

40. Other administrative expenses

The composition of this item in the accompanying profit and loss account for 2023 and 2022 is shown in the following table:

In thousands of euros	2023	2022
Supplies	-1,676	-1,371
External services	-42,976	-48,786
Leases	-	-
Property repair and maintenance	-7,232	-7,822
Independent professional services	-15,467	-18,657
Surveillance and cash courier services	-1,187	-1,388
Insurance premiums	-1,708	-1,368
Advertising and public relations	-4,861	-3,801
Utilities	-7,878	-9,588
Other	-4,643	-6,162
Taxes	-5,163	-6,000
Other operating expenses	-4,289	-3,380
Total	**-54,104**	**-59,537**

The variation in the heading “Independent professional services” is mainly due to the development of certain strategic projects, as well as other projects required to comply with recurring regulatory changes.

The item “External services – Other” mainly includes the expenses for representation, travel and fees paid to bodies and associations such as the Andorran Banking Association.

41. Depreciation and amortisation

The composition of this item in the accompanying profit and loss account for 2023 and 2022 is shown in the following table:

In thousands of euros	2023	2022
Tangible assets	**-11,101**	**-11,156**
For own use	-4,268	-4,791
Investment property	-291	-550
Right of use assets	-6,542	-5,815
Intangible assets	**-10,340**	**-11,724**
Total	**-21,441**	**-22,880**

42. Provisions or reversal of provisions

The composition of this item in the accompanying profit and loss account for 2023 and 2022 is shown in the following table:

In thousands of euros	2023	2022
Taxes and other legal contingencies (Note 21)	-	190
Commitments and guarantees given (Note 21)	1,768	893
Other provisions (Notes 21 and 22)	245	-761
Total	**2,013**	**322**

Net provisions for commitments and guarantees given include the net provision for credit risk coverage of guarantees granted by the Group.

43. Impairment or reversal of impairment on financial assets not measured at fair value through profit and loss

The composition of this item in the accompanying profit and loss account for 2023 and 2022 is shown in the following table:

In thousands of euros

	2023	2022
From financial assets at fair value through other comprehensive income	**-3**	**-1**
Debt securities	-3	-2
Equity instruments	-	1
Financial assets at amortised cost	**8,468**	**8,343**
Debt securities	94	-603
Customer loans and advances	8,374	8,946
Loans and advances to credit institutions	-	-
Total	**8,465**	**8,342**

During 2023, the Group recognised income from recoveries of write-offs amounting to EUR 3,701 thousand (EUR 4,865 thousand in 2022).

Impairment of financial assets at fair value through other comprehensive income of debt securities is calculated in the same way as impairment of the financial asset portfolio at amortised cost, but the accumulated impairment allowance is recognised in “Equity / Accumulated other comprehensive income / Items subject to reclassification to profit or loss / Fair value changes in debt instruments measured at fair value through other comprehensive income” and not in assets, since the book value of this portfolio is its market value.

44. Share of gains or losses of investments in joint ventures and associates

Below is a breakdown of the results obtained during 2023 and 2022 by the multi-group and associate companies (see Note 3) consolidated by the equity method.

In thousands of euros	2023	2022
Clíniques Geriàtriques SA	76	51
Societat Pirenaica d'Aparcaments SA	40	54
Actiu Assegurances SA	124	822
CA Vida Assegurances SA	2,248	1,906
Ensia Patrimonis 365 SL	-9	-
CA Life Insurance Experts SA	210	195
SETAP 365 SA	-1,266	6,679
Serveis i Mitjans de Pagament XXI SA	23	41
Total	**1,446**	**9,748**

45. Tax expense or income from continuing operations

In accordance with the tax law in force in Andorra, the special tax consolidation regimen for corporation tax (CT) includes Crèdit Andorrà, SA as the parent company and the Andorran companies that meet the requirements established by the regulations as subsidiaries. The tax group, in effect since the entry into force of the law in 2012, with group number G-800529-D, at 31 December 2023 is made up of the companies listed below, of which more than 75% of the share capital is held, and all of which have the same financial year as the Bank.

- Credi-Invest, SA
- Patrigest, SAU
- Crèdit Capital Immobiliari, SA
- Informàtica Crèdit Andorrà, SLU
- Crèdit Iniciatives, SA
- Crèdit Assegurances, SAU
- CA Vincles Actuarial, SLU
- Vall Banc Assegurances, SAU (incorporated in the tax group as of 1 July 2022)
- Vall Banc Fons, SAU (incorporated in the tax group as of 1 July 2022)

The other Group companies file returns in accordance with the tax regulations applicable in the jurisdictions in which they are based.

Corporation tax assessments have been estimated for the current year, but they cannot be considered definitive until July, when they will be formally submitted to the tax authorities of the jurisdictions where the Group operates. Therefore, the figures for the current year are forecasts.

The taxation process is explained in Note 2.13.1 “Income tax”.

45.1. Income tax expense

45.1.1. Amount recognised in profit and loss

The composition of this item in the accompanying profit and loss account for 2023 and 2022 is shown in the following table:

In thousands of euros	2023	2022
Current tax result	**-3,811**	**-422**
Current tax year	-3,476	-227
Current year foreign income tax	-32	-
Adjustments for previous years	-303	-195
Deferred tax result	**-290**	**-5,157**
For temporary differences	-118	-2,313
For tax rate variation	-	-
For tax loss carryforwards	-178	-2,540
Adjustments for previous years	6	-304
Total	**-4,101**	**-5,579**

45.1.2. Amount recognised in accumulated other comprehensive income

The composition of the amount recognised in accumulated other income during the financial years ended 31 December 2023 and 2022, based on the nature of the asset or transaction giving rise to it, is shown in the following tables:

In thousands of euros	Before of tax	31/12/2023 Profit (expense) from tax	Net of tax
Items that will not be reclassified to profit or loss	**-1,240**	**124**	**-1,116**
Actuarial gains or losses on defined benefit pension plans	-1,240	124	-1,116
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	-	-
Items subject to reclassification to profit or loss	**7,118**	**-1,207**	**5,911**
Financial assets and insurance through other comprehensive income	7,118	-1,207	5,911
Cash flow hedges (effective portion)	-	-	-
Hedges of net investments in foreign operations (effective portion)	-	-	-
Exchange rate differences	-	-	-
Non-current assets for sale	-	-	-
Other recognised income and expenses	-	-	-
Total	**5,878**	**-1,083**	**4,795**

In thousands of euros	Before of tax	31/12/2022 Profit (expense) from tax	Net of tax
Items that will not be reclassified to profit or loss	**383**	**-38**	**345**
Actuarial gains or losses on defined benefit pension plans	212	-21	191
Fair value changes of equity instruments measured at fair value through other comprehensive income	171	-17	154
Items subject to reclassification to profit or loss	**-10,510**	**1,908**	**-8,602**
Financial assets and insurance through other comprehensive income	-10,510	1,908	-8,602
Cash flow hedges (effective portion)	-	-	-
Hedges of net investments in foreign operations (effective portion)	-	-	-
Exchange rate differences	-	-	-
Non-current assets for sale	-	-	-
Other recognised income and expenses	-	-	-
Total	**-10,127**	**1,870**	**-8,257**

Irrespective of the income taxes charged to profit or loss, in 2023 and 2022 the Group recognised certain valuation adjustments for financial assets at fair value through other comprehensive income in equity at the amount net of tax, and additionally recognised this effect as a deferred liability and deferred asset, respectively.

45.2. Reconciliation of effective tax rate

A reconciliation between the corporate income tax expense using the effective tax rate in Andorra (10%) and final recorded corporate income tax expense and the effective tax rate for the years ended 31 December 2023 and 2022, is shown below.

	2023		2022	
In thousands of euros	Effective rate	Amount	Effective rate	Amount
Pre-tax result		75,435		50,220
CT with local tax rate		-5,755		-4,194
Effect of foreign tax rates		-1,939		-2,884
Non-deductible expenses		-2,415		-2,040
Non-taxable income		4,710		4,742
Rebates		4,509		2,199
Other effects (temporary effects, etc.)		-2,586		1,950
Total tax expense	**-4.6%**	**-3,476**	**-0.5%**	**-227**

During the financial years analysed, the income and expenses of the Andorran tax group are almost entirely taxed at the local rate of 10%. However, there is income in the profit or loss that is exempt from taxation, such as eliminations of group entities, which consolidate the CT, dividends accrued from other investees through the exemption method as well as tax credits.

Although the different tax rates from other jurisdictions in which the subsidiaries operate increase the effective tax rate, the application of tax loss carryforwards and the rebates applied lead to a greater decrease in the effective tax rate.

At the same time, at 31 December 2023 the Group's different companies have recognised current tax liabilities payable in the amount of EUR 2,225 thousand (EUR 158 thousand at 31 December 2022).

45.3. Tax loss carryforwards

At 31 December 2022, the subsidiary Banque de Patrimoines Privés, SA applied all the tax loss carryforwards pending offset amounting to EUR 9,697 thousand, which already existed prior to its takeover by the Crèdit Andorrà Group.

At 31 December 2023, Banco Alcalá, SA had tax loss carryforwards pending offset amounting to EUR 1,686 thousand (EUR 1,881 thousand at 31 December 2022) generated during 2018, 2019 and 2022.

At 31 December 2023, Gesalcalá, SA, SGIIC has applied all the tax loss carryforwards pending offset generated during the financial years 2020, 2021 and 2022.

At 31 December 2023, the Crèdit Andorrà, SA tax group had tax loss carryforwards pending offset amounting to EUR 83,630 thousand not capitalised for accounting purposes (EUR 82,074 thousand at 31 December 2022). These tax loss carryforwards originate from: (1) the first-time application settlements made by Crèdit Andorrà, SA with effect from 01/01/2016 due to the entry into force of EU-IFRS in Andorra (for more information, see the consolidated financial statements for 2017); (2) the first-time application settlements made with effect from 01/01/2018 due to the entry into force of IFRS 9; and (3) the acquisition of Vall Banc, SA (see Note 3.5.1.).

As a result of the aforementioned merger by absorption, at 31 December 2023 there are tax loss carryforwards pending offset, generated before the entry of Vall Banc and Vall Banc Assegurances into the Vall Banc consolidation group, amounting to EUR 37,063 thousand (EUR 37,568 thousand at 31 December 2022).

The Bank's directors expect the tax loss carryforwards detailed in this Note to be applied, where appropriate, before the expiry of the statutory right to offset them.

45.4. Deferred tax assets and liabilities

45.4.1. Composition of deferred tax assets and liabilities

Under current tax regulations, in 2023 and 2022, there are certain temporary differences that must be taken into account when quantifying the corresponding income tax expense.

The source of the deferred tax assets/liabilities recorded in the statement of financial position at 31 December 2023 and 2022 is as follows:

	2023		2022	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Tangible and intangible assets	430	2,174	495	2,408
Financial assets through other comprehensive income	1,665	223	2,742	123
Actuarial gain/loss from defined benefit plans	-	31	5	-
Fair value hedges	-	-	-	-
Loan loss	9,616	-	10,444	-
Tax loss carryforwards to be offset in coming years	1,140	1,557	1,311	1,550
Other	1,869	60	1,419	113
First-time application of IFRS 17 and IFRS 9 insurance business	679	1,577	1,129	2,201
Net assets and liabilities	**15,399**	**5,622**	**17,545**	**6,395**

The Group has no significant unrecognised deferred tax assets.

45.4.2. Movement in deferred tax assets and liabilities

The movement in deferred tax assets/liabilities recorded in the statement of financial position at 31 December 2023 and 2022 is as follows:

	Balance at 31/12/22	Other movements during the year recognised in		Balance at 31/12/23
In thousands of euros		Profit/loss	OCI	
Tangible and intangible assets	-1,913	167	2	-1,744
Financial assets through other comprehensive income	2,621	-	-1,177	1,444
Actuarial gain/loss from defined benefit plans	5	-	-36	-31
Fair value hedges	-	-	-	-
Loan loss	10,444	-828	-	9,616
Tax loss carryforwards to be offset in coming years	-238	-178	-1	-417
Other	1,303	423	72	1,798
First-time application of IFRS 17 and IFRS 9 insurance business	-1,072	126	57	-889
		-	-	
Total	**11,150**	**-290**	**-1,083**	**9,777**

In thousands of euros	Balance at 31/12/21	Other movements during the year recognised in		Balance at 31/12/22
		Profit/loss	OCI	
Tangible and intangible assets	-1,970	57	-	-1,913
Financial assets through other comprehensive income	507	-	2,114	2,621
Actuarial gain/loss from defined benefit plans	-67	-	72	5
Fair value hedges	-	-	-	-
Loan loss	10,565	-121	-	10,444
Tax loss carryforwards to be offset in coming years	2,302	-2,540	-	-238
Other	1,616	-313	-	1,303
First-time application of IFRS 17 and IFRS 9 insurance business	1,484	-2,240	-316	-1,072
Total	**14,437**	**-5,157**	**1,870**	**11,150**

Under current tax regulations, there are certain temporary taxable and deductible differences that must be taken into account when quantifying the corresponding corporation tax expense. All these temporary differences have been recorded at the rate at which they are estimated to reverse.

The Bank's directors expect the deferred taxes detailed in this Note to be reversed over the coming 5 years.

45.5. Other relevant tax information

Crèdit Andorrà, SA has the last years open for review by the tax authorities for the main taxes applicable to it in the jurisdictions in which it operates.

On 5 January 2022, Crèdit Andorrà finalised the corporate income tax audit corresponding to the adjustments for the first-time application of IFRSs carried out in 2017 and 2018, resulting in a definitive settlement from the Tax Department that increased the tax loss carryforwards by EUR 3.3 thousand (LP21003701).

On 21 February 2022, Crèdit Andorrà, SA received notification of the start of the audit of the tax regime applied to the partial split-off of Vall Banc, SA in favour of a limited liability company (see Note 3.5.1.1.1.).

At the date of these annual accounts, the Bank is awaiting a ruling on the dispute. However, it should be made clear that, although Crèdit Andorrà, SA is the established party in the process as the universal successor of Vall Banc (see Note 3.5.1.3), the party responsible for the economic consequences that may arise from the resolution of the process will be JC Flowers, by virtue of the agreements contained in the contract for the sale and purchase of Vall Banc, SA shares (see Note 3.5.1.1.).

46. Related parties

46.1. Remuneration for Senior Management

Crèdit Andorrà defines the Group's Senior Management as executive or non-executive personnel comprising (1) the Board of Directors, (2) General Management, (3) the Management Committee and (4) the management of the Internal Audit Department.

The remuneration accrued during 2023 and 2022 by the members of Senior Management, due to their status as Senior Managers, totalled EUR 6,707 thousand and EUR 5,854 thousand, respectively.

Of the total remuneration received during 2023, EUR 5,983 thousand correspond to short-term benefits and EUR 723 thousand correspond to post-employment benefits (EUR 5,175 thousand and EUR 679 thousand for 2022, respectively).

At 31 December 2023 and 2022, there are no transactions with members of the Board of Directors and/or the General Management (non-shareholders) that individually represent more than 10% of the shareholders' equity and 5% of the profit for the year.

46.2. Related-party transactions.

Details of related-party balances at 31 December 2023 and 2022 are as follows:

	2023			2022		
In thousands of euros	Senior Management	Subsidiaries	Other related parties	Senior Management	Subsidiaries	Other related parties
Assets	**31,182**	**62,354**	**112,566**	**42,243**	**49,997**	**113,419**
Loans, receivables and guarantees	33,309	62,386	132,875	44,740	50,034	133,379
Hedges	-2,127	-32	-20,309	-2,497	-37	-19,960
Financial liabilities at amortised cost	**2,967**	**11,130**	**8,755**	**4,325**	**24,724**	**4,828**
Financial liabilities at amortised cost	2,967	11,130	8,755	4,325	24,724	4,828
Off-balance-sheet accounts	**47,933**	**20,278**	**258,312**	**45,366**	**7,015**	**221,767**
Assets in custody	47,933	20,278	258,312	45,366	7,015	221,767
Amounts recognised in profit and loss	**284**	**231**	**-46**	**579**	**976**	**2,466**
Interest income	450	841	9	590	903	2,460
Interest expenses	-186	-620	-88	-32	-46	-10
Fee and commission income	20	10	33	21	119	16

In relation to the balances for financial year 2022 shown above for comparison purposes, and with no effect to the total figure reported, a total of EUR 40,080 thousand has been reclassified from "Senior Management" to "Other related parties" as part of the process of revising the definition of "related parties" to bring it more closely in line with the content of this note. With this reclassification, the figures shown in relation to 2023 are fully comparable with those for 2022.

The "Subsidiaries" segment includes balances with companies that have not been consolidated using the full integration method.

"Other related parties" includes balances with economic groups which, without being part of Senior Management or subsidiaries, are related to the Group.

47. Lease commitments

Below is a breakdown of the Bank's lease commitments with third parties outside the Group at 31 December 2023 and 2022.

In thousands of euros	2023	2022
Up to 1 year	7,563	7,152
Between 1 and 5 years	23,615	23,806
More than 5 years	33,166	36,961
Total	**64,344**	**67,918**

On 31 December 2014, Crèdit Andorrà, SA signed an agreement with a group of foreign investors resident in Andorra for the purchase and sale and leaseback with an operating lease for 20 years (with an option to extend for a further 10 years, at the Bank's discretion) of certain properties assigned to its operations, including the Bank's head office.

Of the total lease commitments on 31 December 2023 detailed in the table above, EUR 5,432 thousand, EUR 21,728 thousand and EUR 32,591 thousand correspond to lease commitments in connection with the purchase and sale and leaseback transaction (EUR 5,193 thousand, EUR 20,772 thousand and EUR 36,351 thousand, respectively, at 31 December 2022).

48. Additional information

48.1. Legal compliance

48.1.1. Law 37/2021, of 16 December, amending Law 14/2017, of 22 June 2017, on the prevention and combating of money or securities laundering and the financing of terrorism, and the complementary and implementing regulation

The General Council, at its session on 16 December 2021, approved the amendment of Law 14/2017, of 22 June, on the prevention and combating of money or securities laundering and the financing of terrorism. The Law and the corresponding regulatory development transpose into Andorran law the fifth Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing and amending Directives 2009/138/EC and 2013/36/EU. In addition, FATF recommendations and Moneyval's observations are taken into account in the periodic evaluation procedures of the Andorran system for the prevention of money laundering and terrorist financing. In particular, FATF recommendation 15, relating to measures to prevent money laundering and terrorist financing in the area of new technologies.

As a continuation of the regulatory deployment of this Law, on 2 March, the Government approved the Regulation through a Decree consolidating in a single text the amended provisions with the provisions of the implementing regulation of Law 14/2017, of 22 June, on preventing and combating money or securities laundering and the financing of terrorism, approved by Decree of 23 May 2018, which is repealed.

With the aim of implementing Commission Implementing Regulation 2021/776 11 May 2021 establishing templates for certain forms as well as technical rules for the effective exchange of information under Regulation (EU) 2018/1672 of the European Parliament and of the Council of 23 October 2018, the Regulation on the declaration of cross-border cash transport is approved by Decree 377/2022.

Identification of beneficial owner

Pursuant to Article 10.5 of Law 14/2017, of 22 June, on preventing and combating money or securities laundering and the financing of terrorism, banking institutions must, among other actions, carry out a review of existing customers to ensure there are no changes in relation to the identified beneficial owner. On 13 February 2023, the UiFAND published Technical Notice CT-01/2023 with the aim that obliged entities update the review of existing customers. The review may not exceed five years.

48.1.2. Law regulating mandatory investment ratios

In its session on 30 June 1994, the General Council of the Principality of Andorra passed the Law governing mandatory investment ratios. This law obliges entities whose activities include receiving public deposits and using them in granting loans and other investments to maintain an investment ratio in Andorran public funds.

On 9 December 2009, the Decree amending the Decree regulating the Law of 22 August 1994 on the regulation of the mandatory investment ratios was approved, obliging banks to maintain an investment ratio of 2% in public funds in their assets.

Government debt

Pursuant to the Law regulating mandatory investment ratios, at 31 December 2023 and 2022, the Group has subscribed government debt of the Principality of Andorra. The amount subscribed by the Group in this issue is included under “Financial assets at amortised cost – Debt securities” on the asset side of the accompanying consolidated statement of financial position.

48.1.3. Programme aimed at privileged financing for the renovation of housing and residential buildings

Loans granted as part of a programme classified as being of national and social interest and aimed at privileged financing for the refurbishment of housing and buildings for residential use (Law 16/2022 of 30 May on the consolidated text for the promotion of the refurbishment of the housing stock, the improvement of the energy efficiency of buildings and the use of renewable energies, repealing Law 21/2013 of 10 October) are eligible for public funds. The loans outstanding under this item at 31 December 2023 amounted to EUR 449 thousand (EUR 559 thousand at 31 December 2022) and are recorded under “Loans and advances – Customers” in the consolidated statement of financial position. These loans accrue an annual interest equivalent to the one-year Euribor rate plus 1.5%.

48.1.4. Extraordinary guarantee programme for the purchase of a home for habitual and permanent residence.

Access to housing has been strained in recent years, with an increase in demand that has not been matched by a sufficient increase in supply, causing prices to rise significantly. In this regard, the Government has set up an extraordinary programme of State guarantees by means of Decree 127/2023 of 15 March 2023.

The programme is formalised in the form of guaranteed lines of financing to facilitate the purchase of a home for habitual and permanent residence, and is aimed at individuals and families residing in the country. In conjunction with this guarantee programme, a subsidy programme has also been set up in which the Government, through an annual payment, pays the beneficiary of the guarantee a part of the financial cost of the loan formalised.

The maximum amount guaranteed cannot exceed 20% of the mortgage amount, and the public guarantee programme has an initial amount of EUR 10 million.

These loans must accrue at a variable interest rate of 12-month Euribor + 1.10% with a maximum term of 30 years or until the applicant reaches the age of 65 at the latest.

The outstanding loan for this item amounted to EUR 117 thousand at 31 December 2023.

48.1.5. Law 1/2011 on the creation of a deposit guarantee system for banking institutions

On 2 February 2011, the General Council of the Principality of Andorra passed Law 1/2011 on the creation of a deposit guarantee system for banking institutions in order to guarantee the return of deposited cash and securities to depositors. The aforementioned Law establishes that, in order for the guarantee system to comply with the obligations attributed to it by this Law, all banking institutions authorised to operate in Andorra must create and maintain a restricted reserve for the fulfilment of the guarantees covered, and that an amount equivalent to this reserve must be kept invested in safe and liquid assets that comply with a series of requirements established by law for this purpose.

On 3 October 2018, Law 20/2018 of 13 September regulating the Andorran deposit guarantee fund and the Andorran investment guarantee system was published in the Official Gazette of the Principality of Andorra. By means of its repeal provision, it repealed Law 1/2011 of 2 February, on the creation of a deposit guarantee system for banking institutions, with the exception of the fourth transitional provision “Treatment of deposits and investments held by Banca Privada d’Andorra, SAU” (see Note 48.1.7).

48.1.6. Law 8/2015 on urgent measures to implement mechanisms for the restructuring and resolution of banking institutions

On 2 April 2015, the General Council passed Law 8/2015 on urgent measures to implement mechanisms for the restructuring and resolution of banking institutions.

The aim of this Law is to ensure the optimal use of public resources while preserving the stability and functioning of the banking system. Among the principles of this Law, of particular note is that public resources should not be used to bear losses within a context of the restructuring and resolution of a banking institution.

A large part of the administration of the system designed by the law is attributed to the State Agency for the Resolution of Banking Institutions (AREB) as the competent resolution authority. Furthermore, in order to finance, to the extent necessary, the measures agreed in application of this Law, the Andorran Fund for the Resolution of Banking Institutions (FAREB), an entity without legal personality that will be managed by the AREB, is created in accordance with the provisions of Directive 2014/59/EU.

48.1.7. Law 20/2018 of 13 September regulating the Andorran deposit guarantee fund and the Andorran investment guarantee system.

This law allows for alignment with the European Union as regards the protection of deposit holders in banking institutions in the Principality of Andorra and of investments in banking institutions and financial investment institutions in the Principality of Andorra.

48.1.7.1. Andorran deposit guarantee fund

The law regulates the Andorran deposit guarantee fund (Fagadi) as a deposit guarantee system under the terms established in Directive 2014/49/EU and with an additional buffer of financial resources to ensure the Fagadi immediately has more resources than those required by the directive itself.

This law, like the directive, establishes a transition period during which member banks of the Fagadi must make annual contributions as determined by the management committee, in order to have available *ex-ante* financial resources of an amount equivalent to 0.8% of the guaranteed deposits by 30 June 2024. In addition, this law provides that Andorran banking institutions will continue to make annual contributions to the Fagadi from their profit and loss account during a period of eight years from 2024 in order to have available an additional volume of *ex-ante* financial resources equivalent to 0.8% of the guaranteed deposits to protect depositors (thus reaching a total of 1.6% of the guaranteed deposits).

A dual system to ensure the immediate availability of financial resources will be in place during the period foreseen for the provisioning of the *ex-ante* fund. Therefore, banking institutions must maintain part of the deposit guarantee reserves already constituted under Law 1/2011, and the assets allocated to these reserves may only be used immediately at the request of the Fagadi management committee. The remaining portion of the deposit guarantee reserves held by Andorran banking institutions by virtue of the application of Law 1/2011 at the date of entry into force of this law is reclassified to restricted reserves that can be used to cover possible risks or losses. The AFA may authorise their reclassification to unrestricted reserves.

The Fagadi maintains the coverage regime of EUR 100,000 per depositor and per institution, and incorporates additional coverage in exceptional cases to guarantee up to EUR 300,000 (deposits from transactions with residential and private real estate, payments received by the depositor on a one-off basis and linked to marriage, divorce, retirement, termination, disability or death, etc.).

48.1.7.2. Andorran investment guarantee system

The law establishes the Andorran investment guarantee system (SAGI) as an ex-post guarantee system now involving, together with the banking institutions that are already participants, financial investment institutions (financial investment companies, financial investment agencies and asset management companies offering discretionary and individualised portfolio management in the form of direct management) and management companies of collective investment institutions authorised to provide administration and custody services for financial instruments on behalf of customers in Andorra.

The main regulatory features of the investment guarantee system are as follows:

- The coverage regime is maintained at EUR 100,000 per holder, above the EUR 20,000 coverage level set by Directive 97/9/EC. The law also establishes a total limit on SAGI resources and increases the total maximum coverage established by Law 1/2011.
- Losses arising from fluctuations in the value of investments are not guaranteed. The guarantee covers situations in which the recovery of the securities is impossible due to the insolvency of the entity providing the securities administration and custody service.
- The target for SAGI resources is maintained at 1.5% of the base for calculating the investments regulated by Law 1/2011, with 30 June 2020 as the deadline for compliance.
- The amount of the investment guarantee reserve to be held by each SAGI member institution should be calculated annually and correspond to the proportion that the amount of investments guaranteed to the institution represents of the aggregate total of guaranteed investments in all SAGI member institutions. For the purposes of calculating the investment guarantee reserve, this is understood to be 5% of the market value of the investments held by the SAGI member institutions.
- The system of investment guarantee reserves earmarked for the fulfilment of the guarantee by banks is maintained.

48.1.8. Law 12/2017 of 22 June on the regulation and supervision of insurance and reinsurance in the Principality of Andorra

This law, which entered into force on 1 January 2018 and is based on the system established by the EU known as Solvency II, seeks to establish the system for regulating and supervising insurance and reinsurance in the Principality of Andorra, with the aim of ensuring transparency, promoting its orderly development and instructing on the rights of the policyholders, insured parties and beneficiaries.

In particular, this law establishes the conditions for accessing and conducting business, the system applicable with regard to supervision and solvency, and it also regulates the restructuring and settlement of insurance and reinsurance institutions with registered address in the Principality of Andorra.

The supervision and control functions of the insurance and reinsurance market in the Principality of Andorra are performed by the Insurance and Reinsurance Supervisory Authority.

As established by the “Second transitional provision. Regime of insurance and reinsurance institutions with authorisation to operate obtained before the entry into force of this law”, the institutions and delegations referred to in the preceding paragraphs must adapt to the law in the following terms:

- As of 1 January 2018, the law will be fully applicable to institutions and delegations, without prejudice to the provisions of Section IV below.
- The adaptation to Section IV “Regime for conducting business” of the law by the institutions and the delegations referred to in the preceding paragraphs will be carried out gradually and proportionally over a period of five years, beginning 1 January 2018. Section IV establishes the central core of the new supervisory regime, which includes the basic requirements deriving from the three pillars of Solvency II. In particular, it is worth mentioning the establishment of the solvency capital requirement and the minimum capital requirement, or the regulation of market conduct or certain corporate transactions, among many other conditions to which the sector must henceforth adapt.

48.1.9. Programme aimed at privileged financing for the digitalisation of companies

Also eligible as public funds are the loans granted as part of a programme classified as of a national and social interest, and aimed at privileged financing for the digitalisation of companies, approved by the Government of Andorra on 22 June 2022 (Decree 269/2022). This digital transformation programme is intended to adapt the Principality of Andorra to the new emerging digital context and to increase its competitiveness with the provision of three services: a digital advisory platform service, a personalised digital advisory service and a digital consultancy and digital solution implementation service.

In 2023, the new Decree 529/2023 of 15/11/2023 was approved, amending Decree 269/2022 of 22/06/2022, whereby a programme of subsidies and a programme of guarantees was approved relating to the digitalisation of companies programme. The approval of this new decree introduces improvements in obtaining funding compared to the previous one.

The outstanding loans under this item, at 31 December 2023, amounted to EUR 27 thousand (no loans were granted under this item at 31 December 2022). The balances are recorded under "Loans and advances – Customers" of the consolidated statement of financial position. These loans accrue an annual interest rate of 1-year Euribor + 0.95%.

48.1.10. Law 22/2023, of 15 November, amending Law 17/2013, of 10 October, on the introduction of the euro in the Monetary Agreement signed between the Principality of Andorra and the European Union.

The purpose of this amending law is to adapt the Andorran legal system to the regulatory changes imposed by the European Union. It amends article 2 with regard to the definition of "irregular reproduction" and incorporates a new definition, "irregular activity" in the wording of articles 44 and 45 in relation to rules for the reproduction of euro banknotes and the implementation of measures to combat irregular activities.

The first final provision incorporates the amendment of article 12 of Law 10/2013, of 23 May, on the Andorran Financial Authority, in relation to the cause for removal from the post of chairman, vice-chairman and member of the Board of Directors of the AFA.

48.1.11. Edict of 06/07/2023 making public the amendment to the Annex to the Monetary Agreement between the Principality of Andorra and the European Union, signed in Brussels on 30 June 2011

The European Commission amends the Annex once a year in order to take into account relevant new legal acts and EU rules and amendments made to existing texts. On 21 February 2023, the Commission Decision was published amending the Annex to the Agreement. The amendments concern, among other things, the prevention of money laundering.

48.1.12. Decree 45/2023 of 25/01/2023, approving the Regulation amending the Regulation implementing Law 29/2021 of 28 October on the protection of personal data of 14 September 2022.

This Regulation amends section 2 of article 6 of the implementing Regulation of Law 29/2021 of 28 October on the protection of personal data on the right to a digital will, and Article 7 on the electronic register of digital wills is repealed.

48.1.13. Law 22/2022, of 9 June, on measures for network and information systems security

The General Council session of 9 June 2022 approved the Law on measures for network and information systems security. The Law establishes the obligations to define, implement and evolve a national cybersecurity strategy, manage cybersecurity risks, increase cooperation with other countries (especially neighbouring states), and to improve the cyber resilience of public and private entities that are "essential" or "critical" because they provide or have the potential to provide services fundamental to the Andorran economy and society in eight digitalised or digitalising sectors (energy, transport, banking, financial market infrastructure, healthcare, potable, waste and surface waters, digital infrastructure and public administration), and certain "important" entities operating in other sectors that are non-essential but considered important.

The Law requires the country to ensure that essential and important entities, whether public or private, have the cybersecurity requirements in place and report any cybersecurity incidents.

On 18 January 2023, the Official Gazette of the Principality of Andorra published the amendment to the Criminal Code, with the approval of Law 45/2022, of 22 December, amending Law 9/2005, of 21 February, of the Criminal Code, introducing Article 157 *ter* on the use of social media, the internet and other information and communication technologies.

In order to develop the regulations of Law 22/2022, in October 2022 the Government approved, by means of Decree 418/2022, the Regulation of critical infrastructures of the Principality of Andorra, and by means of Decree 417/2022, the Regulation of the National Security Scheme of the Principality of Andorra. In 2023, Decree 550/2023, of 06/12/2023, was approved concerning the Information Security Policy of the Government of Andorra and the creation of the Information Security Committee

45.1.14. Technical Notice CT-10/2023 issued by the UIFAND relating to the updated list of high-risk countries according to the FATF.

The approval of Law 5/2022, of 5 March, on the application of international sanctions, establishes measures against Russia and Belarus that require actions from the financial sector and, in addition, entrusts the Andorran Financial Intelligence Unit (UIFAND) and the Andorran Financial Authority (AFA), as supervisory bodies designated by the regulation, with promoting, monitoring and auditing the measures adopted by the supervised entities.

The list of people included in the decrees issued by the Government of Andorra is updated in order to remain in line with the sanctions proposed by the European Union.

48.2. COVID-19-related regulations

48.2.1. Decree on the approval of an extraordinary guarantee programme for companies and businesses due to the health emergency caused by the SARS-CoV-2 coronavirus of March 2020 and its subsequent amendments

The purpose of this Decree was to adopt measures to respond to the economic impact on the country's companies and businesses due to the health emergency caused by the SARS-CoV-2 coronavirus, in accordance with the decrees approved by the Government, on 11 March 2020 and subsequent dates, establishing exceptional measures.

This decree, in accordance with the Government's willingness to support the country's economic fabric and guarantee jobs, was aimed at helping the country's companies and businesses whose turnover, operations and normal financing had been affected by the health emergency, resulting in cash flow problems or difficulties in meeting their normal and necessary operating expenses, especially the payment of employee salaries.

The aim was to minimise the effects of the health emergency for companies and citizens in Andorra, and also to facilitate a fast economic recovery once that situation eased.

This decree instrumentalised two soft loans granted by banks to the economic fabric with the guarantee and payment of interest by the Government. The first soft loan, in the amount of EUR 60 million, was intended to cover the operational costs of companies and self-employed workers. The second, in the amount of EUR 70 million, was intended to refinance the loan repayments that these business owners and self-employed workers may have had.

48.2.2. Decree approving a second extraordinary guarantee programme for companies and businesses due to the health emergency caused by the SARS-CoV-2 coronavirus of May 2020 and its subsequent amendments.

This decree approved a government-backed extraordinary guarantee programme in the form of guaranteed financing lines, aimed at providing liquidity to the country's companies and businesses to respond to the payment of the employer's share of the temporary suspension of work contracts (STCT) or the reduction of working hours (RJL), the financing of loan repayments and possible investments in the adaptation of establishments for public service to adapt them to the health requirements arising from the health emergency caused by SARS-CoV-2. Subsequent amendments also extended the list of items for which the Government guarantee could be requested, including the cost of utilities and leasing on commercial premises, the cost of fuel for transport, and replacing the payment of the employer's share of the STCTs and/or RJLs with personnel costs, understood as the cost of wages and salaries and contributions to the Andorran Social Security Fund.

This second government guarantee programme consisted of a total of up to EUR 100 million.

48.2.3. Law 16/2020 of 4 December 2020 on new exceptional and urgent measures due to the health emergency caused by the SARS-CoV-2 pandemic amended by Law 3/2021 of 18 March amending Law 16/2020 of 4 December on new exceptional and urgent measures due to the health emergency caused by the SARS-CoV-2 pandemic

This Law incorporated a number of amendments to the moratoria approved by Law 5/2020 and established the new legislative moratoria, as set out below The Law was subsequently amended on 28 January 2021 by Law 1/2021, on 18 March 2021 by Law 3/2021, on 15 April 2021 by Law 6/2021, on 17 June 2021 by Law 17/2021 and, finally, on 16 December 2021 by Law 34/2021. However, these amendments have no impact on the financial sector.

The legislative moratoria established by the Law are:

- Salaried persons affected by a temporary suspension of the work contract or a reduction in working hours may request and obtain a moratorium on mortgage or personal loan repayments, or an extension of the repayment period for mortgage loans they have taken out with banks to finance the purchase of their primary residence or their own vehicle, provided that the monthly repayment amount of these loans and credits, plus the basic expenses and utilities of the household, is equal to or greater than 30% of the net income resulting from the temporary suspension of the work contract. In the case of a current account credit, it must mature during the period between the date of entry into force of this law and 30 June 2021.
- Natural persons owning business premises and up to two dwellings intended for rent or use affected by the reduction in rent provided for in Articles 36 and 38 of this Law, who have taken out a mortgage loan or credit intended for the acquisition of these premises or dwellings, may also obtain a moratorium for the mortgage loans or an extension of the repayment period in order to finance the amount of the acquisition of the premises or renovations to the premises or aforementioned dwellings.
- The moratoria on the repayments relating to mortgage loans and personal loans, and the extension of the repayment period of mortgage loans referred to in the previous paragraphs, are also applicable, on the same basis and with the same time limit, to salaried persons who have been made redundant as a result of the health emergency caused by SARS-CoV-2, for as long as they are unemployed and receiving involuntary unemployment benefits, until the government declares the end of said emergency, by decree. Such moratoria and extensions are also applicable to self-employed persons whose main activity has been mandatorily suspended by government decree, or who are subject to an on-call or standby regime by government decree, until the government declares otherwise by decree, on the understanding that once the mandatory suspension or the on-call or standby regime cease to be in force, it is necessary to justify a significant decline in turnover.

The granting of the moratorium on or before 30 June 2021 on mortgage loan or personal loan repayments, or the extension of the repayment period for mortgage loans, entails the extension of the repayment schedule of the loan or the maturity of the credit, and the non-application of the maturity clause in the loan or credit agreement during its period of validity. During the period of validity of the moratorium or extension, the bank may not demand the payment of the instalment nor any of the items forming part of it (repayment of capital or payment of interest).

48.2.4. Decree 323/2021, of 29 September 2021, regulating the repayment or loan conversion of outstanding debt corresponding to the first and second extraordinary guarantee programmes for companies and businesses due to the health emergency caused by the SARS-CoV-2 coronavirus

The Decree of March 2020, and its subsequent amendments, instrumentalised two soft loans granted by banks to the economic fabric with the guarantee and payment of interest by the government. The first soft loan, for EUR 60 million, and the second, for EUR 70 million, were earmarked to cover operating costs and to refinance loan repayments of companies and self-employed workers, respectively.

The Decree of May 2020, and subsequent amendments, approved a government-backed extraordinary guarantee programme in the form of guaranteed financing facilities aimed at providing liquidity to the country’s companies and businesses to respond to the payment of staff expenses, the cost of utilities and leasing on commercial premises, the cost of fuel for transport and for the financing of loan repayments and possible investments to upgrade premises to serve the public in order to adapt them to the health requirements arising from the health emergency caused by SARS-CoV-2. This second government guarantee programme consisted of a total of up to EUR 100 million.

On 29 January 2021, the Government's Technical Commission (TC) automatically extended the maturities of credit facilities formalised in the year 2020, corresponding to the first and second extraordinary guarantee programmes, for a period of six months (in addition to the twelve-month repayment period) from the maturity date stated in the contract for the formalisation of the respective facilities.

Decree 323/2021, of 29 September 2021, subsequently amended by Decree 180/2022, of 5 May 2022, established the procedure for the repayment or loan conversion of outstanding debt with banking institutions in the framework of the programmes of extraordinary guarantees granted to companies and businesses due to the health emergency caused by the SARS-CoV-2 coronavirus and regulated in the decrees of March and May 2020 and their subsequent amendments.

This decree establishes that:

- The natural or legal persons benefiting from the guarantee programmes must submit to their bank the request for the return or loan conversion for the outstanding debt within 30 days after the maturity date of the current debt for policies maturing before 31 December 2021 or 60 days before the maturity for all other policies. Beneficiaries of the guarantee programme that are deemed by the TC to remain in a temporary situation of liquidity stress due to the SARS-CoV-2 coronavirus are eligible for conversion of the outstanding debt into a loan.
- The TC automatically extends the maturities of credit policies maturing before 31 December 2021, up to a maximum of six months. This includes policies that have been extended in accordance with the TC decision of 29 January 2021 and that mature before 31 December 2021. The beneficiaries who opt to repay the credit policies will be able to use the new maximum period of six months to repay the debt. For policies maturing before 31 December 2021, they will do so within the maximum period of six months granted in the first paragraph of this article, and no later than fifteen days before the new extended maturity of the policies. For policies maturing on or after 1 January 2022, the TC approves the loan conversion or denies it within 60 days from the date of submission of the application.
- Loan operations constituted under this decree must comply with the operational characteristics set out in the body of the document (term of the conversion, monthly amortisation, rates and fees applied, reason for early maturity, etc.).
- On a quarterly basis, the banking institutions must submit a list of the current lending operations to the Government Public Accounts Department, the Technical Commission and the Andorran Financial Authority (AFA). On the final maturity of the loan, coinciding with the payment of the last instalment, the Government Public Accounts Department is notified of the cancellation of the loan and the guarantee.

On 3 August 2023 the last repayment / loan conversion on the outstanding debt was made.

48.2.5. Sector moratoria in the context of the health emergency caused by SARS-CoV-2

In the context of the health emergency caused by SARS-CoV-2, on 11 June 2020, the member institutions of the Andorran Banking Association approved at their general assembly a private and contractual sector-specific moratorium to provide a mechanism to defer loan or credit repayments for those customers financially affected by COVID-19.

The configuration, scope, effect and regulations of the "private sector-specific moratorium" adopted are subject to the guidelines on the treatment of public and private moratoria approved by the European Banking Authority on 2 April 2020 and amended on 25 June 2020.

The sector agreement foresaw that the moratoria could be requested from the different banking institutions, complying with a series of subjective and objective requirements, up to 31 July. On 17 July, by means of an addendum to the sector agreement, the deadline for applying for the moratoria was extended to 30 September 2020.

However, on 11 December 2020, by means of an addendum to the sector agreement, the deadline for applying for the moratoria was extended to 31 March 2021 and it was established that the moratorium period for payments under loan or credit agreements resulting from the application or reapplication of the overall moratorium period could not exceed a maximum duration of 9 months (with the exception of modifications to payment schedules agreed before 30 September 2020, which are not subject to this 9-month restriction).

All moratoria periods applied in relation to the COVID-19 crisis ended before year-end 2021.

48.3. Regulations related to the Russia-Ukraine military conflict

48.3.1. Decree 71/2023, of 08/02/2023, amending Decree 111/2022, of 25/03/2022, on restrictive measures concerning the conflict between Ukraine and the Russian Federation.

Law 14/2017 on preventing and combating money or securities laundering and terrorist financing provides for the possibility of developing restrictive measurements on entities or natural persons promoting terrorism or the proliferation of weapons of mass destruction. As a result of Russia's military aggression in Ukraine, the Government may issue restrictive measures to implement international sanctions aimed at guaranteeing the respect for public international law, in particular human rights, issued by the United Nations, the European Union and other international bodies. The restrictive measures can directly or indirectly restrict the movement of goods, services, payments and capital, and block financial assets and scientific, technological, sporting and cultural exchanges.

On 25 March 2022, the Government approved the first Decree 111/2022, of 25 March, on restrictive measures concerning the conflict between Ukraine and the Russian Federation, establishing the measures applicable and including an appendix with the name of the person, institution or other entities subject to the restriction, as well as brief reasoning thereto. In order to continue to align itself with the sanctions proposed by the European Union, the Government updates the lists of persons affected by Decree 111/2022.

The latest restrictive measures updating the lists of persons were approved with Decree 500/2023 of 25/10/2023 amending the first Decree 111/2022 of 25/03/2022.

48.4. Fundació Privada Crèdit Andorrà

Crèdit Andorrà, SA established the Fundació Privada Crèdit Andorrà (hereinafter, "the Foundation") by means of public deed dated 15 December 1987, for an indefinite period of time. The Foundation has its own legal personality, Andorran nationality and is of a private nature. The Foundation is registered in the Register of Foundations in accordance with Law 11/2008 of 12 June under number 7/2010.

The Foundation, which is a non-profit organisation, aims to contribute to the improved quality of Andorra's economic, cultural and social life by assuming, planning, funding and achieving specific goals. Among these goals, of particular note is the awarding of study scholarships to deserving individuals, in order to help them obtain the best possible education in any area that may have an impact on the improvement of the country's economic, scientific, educational, cultural and service structure.

During 2023, and always with the aim of adapting its actions to the needs of the country, the activities carried out by the Fundació Privada Crèdit Andorrà were focused on three main areas: social activities, especially aimed at the elderly and organisations working with disabled people; educational activities, especially the awarding of scholarships; and cultural activities, with a particular emphasis on educational aspects and all areas directly related to the country, its history and its natural environment.

49. Subsequent events

49.1. Other subsequent events

In addition to the events mentioned in the Notes to these financial statements, no other relevant events have occurred in the period between 31 December 2023 and the data of preparation of these consolidated financial statements.

Appendix I - Holdings in companies consolidated by full integration

Appendix I, which is an integral part of Note 3, includes the breakdown of the subsidiaries, consolidated by both full integration and the equity method, that make up the Creand Group at 31 December 2023 and 2022.

Appendix I.1 - Holdings in companies consolidated by full integration - 31 December 2023

Company	Registered Office	Activity	% voting rights Direct	% voting rights Indirect	% voting rights Total	Thousand euros Net book value	Assets 31/12/2023	Liabilities 31/12/2023	Equity 31/12/2023	Result 31/12/2023
Credi-Invest SA	Andorra	Fund Manager	100.0%		100.0%	744	6,167	1,522	4,646	3,858
Crèdit Iniciatives SA	Andorra	Venture Capital	100.0%		100.0%	8,459	11,818	89	11,729	1,122
Patrigest SAU	Andorra	Holding	100.0%		100.0%	7,362	14,834	2,232	12,602	1,199
Cassamanya Ltd.	Malta	Instrumental		100.0%	100.0%	-	8	1	7	-3
Crèdit Capital Immobiliari SA	Andorra	Instrumental	100.0%		100.0%	60,899	57,925	103	57,823	1,150
Crèdit Andorrà Panamá Holding SA	Panama	Holding	100.0%		100.0%	14,454	13,880	348	13,532	-1
Banco Crèdit Andorrà (Panamá) SA	Panama	Banking		100.0%	100.0%	10,814	141,150	117,837	23,312	2,226
Crèdit Andorrà Panamá Patrimonial SA	Panama	Holding		100.0%	100.0%	3,015	3,086	12	3,074	34
Private Investment Management Advisors Panamá SA	Panama	Investment advisory		100.0%	100.0%	45	1,247	128	1,119	352
Informàtica Crèdit Andorrà SLU	Andorra	Instrumental	100.0%		100.0%	33,368	38,613	2,308	36,304	1,230
Banque de Patrimoines Privés SA	Luxembourg	Banking	100.0%		100.0%	37,618	666,439	600,081	66,357	6,855
Banco Alcalá SA	Spain	Banking	91.0%		91.0%	43,060	391,496	355,596	35,900	262
Gesalcalá SA	Spain	Fund Manager		91.0%	91.0%	19,721	7,344	2,420	4,923	362
CA Holding Luxembourg SARL	Luxembourg	Holding	100.0%		100.0%	-	-	-	-	-126
Crèdit Andorrà Holding España SAU	Spain	Holding		100.0%	100.0%	-	-	-	-	-28
CA Perú SAC (in liquidation)	Peru	Securities firm	100.0%		100.0%	-	4	75	-72	-25
CA México Asesores Patrimoniales SA de CV	Mexico	Investment advisory	100.0%		100.0%	-	-	-	-	-127
Beta Capital Securities LLC	United States	Securities firm	100.0%		100.0%	5,231	53,964	33,804	20,159	2,473
Crèdit Andorrà US GP LLC	United States	Holding	100.0%		100.0%	38,210	1,327	1,209	118	-1,198
Beta Capital Management LLC	United States	Investment advisory		100.0%	100.0%	-4,725	4,444	1,291	3,153	1,802
Crèdit Assegurances SAU	Andorra	Insurance	100.0%		100.0%	9,000	274,528	240,073	34,456	6,234
CA Vincles Actuarial SLU	Andorra	Actuarial advisory	100.0%		100.0%	3	1,460	280	1,180	22
Financera d'Assegurances SA	Andorra	Insurance		13.0%	13.0%	2,897	20,901	13,817	7,084	938
Consell Assegurador SA	Andorra	Insurance		10.4%	10.4%	464	110	6	105	31
Enterprise Risk Management SA	Spain	Insurance broker	10.0%	90.0%	100.0%	3,667	3,927	300	3,626	-6
Línia Asseguradora Andorrana SL	Andorra	Insurance		13.0%	13.0%	288	114	32	82	22
Vall Banc Fund SAU	Andorra	Fund Manager	100.0%		100.0%	-	-	-	-	-7
Vall Banc Assegurances SAU	Andorra	Insurance	100.0%		100.0%	1,974	2,512	208	2,304	533
Argenta Patrimonis EAF SL	Spain	Holding	100.0%		100.0%	-	-	-	-	-62

Appendix I.2 - Holdings in companies consolidated by full integration - 31 December 2022

Company	Registered Office	Activity	% voting rights: Direct	Indirect	Total	Thousand euros: Net book value	Assets 31/12/2022	Liabilities 31/12/2022	Equity 31/12/2022	Result 31/12/2022
Credi-Invest SA	Andorra	Fund Manager	100.0%		100.0%	744	7,706	4,931	2,775	6,042
Crèdit Iniciatives SA	Andorra	Venture Capital	100.0%		100.0%	8,459	10,607	-	10,607	148
Patrigest SAU	Andorra	Holding	100.0%		100.0%	7,362	19,832	8,440	11,393	2,722
Cassamanya Ltd.	Malta	Instrumental		100.0%	100.0%	-	-	-9	9	-53
Crèdit Capital Immobiliari SA	Andorra	Instrumental	100.0%		100.0%	122,668	124,231	1,111	123,121	1,103
Crèdit Andorrà Panamá Holding SA	Panama	Holding	100.0%		100.0%	14,975	14,381	361	14,020	85
Banco Crèdit Andorrà (Panamá) SA	Panama	Banking		100.0%	100.0%	11,204	152,927	131,035	21,892	924
Crèdit Andorrà Panamá Patrimonial SA	Panama	Holding		100.0%	100.0%	3,124	3,158	6	3,151	14
Private Investment Management Advisors Panamá SA	Panama	Investment advisory		100.0%	100.0%	47	1,032	225	808	255
Informàtica Crèdit Andorrà SLU	Andorra	Instrumental	100.0%		100.0%	33,368	38,311	3,350	34,961	-620
Banque de Patrimoines Privés SA	Luxembourg	Banking	100.0%		100.0%	37,618	847,451	787,266	60,185	6,369
Banco Alcalá SA	Spain	Banking	81.9%		81.9%	36,690	380,574	344,936	35,638	2
Gesalcalá SA	Spain	Fund Manager		81.9%	81.9%	2,891	3,092	1,059	2,033	-281
GBS Finances	Spain	Holding		81.9%	81.9%	15,300	2,205	976	1,229	530
CA Holding Luxembourg SARL	Luxembourg	Holding	100.0%		100.0%	12,505	12,937	71	12,866	172
Crèdit Andorrà Asset Management Luxembourg SA	Luxembourg	Fund Manager		100.0%	100.0%	-	-	-	-	-50
Crèdit Andorrà Holding España SAU	Spain	Holding		100.0%	100.0%	10,638	10,657	-	10,657	6
CA Perú SAC (in liquidation)	Peru	Securities firm		100.0%	100.0%	-	7	69	-62	-38
CA México Asesores Patrimoniales SA de CV	Mexico	Investment advisory		100.0%	100.0%	-	827	511	316	-78
Beta Capital Securities LLC	United States	Securities firm	100.0%		100.0%	5,420	59,743	41,369	18,375	331
Crèdit Andorrà US GP LLC	United States	Holding	100.0%		100.0%	39,585	1,479	141	1,338	-302
Beta Capital Management LLC	United States	Investment advisory		100.0%	100.0%	-4,333	2,950	951	1,999	782
Crèdit Assegurances SAU	Andorra	Insurance	100.0%		100.0%	9,000	263,984	235,158	28,825	8,879
CA Vincles Actuarial SLU	Andorra	Actuarial advisory	100.0%		100.0%	3	1,369	211	1,158	43
Financera d'Assegurances SA	Andorra	Insurance		12.8%	12.8%	2,852	18,615	11,968	6,646	658
Consell Assegurador SA	Andorra	Insurance		10.2%	10.2%	464	95	6	89	17
Enterprise Risk Management SA	Spain	Insurance broker	10.0%	90.0%	100.0%	3,667	4,306	674	3,632	-27
Línia Asseguradora Andorrana SL	Andorra	Insurance		12.8%	12.8%	288	122	36	86	38
Vall Banc Fund SAU	Andorra	Fund Manager	100.0%		100.0%	7,709	7,823	96	7,726	-399
Vall Banc Assegurances SAU	Andorra	Insurance	100.0%		100.0%	1,974	4,956	3,185	1,771	-301
Argenta Patrimonis EAF SL	Spain	Holding	100.0%		100.0%	537	633	31	602	65

Appendix I.3 - Holdings in companies consolidated by equity method - 31 December 2023

Company	Registered Office	Activity	% voting rights controlled by the bank			Thousand euros				
							Subsidiary data			
			Direct	Indirect	Total	Equity-method in equivalence	Assets 31/12/2023	Liabilities 31/12/2023	Equity 31/12/2023	Result 31/12/2023
Clíniques Geriàtriques SA	Andorra	Services for the elderly		25.0%	25.0%	1,793	7,171	-	7,171	302
Societat Pirenaica d'Aparcaments SA	Andorra	Car parking operation		25.0%	25.0%	866	575	-	575	160
CA Life Insurance Experts, Compañía de Seguros y Reaseguros SAU	Spain	Insurance		44.0%	44.0%	4,872	26,578	16,742	9,836	477
Ca Vida Assegurances SAU	Spain	Insurance		49.0%	49.0%	23,835	18,690	7,803	10,887	4,614
Actiu Assegurances SA	Andorra	Insurance		24.9994%	24.9994%	4,306	29,216	13,879	15,337	496
Grup Setap 365	Andorra	Sports management	39.8%		39.8%	49,432	124,197	-	124,197	-3,181
Serveis i Mitjans de Pagament XXI SA	Andorra	POS services	33.3%		33.3%	221	663	-	663	70
Ensisa Patrimonis 365 SL	Andorra	Sports management	49.6%		49.6%	3,633	7,330	-	7,330	-19
						88,959				

Appendix I.4 - Holdings in companies consolidated by equity method - 31 December 2022

			% voting rights controlled by the bank			Thousand euros				
							Subsidiary data			
Company	Registered Office	Activity	Direct	Indirect	Total	Equity-method in equivalence	Assets 31/12/2022	Liabilities 31/12/2022	Equity 31/12/2022	Result 31/12/2022
Clíniques Geriàtriques SA	Andorra	Services for the elderly		25.0%	25.0%	1,968	7,874	-	7,874	205
Societat Pirenaica d'Aparcaments SA	Andorra	Car parking operation		25.0%	25.0%	157	630	-	630	215
CA Life Insurance Experts, Compañía de Seguros y Reaseguros SAU	Spain	Insurance	44.0%		44.0%	4,855	25,617	16,761	8,856	443
Ca Vida Assegurances SAU	Spain	Insurance		49.0%	49.0%	23,392	16,660	7,155	9,505	4,283
Actiu Assegurances SA	Andorra	Insurance		24.9994%	24.9994%	4,189	26,716	12,020	14,696	3,290
Grup Setap 365	Andorra	Sports management	39.8%		39.8%	51,236	128,728	-	128,728	16,781
Serveis i Mitjans de Pagament XXI SA	Andorra	POS services	33.3%		33.3%	198	593	-	593	123
Ensisa Patrimonis 365 SL	Andorra	Sports management	49.6%		49.6%	3,613	7,288	-	7,288	-
						89,608				

Appendix II – Annual report

This annual report has been prepared in compliance with the provisions of Article 90 of Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking institutions and investment firms of the Government of Andorra.

The criteria used for the preparation of the report for financial year 2023 are detailed below.

a. Name, nature of business and geographical location

Crèdit Andorrà, SA, with registered office and fiscal address in Andorra, at Avinguda Meritxell, 80, Andorra la Vella, was authorised in 1949 as a public limited company with the corporate purpose of engaging in banking activities.

Crèdit Andorrà, SA is established in Andorra, has no foreign branches or representative offices, and has a network of 11 physical branches distributed throughout Andorra.

Appendix I lists the companies that comprise the Group, including, among other information, their name, geographical location and nature of business.

b. Business volume, gross pre-tax result and income tax

For the purpose of this report, business volume is defined as net operating income; gross pre-tax result as gains or losses before tax; and income tax as expenses or income from taxes on gains, in accordance with how these items are presented in the consolidated profit and loss account and excluding discontinued operations.

c. Number of full-time equivalent employees

The full-time workforce at 31 December 2023, distributed by country, can be seen in the accompanying table.

d. Public subsidies received

During 2023, the Group has not received any significant public subsidies or grants intended for the financial sector aimed at promoting the development of the banking business.

e. Return on assets

At 31 December 2023, the return on assets for the Group, calculated by dividing the “Gains or losses for the year” by the “Total assets”, is 1.15%.

Jurisdiction	Thousand euros Subsidiary data Business volume	Number of employees	Pre-tax result	Income tax
Andorra	148,358	507	59,331	663
Spain	18,628	110	566	197
Luxembourg	30,503	106	8,788	2,049
Panama	6,312	34	2,628	17
United States	14,293	39	4,252	1,175
Mexico	581	-	-127	-
Peru	-	-	-25	-
Malta	-	-	-3	-
Group Total	**218,675**	**796**	**75,410**	**4,101**

Appendix III – Financial position by type of activity

The table below shows the financial position and comprehensive income by type of activity of Banco Crèdit Andorrà (Panama) at year end 2023 and 2022.

Appendix III.1 Assets – 31/12/2023

In thousands of euros	Banking activity	Securities brokerage activity	Total
Cash, cash balances at central banks and other demand deposits	**15,341**	**709**	**16,050**
Financial assets held for trading	**215**	**-**	**215**
Derivatives	215	-	215
Equity instruments	-	-	-
Debt securities	-	-	-
Loans and advances	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**
Equity instruments	-	-	-
Debt securities	-	-	-
Loans and advances	-	-	-
Financial assets at fair value through profit or loss	**-**	**-**	**-**
Debt securities	-	-	-
Loans and advances	-	-	-
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**
Equity instruments	-	-	-
Debt securities	-	-	-
Loans and advances	-	-	-
Financial assets at amortised cost	**110,645**	**12,813**	**123,458**
Loans and advances	110,645	12,813	123,458
Credit institutions	-	-	-
Customers	-	-	-
Debt securities	-	-	-
Derivatives - hedge accounting	**-**	**-**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**
Tangible assets	**68**	**-**	**68**
Property, plant and equipment	68	-	68
Investment property	-	-	-
Intangible assets	**-**	**-**	**-**
Goodwill	-	-	-
Other intangible assets	-	-	-
Tax assets	**-**	**-**	**-**
Current tax assets	-	-	-
Deferred tax assets	-	-	-
Other assets	**1,038**	**321**	**1,359**
Non-current assets and disposal groups classified as held for sale	**-**	**-**	**-**
			-
Total assets	**127,307**	**13,843**	**141,150**

Balance sheet converted into euro at consolidation exchange rates

Appendix III.2 Liabilities – 31/12/2023

In thousands of euros	Banking activity	Securities brokerage activity	Total
Financial liabilities held for trading	**204**	**-**	**204**
Derivatives	204	-	204
Short positions	-	-	-
Deposits	-	-	-
Debt securities issued	-	-	-
Other financial liabilities	-	-	-
Financial liabilities at fair value through profit or loss	**-**	**-**	**-**
Deposits	-	-	-
Debt securities issued	-	-	-
Other financial liabilities	-	-	-
Financial liabilities at amortised cost	**116,463**	**-**	**116,463**
Deposits	116,393	-	116,393
Debt securities	-	-	-
Other financial liabilities	70	-	70
Derivatives - hedge accounting	**-**	**-**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**	**-**
Provisions	**-**	**-**	**-**
Pensions and other defined post-employment benefit obligations	-	-	-
Other long-term employee benefits	-	-	-
Restructuring	-	-	-
Provisions for taxes and other legal contingencies	-	-	-
Commitments and guarantees given	-	-	-
Other provisions	-	-	-
Tax liabilities	**-**	**-**	**-**
Current tax liabilities	-	-	-
Deferred tax liabilities	-	-	-
Share capital repayable on demand	-	-	-
Other liabilities	**-1,396**	**2,566**	**1,170**
Liabilities included in disposal groups classified as held for sale	**-**	**-**	**-**
	-	-	-
Total liabilities	115,272	2,566	117,837

Balance sheet converted into euro at consolidation exchange rates

Appendix III.3 Equity – 31/12/2023

In thousands of euros	Banking activity	Securities brokerage activity	Total
Capital	**-**	**10,814**	**10,814**
Paid-up capital	-	10,814	10,814
Unpaid called-up capital	-	-	-
Share premium	**-**	**-**	**-**
Issued equity instruments other than capital	**-**	**-**	**-**
Equity component of compound financial instruments	-	-	-
Other issued equity instruments	-	-	-
Other equity	**-**	**-**	**-**
Accumulated other comprehensive income	**-**	**-**	**-**
Items that will not be reclassified to profit or loss	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Actuarial gains and losses on defined benefit pension plans	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	-	-
Ineffectiveness of fair value hedges of equity instruments measured and fair value through changes in 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)	-	-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk	-	-	-
Items subject to reclassification to profit or loss	-	-	-
Hedge of net investments in foreign operations (effective portion)	-	-	-
Foreign currency translation	-	-	-
Hedging derivatives. Cash flow hedges (effective portion)	-	-	-
Fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-
Hedging instruments (non-designated items)	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-	-	-
Retained earnings	**8,364**	**-**	**8,364**
Revaluation reserves	**-**	**-**	**-**
Other reserves	**1,917**	**-9**	**1,908**
Other	1,952	-	1,952
Conversion differences	-35	-9	-44
(-) Treasury shares	**-**	**-**	**-**
Profit or loss for the year	**1,753**	**473**	**2,226**
(-) Interim dividends	**-**	**-**	**-**
Total net equity	12,034	11,278	23,312
Total net equity and liabilities	127,306	13,844	141,150

Balance sheet converted into euro at consolidation exchange rate

As regards other relevant information, guarantees in the amount of EUR 28 million are in the banking company and the custodian customers in the amount of EUR 434 million belonging to the securities brokerage firm.

Appendix III.4 Losses and gains – 31/12/2023

In thousands of euros	Banking activity	Securities brokerage activity	Total
Interest income	**7,256**	**353**	**7,609**
Financial assets at fair value through other comprehensive income	7,256	353	7,609
Financial assets at amortised cost	-	-	-
Other interest income	-	-	-
(Interest expenses)	**-3,913**	**-**	**-3,913**
(Expenses for share capital repayable on demand)	**-**	**-**	**-**
Dividend income	**-**	**-**	**-**
Fee and commission income	**458**	**2,505**	**2,963**
(Fee and commission expense)	**-266**	**-1,103**	**-1,369**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	-	-	-
Financial assets at amortised cost	-	-	-
Financial liabilities at amortised cost	-	-	-
Other	-	-	-
Gains or losses on financial assets and liabilities held for trading, net	**-**	**148**	**148**
Reclassification of financial assets from fair value through other comprehensive income	-	-	-
Reclassification of financial assets from amortised cost	-	-	-
Other gains or losses	-	-	-
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**
Reclassification of financial assets from fair value through other comprehensive income	-	-	-
Reclassification of financial assets from amortised cost	-	-	-
Other gains or losses	-	-	-
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	**-**	**-**	**-**
Gains or losses resulting from hedge accounting, net	**-**	**-**	**-**
Exchange rate differences (gain or loss), net	**91**	**-**	**91**
Gains or losses on derecognition of non-financial assets, net	**-**	**-**	**-**
Other operating income and expenses	**16**	**-**	**16**
Total operating income, net	**3,642**	**1,903**	**5,545**
	-	-	-

Appendix III.4 Losses and gains – 31/12/2023 (continued)

In thousands of euros	Banking activity	Securities brokerage activity	Total
	-	-	-
(Administrative expenses)	**-1,808**	**-1,430**	**-3,238**
(Staff expenses)	-862	-860	-1,722
(Other administrative expenses)	-946	-570	-1,516
(Depreciation and amortisation)	**-83**	**-**	**-83**
(Property, plant and equipment)	-83	-	-83
(Investment property)	-	-	-
(Other intangible assets)	-	-	-
(Provisions or reversal of provisions)	**-**	**-**	**-**
(Commitments and guarantees given)	-	-	-
(Other provisions)	-	-	-
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses by modification)	**2**	**-**	**2**
(Financial assets at cost)	-	-	-
(Financial assets at fair value through other comprehensive income)	-	-	-
(Financial assets at amortised cost)	2	-	2
(Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates)	**-**	**-**	**-**
(Impairment or reversal of impairment on non-financial assets)	**-**	**-**	**-**
(Property, plant and equipment)	-	-	-
(Investment property)	-	-	-
(Goodwill)	-	-	-
(Other intangible assets)	-	-	-
(Other)	-	-	-
Negative goodwill recognised in profit or loss	**-**	**-**	**-**
Share of gains or losses of investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**
Gains or losses from non-current assets and disposal groups held for sale not qualifying as discontinued operations	**-**	**-**	**-**
Gains or losses before tax from continuing operations	**1,753**	**473**	**2,226**
(Tax expense or income related to profit or loss from continuing operations)	-	-	-
Gains or losses after taxes from continuing operations	**1,753**	**473**	**2,226**
Gains or losses after taxes from discontinued operations	**-**	**-**	**-**
Gains or losses before taxes from discontinued operations	-	-	-
(Tax expense or income related to profit or loss from discontinued operations)	-	-	-
Profit or loss for the year	**1,753**	**473**	**2,226**
Earnings per share (basic) - in euros	-	-	-
Earnings per share (diluted) - in euros	-	-	-

Converted into euro at consolidation exchange rates

Appendix III.5 Assets – 31/12/2022

In thousands of euros	Banking activity	Securities brokerage activity	Total
Cash, cash balances at central banks and other demand deposits	**18,037**	**552**	**18,590**
Financial assets held for trading	**147**	**-**	**147**
Derivatives	147	-	147
Equity instruments	-	-	-
Debt securities	-	-	-
Loans and advances	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**
Equity instruments	-	-	-
Debt securities	-	-	-
Loans and advances	-	-	-
Financial assets at fair value through profit or loss	**-**	**-**	**-**
Debt securities	-	-	-
Loans and advances	-	-	-
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**
Equity instruments	-	-	-
Debt securities	-	-	-
Loans and advances	-	-	-
Financial assets at amortised cost	**131,492**	**903**	**132,395**
Loans and advances	131,492	903	132,395
Credit institutions	-	-	-
Customers	-	-	-
Debt securities	-	-	-
Derivatives - hedge accounting	**-**	**-**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**
Tangible assets	**155**	**-**	**155**
Property, plant and equipment	155	-	155
Investment property	-	-	-
Intangible assets	**-**	**-**	**-**
Goodwill	-	-	-
Other intangible assets	-	-	-
Tax assets	**-**	**-**	**-**
Current tax assets	-	-	-
Deferred tax assets	-	-	-
Other assets	**1,295**	**345**	**1,640**
Non-current assets and disposal groups classified as held for sale	**-**	**-**	**-**
	-	-	-
Total assets	151,127	1,800	152,927

Balance sheet converted into euro at consolidation exchange rate.

Appendix III.6 Liabilities – 31/12/2022

In thousands of euros	Banking activity	Securities brokerage activity	Total
Financial liabilities held for trading	**147**	**-**	**147**
Derivatives	147	-	147
Short positions	-	-	-
Deposits	-	-	-
Debt securities issued	-	-	-
Other financial liabilities	-	-	-
Financial liabilities at fair value through profit or loss	**-**	**-**	**-**
Deposits	-	-	-
Debt securities issued	-	-	-
Other financial liabilities	-	-	-
Financial liabilities at amortised cost	**129,612**	**-**	**129,612**
Deposits	129,456	-	129,456
Debt securities	-	-	-
Other financial liabilities	156	-	156
Derivatives - hedge accounting	**-**	**-**	**-**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**	**-**
Provisions	**-**	**-**	**-**
Pensions and other defined post-employment benefit obligations	-	-	-
Other long-term employee benefits	-	-	-
Restructuring	-	-	-
Provisions for taxes and other legal contingencies	-	-	-
Commitments and guarantees given	-	-	-
Other provisions	-	-	-
Tax liabilities	**-**	**-**	**-**
Current tax liabilities	-	-	-
Deferred tax liabilities	-	-	-
Share capital repayable on demand	-	-	-
Other liabilities	**1,145**	**130**	**1,276**
Liabilities included in disposal groups classified as held for sale	**-**	**-**	**-**
	-	-	-
Total liabilities	130,904	130	131,035

Balance sheet converted into euro at consolidation exchange rate.

Appendix III.7 Equity – 31/12/2022

In thousands of euros	Banking activity	Securities brokerage activity	Total
Capital	**9,798**	**1,406**	**11,204**
Paid-up capital	9,798	1,406	11,204
Unpaid called-up capital	-	-	-
Share premium	**-**	**-**	**-**
Issued equity instruments other than capital	**-**	**-**	**-**
Equity component of compound financial instruments	-	-	-
Other issued equity instruments	-	-	-
Other equity	**-**	**-**	**-**
Accumulated other comprehensive income	**-**	**-**	**-**
Items that will not be reclassified to profit or loss	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Actuarial gains and losses on defined benefit pension plans	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	-	-
Ineffectiveness of fair value hedges of equity instruments measured and fair value through changes in 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)	-	-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk	-	-	-
Items subject to reclassification to profit or loss	-	-	-
Hedge of net investments in foreign operations (effective portion)	-	-	-
Foreign currency translation	-	-	-
Hedging derivatives. Cash flow hedges (effective portion)	-	-	-
Fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-
Hedging instruments (non-designated items)	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-	-	-
Retained earnings	**7,564**	**-**	**7,564**
Revaluation reserves	**-**	**-**	**-**
Other reserves	**2,205**	**-5**	**2,200**
Other	2,215	-	2,215
Conversion differences	-10	-5	-15
(-) Treasury shares	**-**	**-**	**-**
Profit or loss for the year	**657**	**268**	**925**
(-) Interim dividends	**-**	**-**	**-**
Total net equity	**20,224**	**1,669**	**21,893**
Total net equity and liabilities	**151,128**	**1,799**	**152,927**

Balance sheet converted into euro at consolidation exchange rate.

As other relevant information, guarantees in the amount of EUR 28 million are in the banking company and the custodian customers in the amount of EUR 434 million belong to the securities brokerage firm.

Appendix III.8 Losses and gains – 31/12/2022

In thousands of euros	Banking activity	Securities brokerage activity	Total
Interest income	**4,321**	**16**	**4,337**
Financial assets at fair value through other comprehensive income	4,321	16	4,337
Financial assets at amortised cost	-	-	-
Other interest income	-	-	-
(Interest expenses)	**-2,065**	**-**	**-2,065**
(Expenses for share capital repayable on demand)	**-**	**-**	**-**
Dividend income	**-**	**-**	**-**
Fee and commission income	**599**	**2,514**	**3,113**
(Fee and commission expense)	**-264**	**-817**	**-1,081**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	-	-	-
Financial assets at amortised cost	-	-	-
Financial liabilities at amortised cost	-	-	-
Other	-	-	-
Gains or losses on financial assets and liabilities held for trading, net	**-**	**125**	**125**
Reclassification of financial assets from fair value through other comprehensive income	-	-	-
Reclassification of financial assets from amortised cost	-	-	-
Other gains or losses	-	-	-
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**
Reclassification of financial assets from fair value through other comprehensive income	-	-	-
Reclassification of financial assets from amortised cost	-	-	-
Other gains or losses	-	-	-
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	**-**	**-**	**-**
Gains or losses resulting from hedge accounting, net	**-**	**-**	**-**
Exchange rate differences (gain or loss), net	**65**	**-**	**65**
Gains or losses on derecognition of non-financial assets, net	**-**	**-**	**-**
Other operating income and expenses	**18**	**19**	**37**
Total operating income, net	2,674	1,857	4,531

Appendix III.8 Losses and gains – 31/12/2022 (continued)

In thousands of euros			
(Administrative expenses)	**-1,908**	**-1,589**	**-3,497**
(Staff expenses)	-850	-881	-1,731
(Other administrative expenses)	-1,058	-708	-1,766
(Depreciation and amortisation)	**-119**	**-**	**-119**
(Property, plant and equipment)	-119	-	-119
(Investment property)	-	-	-
(Other intangible assets)	-	-	-
(Provisions or reversal of provisions)	**3**	**-**	**3**
(Commitments and guarantees given)	3	-	3
(Other provisions)	-	-	-
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses by modification)	**7**	**-**	**7**
(Financial assets at cost)	-	-	-
(Financial assets at fair value through other comprehensive income)	-	-	-
(Financial assets at amortised cost)	7	-	7
(Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates)	**-**	**-**	**-**
(Impairment or reversal of impairment on non-financial assets)	**-**	**-**	**-**
(Property, plant and equipment)	-	-	-
(Investment property)	-	-	-
(Goodwill)	-	-	-
(Other intangible assets)	-	-	-
(Other)	-	-	-
Negative goodwill recognised in profit or loss	**-**	**-**	**-**
Share of gains or losses of investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**
Gains or losses from non-current assets and disposal groups held for sale not qualifying as discontinued operations	**-**	**-**	**-**
Gains or losses before tax from continuing operations	**657**	**268**	**925**
(Tax expense or income related to profit or loss from continuing operations)	-	-	-
Gains or losses after taxes from continuing operations	**657**	**268**	**925**
Gains or losses after taxes from discontinued operations	**-**	**-**	**-**
Gains or losses before taxes from discontinued operations	-	-	-
(Tax expense or income related to profit or loss from discontinued operations)	-	-	-
Profit or loss for the year	**657**	**268**	**925**
Earnings per share (basic) - in euros	**-**	**-**	**-**
Earnings per share (diluted) - in euros	**-**	**-**	**-**

Balance sheet converted into euro at consolidation exchange rate.

Appendix IV – IFRS 17 and IFRS 9 first application reconciliation statements for the Group’s insurance business at 1 January 2022.

On 1 January 2023, IFRS 17 entered into force and IFRS 9 is applied for the first time to financial investments by the Group’s insurance companies. The transition date is 1 January 2022.

The different items comprising this Appendix IV of the consolidated statement of financial position (assets, liabilities and equity) present the result of all transitional adjustments and restatements made due to the application of IFRS 17 and IFRS 9 to the insurance business in the Group’s consolidated statements.

In order to facilitate the monitoring of the application of IFRS 9 and IFRS 17, the first application reconciliation statements are based on the figures presented by the Group at 31 December 2021, to which the various valuation adjustments and reclassifications are added until reaching the financial statements of 1 January 2022 measured and presented under EU-IFRS for both the banking business and insurance business of the Group.

Appendix IV.1 First application reconciliation statements - Statement of financial position at 01/01/2022 - Assets

In thousands of euros	Measurement classification under IAS 39	Measurement classification under IFRS 9	31/12/2021	IFRS 9 reclassifications (a): Amortised cost	IFRS 9 reclassifications (a): Fair value through changes in other consolidated	IFRS 9 reclassifications (a): Fair value through profit or loss	IFRS 9 reclassifications (a): Other	Book value after reclassifications at 31/12/2021	IFRS 9: Classifications and measurement (b)	IFRS 17 (c)	01/01/2022
Cash, cash balances at central banks and other demand deposits	Amortised cost	Amortised cost	**587,245**	**-**	**-**	**-**	**-**	**587,245**	**-**	**-**	**587,245**
Cash			35,044					35,044	-		35,044
Cash balances at central banks			311,914					311,914	-		311,914
Other demand deposits			240,287					240,287	-		240,287
Financial assets held for trading			**23,224**	**-**	**-**	**-**	**-**	**23,224**	**-**	**-**	**23,224**
Derivatives			19,335	-	-	-	-	19,335	-		19,335
Equity instruments	Fair value through profit or loss	Fair value through profit or loss	2,953	-	-	-	-	2,953	-		2,953
Debt securities			936	-	-	-	-	936	-		936
Loans and advances			-	-	-	-	-	-	-		-
Non-trading financial assets mandatorily at fair value through profit or			**179,872**	**-**	**-**	**-**	**-**	**179,872**	**-**	**-**	**179,872**
Equity instruments	N/A	Fair value through profit or loss	173,672	-	-			173,672	-		173,672
Debt securities			-	-	-	-	-	-	-		-
Loans and advances			6,200	-	-	-	-	6,200	-		6,200
Financial assets at fair value through profit or loss			**77,541**	**-**	**-**	**17,932**	**9**	**95,482**	**- 27**	**-**	**95,455**
Equity instruments	Fair value through profit or loss	Fair value through profit or loss	-	-	-	-	-	-	-		-
Debt securities			77,541	-	-	17,932	9	95,482	- 27		95,455
Loans and advances			-	-	-	-	-	-	-		-
Financial assets at fair value through other comprehensive income			**250,248**	**-**	**81,776**	**-**	**423**	**332,447**	**4,637**	**-**	**337,084**
Equity instruments	N/A	Fair value through changes in other consolidated profit and loss	13,513	-	-	-	-	13,513			13,513
Debt securities			236,735	-	81,776	-	423	318,934	4,637		323,571
Loans and advances			-	-	-		-	-			-
Held-to-maturity investments	Amortised cost	N/A	**99,708**	**-99,708**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities			99,708	-99,708	-	-	-	-	-		-
Loans and advances			-	-	-		-	-			-
Financial assets at amortised cost	N/A	Amortised cost	**3,567,375**	**-**	**-**	**-**	**-**	**3,567,375**	**-**	**-**	**3,567,375**
Derivatives - hedge accounting	Fair value through	Fair value through	**-**	**-**	**-**			**-**	**-**	**-**	**-**
Changes in fair value of hedged items of a portfolio with hedged	N/A	N/A	**13,239**	**-**	**-**	**-**	**-**	**13,239**		**-**	**13,239**
Investments in joint ventures and associates	N/A	N/A	**78,953**	**-**	**-**	**-**	**-**	**78,953**	**-**	**- 125**	**78,828**
Assets under insurance and reinsurance contracts	N/A	N/A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Tangible assets	N/A	N/A	**163,926**	**-**	**-**	**-**	**-**	**163,926**	**-**	**-**	**163,926**
Intangible assets	N/A	N/A	**101,981**	**-**	**-**	**-**	**-**	**101,981**	**-**	**-**	**101,981**
Tax assets	N/A	N/A	**16,300**	**-**	**-**	**-**	**-**	**16,300**	**55**	**1,888**	**18,243**
Current tax assets			496	-	-	-	-	496	-		496
Deferred tax assets			15,804 d	-	-	-	-	15,804	55	1,888	17,747
Other assets	N/A	N/A	**42,546**	**-**	**-**	**-**	**-432**	**42,114**	**-**	**- 6**	**42,108**
Non-current assets and disposal groups classified as held for sale	N/A	N/A	**97,563**	**-**	**-**	**-**	**-**	**97,563**	**-**	**-**	**97,563**
Total assets			5,299,721	-99,708	81,776	17,932	-	5,299,721	4,665	1,757	5,306,143

Note 1: For further detail on reclassification and adjustments, see Appendices IV.4 and IV.5

Note 2: For those headings that have not been affected by the first application of IFRS 17 and IFRS 9 to the insurance business, see the additional breakdown in the statement of financial position – Assets.

Appendix IV.2 First application reconciliation statements - Statement of financial position at 01/01/2022 - Liabilities

In thousands of euros	Measurement classification under IAS 39	Measurement classification under IFRS 9	31/12/2021	IFRS 9 reclassifications (a): Amortised cost	IFRS 9 reclassifications (a): Fair value through changes in other consolidated profit and loss	IFRS 9 reclassifications (a): Fair value through profit or loss	Other	Book value after reclassifications at 31/12/2021	IFRS 9: Classifications and measurement (b)	IFRS 17 (c)	01/01/2022
Financial liabilities held for trading	Fair value through profit or loss	Fair value through profit or loss	**20,944**	-	-	-	-	**20,944**	-	-	**20,944**
Financial liabilities at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	**125,910**	-	-	-	-	**125,910**	-	-	**125,910**
Deposits			-	-	-	-	-	-			-
Debt securities issued			125,910	-	-	-	-	125,910			125,910
Other financial liabilities			-	-	-	-	-	-			-
Financial liabilities at amortised cost	Amortised cost	Amortised cost	**4,270,307**	-	-	-	-	**4,270,307**	-	-	**4,270,307**
Deposits			4,155,822	-	-	-	-	4,155,822			4,155,822
Debt securities			51,582	-	-	-	-	51,582			51,582
Other financial liabilities			62,903	-	-	-	-	62,903			62,903
Derivatives - hedge accounting	Fair value through profit or loss	Fair value through profit or loss	**13,087**	-	-	-	-	**13,087**			**13,087**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	N/A	N/A	**-**	-	-	-	-	**-**			**-**
Liabilities under insurance and reinsurance contracts	N/A	N/A	**258,768**	-	-	-	-	**258,768**		**19,578**	**278,346**
Provisions	N/A	N/A	**19,508**	-	-	-	-	**19,508**	-	**296**	**19,804**
Pensions and other defined post-employment benefit obligations			11,308	-	-	-	-	11,308		296	11,604
Other long-term employee benefits			3,008	-	-	-	-	3,008			3,008
Restructuring			-	-	-	-	-	-			-
Provisions for taxes and other legal contingencies			451	-	-	-	-	451			451
Commitments and guarantees given			3,640	-	-	-	-	3,640			3,640
Other provisions			1,101	-	-	-	-	1,101			1,101
Tax liabilities	N/A	N/A	**2,892**	-	-	-	-	**2,892**	**517**	**-67**	**3,342**
Current tax liabilities			41	-	-	-	-	41			41
Deferred tax liabilities			2,851 d	-	-	-	-	2,851	517	-67	3,301
Share capital repayable on demand			-	-	-	-	-	-			-
Other liabilities	N/A	N/A	**65,253**	-	-	-	-	**65,253**		**-144**	**65,109**
Liabilities included in disposal groups classified as held for sale	N/A	N/A	**-**	-	-	-	-	**-**			**-**
								-			-
Total liabilities			4,776,669	-	-	-	-	4,776,669	517	19,663	4,796,849

Note 1: For further detail on reclassification and adjustments, see Appendices IV.4 and IV.5

Note 2: For those headings that have not been affected by the first application of IFRS 17 and IFRS 9 to the insurance business, see, where applicable, the additional breakdown in the statement of financial position – Liabilities.

Appendix IV.3 First application reconciliation statements – Statement of financial position at 01/01/2022 – Equity

In thousands of euros	31/12/2021	Reclassifications for presentation	Book value after reclassifications at 31/12/2021	IFRS 9: Classifications and measurement (b)	IFRS 17 (c)	01/01/2022
Capital	**63,102**	**-**	**63,102**	**-**	**-**	**63,102**
Share premium	**-**		**-**			**-**
Issued equity instruments other than capital	**-**	**-**	**-**	**-**	**-**	**-**
Other equity	**-**		**-**			**-**
Accumulated other comprehensive income	**-173**	**7,122**	**6,949**	**4,159**	**-603**	**10,505**
Items that will not be reclassified to profit or loss	2,566	-	2,566	-	-603	1,963
Tangible assets	-		-			-
Intangible assets	-		-			-
Actuarial gains and losses on defined benefit pension plans	603		603		-603	-
Non-current assets and disposal groups classified as held for sale	-		-			-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-		-			-
Fair value changes of equity instruments measured at fair value through other comprehensive income	1,963		1,963	-		1,963
Ineffectiveness of fair value hedges of equity instruments measured and fair value through changes in other comprehensive income	-	-	-	-	-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk	-		-			-
Items subject to reclassification to profit or loss	-2,739	7,122	4,383	4,159	-	8,542
Hedges of net investments in foreign operations (effective portion)	-		-			-
Foreign currency translation	-		-			-
Available-for-sale financial assets	-	-	-			-
Hedging derivatives. Cash flow hedges (effective portion)	-		-			-
Fair value changes of financial assets measured at fair value through other comprehensive income	-2,739		-2,739	4,159	-	1,420
Fair value changes of insurance products measured at fair value through other comprehensive income	-	7,122	7,122		-	7,122
Hedging instruments (non-designated items)			-			-
Non-current assets and disposal groups classified as held for sale	-		-			-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-		-			-
Retained earnings	**-**		**-**			**-**
Revaluation reserves	**-**		**-**			**-**
Other reserves	**419,967**	**-7,122**	**412,845**	**-11**	**-17,303**	**395,531**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	119,533	-7,122	112,411	-11	-17,303	95,097
Other	300,434		300,434			300,434
(-) Treasury shares	**-**		**-**			**-**
Profit or loss attributable to owners of the parent	**32,978**		**32,978**			**32,978**
(-) Interim dividends	**-**		**-**			**-**
Minority interests (non-controlling interest)	**7,178**	**-**	**7,178**	**-**	**-**	**7,178**
Total net equity	523,052 a	-	523,052	4,148	-17,906	509,294
Total net equity and liabilities	5,299,721	-	5,299,721	4,665	1,757	5,306,143

Note 1: For further detail on reclassification and adjustments, see Appendices IV.4 and IV.5

Note 2: For those headings that have not been affected by the first application of IFRS 17 and IFRS 9 to the insurance business, see, where applicable, the additional breakdown in the statement of financial position – Net equity.

Appendix IV.4 Assets and Liabilities – Reclassification and measurement due to application of IFRS 9 and IFRS 17

a) In application of IFRS 9 to the financial instruments of the insurance business, the balances relating to held-to-maturity financial assets of the insurance business have been reclassified to “Financial assets at fair value through other comprehensive income” and “Financial assets at fair value through profit or loss”.

b) “Valuation adjustment” corresponds to the impact arising from measuring the financial assets that were measured at amortised cost at fair value under IFRS 9.

c) In application of IFRS 17 to insurance and reinsurance contracts, the valuation difference that was recognised under IFRS 4 has been adjusted to the valuation resulting from IFRS 17.

d) Tax effect of revaluation adjustments resulting from the application of IFRS 9 and IFRS 17.

For more information, see Note 2.20.

Appendix IV.5 Net equity – Reclassification and measurement due to application of IFRS 9 and IFRS 17

a) Impact on equity of EUR -13,758 thousand net of tax, broken down as follows:

- Impact on “Accumulated other comprehensive income” of EUR 10,678 thousand, explained by: *a)* valuation change from reclassifications of held-to-maturity financial assets to “Financial assets at fair value through other comprehensive income” under IFRS 9; and *b)* valuation difference of insurance contract provisions, which are now measured under IFRS 17 rather than IFRS 4.

- Impact of “Other reserves” of EUR -24,436 thousand, explained by *a)* valuation change from reclassifications of held-to-maturity financial assets to “Financial assets at fair value through profit or loss”; and *b)* valuation difference of insurance contracts, which are now measured under IFRS 17 rather than IFRS 4.

Appendix V – IFRS 17 and IFRS 9 first application reconciliation statements for the Group's insurance business – Restatement at 31 December 2022.

This appendix shows the reconciliation of the restated financial statements at 31 December 2022 resulting from the application of IFRS 17 and IFRS 9 to the insurance business.

To facilitate the monitoring of the restatement of the financial statements at 31 December 2022, the restated reconciliation statements are based on the figured presented by the Group at 31 December 2022, to which the various valuation adjustments and reclassifications of the insurance business are added until reaching the restated financial statements as at 31 December 2022, measured and presented under EU-IFRS for both the banking business and insurance business of the Group.

Appendix V.1 Reconciliation statements – Statement of financial position at 31/12/2022 – Restatement – Assets

In thousands of euros	Measurement classification under IAS 39	Measurement classification under IFRS 9	31/12/2022	IFRS 9 reclassifications (a): Amortised cost	Fair value through changes in other	Fair value through profit or loss	Other	Book value after reclassifications at 31/12/2021	IFRS 9: Classifications and measurement (b)	IFRS 17 (c)	31/12/2022 restated
Cash, cash balances at central banks and other demand deposits	Amortised	Amortised	**302,620**	-	-	-	-	**302,620**	-	-	**302,620**
Cash			38,379					38,379			38,379
Cash balances at central banks			18,947					18,947			18,947
Other demand deposits			245,294					245,294			245,294
Financial assets held for trading			**60,400**	-	-	-	-	**60,400**	-	-	**60,400**
Derivatives	Fair value through profit or loss	Fair value through profit or loss	51,489	-	-	-	-	51,489			51,489
Equity instruments			3,085	-	-	-	-	3,085			3,085
Debt securities			5,826	-	-	-	-	5,826			5,826
Loans and advances			-	-	-	-	-	-			-
Non-trading financial assets mandatorily at fair value through profit or loss			**131,829**	-	-	-	-	**131,829**	-	-	**131,829**
Equity instruments	N/A	Fair value through profit or loss	127,379	-	-			127,379			127,379
Debt securities			-	-	-	-	-	-			-
Loans and advances			4,450	-	-	-	-	4,450			4,450
Financial assets at fair value through profit or loss			**136,717**	-	-	**17,038**	**53**	**153,808**	**-2,164**	-	**151,644**
Equity instruments	Fair value through profit or loss	Fair value through profit or loss	-	-	-	-	-	-			-
Debt securities			136,717	-	-	17,038	53	153,808	-2,164		151,644
Loans and advances			-	-	-	-	-	-			-
Financial assets at fair value through other comprehensive income		Fair value through changes in other consolidated	**212,216**	-	**77,980**	-	**376**	**290,572**	**-9,746**	-	**280,826**
Equity instruments	N/A		13,582	-	-	-	-	13,582			13,582
Debt securities			198,634	-	77,980	-	376	276,990	-9,746		267,244
Loans and advances			-	-	-		-	-			-
Held-to-maturity investments	Amortised cost	N/A	**95,018**	**-95,018**	-	-	-	-	-	-	-
Debt securities			95,018	-95,018	-	-	-	-			-
Loans and advances			-	-	-		-	-			-
Financial assets at amortised cost			**5,084,779**	-	-	-	-	**5,084,779**	-	-	**5,084,779**
Loans and advances			3,307,141	-	-	-	-	3,307,141			3,307,141
Credit institutions	N/A	Amortised cost	683,111	-	-	-	-	683,111			683,111
Customers			2,624,030	-			-	2,624,030			2,624,030
Debt securities			1,777,638	-	-	-	-	1,777,638			1,777,638
Derivatives - hedge accounting	Fair value	Fair value	**1,413**	-	-			**1,413**	-	-	**1,413**
Changes in fair value of hedged items of a portfolio with hedged interest-rate	N/A	N/A	-	-	-	-	-	-	-	-	-
Investments in joint ventures and associates	N/A	N/A	**89,792**	-	-	-	-	**89,792**	-	**-184**	**89,608**
Assets under insurance and reinsurance contracts	N/A	N/A	**160**	-	-	-	-	**160**	-	-	**160**
Tangible assets			**208,356**	-	-	-	-	**208,356**	-	-	**208,356**
Property, plant and equipment	N/A	N/A	157,871	-	-	-	-	157,871			157,871
Investment property			50,485	-	-	-	-	50,485			50,485
Intangible assets			**112,887**	-	-	-	-	**112,887**	-	-	**112,887**
Goodwill	N/A	N/A	73,762	-	-	-	-	73,762			73,762
Other intangible assets			39,125	-	-	-	-	39,125			39,125
Tax assets			**16,917**	-	-	-	-	**16,917**	**1,191**	**-62**	**18,046**
Current tax assets	N/A	N/A	501	-	-	-	-	501			501
Deferred tax assets			16,416	d -	-	-	-	16,416	1,191	-62	17,545
Other assets	N/A	N/A	**58,285**	-	-	-	**-429**	**57,856**	-	-	**57,856**
Non-current assets and disposal groups classified as held for sale	N/A	N/A	**89,831**	-	-	-	-	**89,831**	-	-	**89,831**
Total assets			6,601,220	-95,018	77,980	17,038	-	6,601,220	-10,719	-246	6,590,255

Note 1: For further detail on reclassification and adjustments, see Appendices V.4 and V.5

Note 2: For those headings that have not been affected by the first application of IFRS 17 and IFRS 9 to the insurance business, see the additional breakdown in the statement of financial position – Assets.

Appendix V.2 Reconciliation statements – Statement of financial position at 31/12/2022 – Restatement – Liabilities

In thousands of euros	Measurement classification under IAS 39	Measurement classification under IFRS 9	31/12/2022	IFRS 9 reclassifications (a): Amortised cost	IFRS 9 reclassifications (a): Fair value through changes in other	IFRS 9 reclassifications (a): Fair value through profit or loss	Other	Book value after reclassifications at 31/12/2021	IFRS 9: Classifications and measurement (b)	IFRS 17 (c)	31/12/2022 restated
Financial liabilities held for trading			**53,960**	**-**	**-**	**-**	**-**	**53,960**	**-**	**-**	**53,960**
Derivatives			53,960	-	-	-	-	53,960			53,960
Short positions	Fair value through profit or loss	Fair value through profit or loss	-	-	-	-	-	-			-
Deposits			-	-	-	-	-	-			-
Debt securities issued			-	-	-	-	-	-			-
Other financial liabilities			-	-	-	-	-	-			-
Financial liabilities at fair value through profit or loss			**168,962**	**-**	**-**	**-**	**-**	**168,962**	**-**	**-**	**168,962**
Deposits	Fair value through profit or loss	Fair value through profit or loss	**-**	-	-	-	-	**-**			**-**
Debt securities issued			159,212	-	-	-	-	159,212			159,212
Other financial liabilities			**9,750**	-	-	-	-	**9,750**			**9,750**
Financial liabilities at amortised cost			**5,484,378**	**-**	**-**	**-**	**-**	**5,484,378**	**-**	**-**	**5,484,378**
Deposits	Amortised cost	Amortised cost	5,372,071	-	-	-	-	5,372,071			5,372,071
Debt securities			51,582	-	-	-	-	51,582			51,582
Other financial liabilities			60,725	-	-	-	-	60,725			60,725
Derivatives - hedge accounting	Fair value	Fair value	**511**	-	-	-	-	**511**			**511**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	N/A	N/A	**20**	-	-	-	-	**20**			**20**
Liabilities under insurance and reinsurance contracts	N/A	N/A	**226,628**	-	-	-	-	**226,628**		**-2,968**	**223,660**
Provisions			**19,909**	**-**	**-**	**-**	**-**	**19,909**	**-**	**-639**	**19,270**
Pensions and other defined post-employment benefit			11,715	-	-	-	-	11,715		-639	11,076
Other long-term employee benefits			2,446	-	-	-	-	2,446			2,446
Restructuring	N/A	N/A	-	-	-	-	-	-			-
Provisions for taxes and other legal contingencies			338	-	-	-	-	338			338
Commitments and guarantees given			2,819	-	-	-	-	2,819			2,819
Other provisions			2,591	-	-	-	-	2,591			2,591
Tax liabilities			**4,352**	**-**	**-**	**-**	**-**	**4,352**	-	**2,201**	**6,553**
Current tax liabilities	N/A	N/A	158	-	-	-	-	158			158
Deferred tax liabilities			4,194	-	-	-	-	4,194	-	2,201	6,395
Share capital repayable on demand			-	-	-	-	-	-			-
Other liabilities	N/A	N/A	**83,092**	-	-	-	-	**83,092**		**-52**	**83,040**
Liabilities included in disposal groups classified as held for sale	N/A	N/A	**-**	-	-	-	-	**-**			**-**
								-			-
Total liabilities			6,041,812	-	-	-	-	6,041,812	-	-1,458	6,040,354

Note 1: For further detail on reclassification and adjustments, see Appendices V.4 and V.5

Note 2: For those headings that have not been affected by the first application of IFRS 17 and IFRS 9 to the insurance business, see, where applicable, the additional breakdown in the statement of financial position – Liabilities.

Appendix V.3 Reconciliation statements – Statement of financial position at 31/12/2022 – Restatement – Equity

In thousands of euros	31/12/2022	Reclassifications for presentation	Book value after reclassifications at 31/12/2021	IFRS 9: Classifications and measurement (b)	IFRS 17 (c)	31/12/2022 restated
Capital	**63,102**	**-**	**63,102**	**-**	**-**	**63,102**
Share premium	**-**		**-**			**-**
Issued equity instruments other than capital	**-**	**-**	**-**	**-**	**-**	**-**
Other equity	**-**		**-**			**-**
Accumulated other comprehensive income	**-11,242**	**7,122**	**-4,120**	**-8,772**	**15,140**	**2,248**
Items that will not be reclassified to profit or loss	2,070	-	2,070	-	237	2,307
Tangible assets	-		-			-
Intangible assets	-		-			-
Actuarial gains and losses on defined benefit pension plans	-47		-47		237	190
Non-current assets and disposal groups classified as held for sale	-		-			-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-		-			-
Fair value changes of equity instruments measured at fair value through other comprehensive income	2,117		2,117	-		2,117
Ineffectiveness of fair value hedges of equity instruments measured and fair value through changes in other comprehensive income	-	-	-	-	-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk	-		-			-
Items subject to reclassification to profit or loss	-13,312	7,122	-6,190	-8,772	14,903	-59
Hedges of net investments in foreign operations (effective portion)	-		-			-
Foreign currency translation	-		-			-
Available-for-sale financial assets	-	-	-			-
Hedging derivatives. Cash flow hedges (effective portion)	-		-			-
Fair value changes of financial assets measured at fair value through other comprehensive income	-17,654		-17,654	-8772		-26,426
Fair value changes of insurance products measured at fair value through other comprehensive income	4,342	7,122	11,464		14,903	26,367
Hedging instruments (non-designated items)			-			-
Non-current assets and disposal groups classified as held for sale	-		-			-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-		-			-
Retained earnings	**-**		**-**			**-**
Revaluation reserves	**-**		**-**			**-**
Other reserves	**457,254**	**-7,122**	**450,132**	**-12**	**-17,303**	**432,817**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	123,033	-7,122	115,911	-12	-17303	98,596
Other	334,221		334,221			334,221
(-) Treasury shares	**-**		**-**			**-**
Profit or loss attributable to owners of the parent	**43,036**		**43,036**	**-1,935**	**3,375**	**44,476**
(-) Interim dividends	**-**		**-**			**-**
Minority interests (non-controlling interest)	**7,258**	**-**	**7,258**	**-**	**-**	**7,258**
Accumulated other comprehensive income	-		-			-
Other items	7,258		7,258			7,258
Total net equity	559,408 a	-	559,408	-10,719	1,212	549,901
Total net equity and liabilities	6,601,220		6,601,220	-10,719	-246	6,590,255

Note 1: For further detail on reclassification and adjustments, see Appendices V.4 and V.5

Note 2: For those headings that have not been affected by the first application of IFRS 9, where relevant, see the additional breakdown in the statement of financial position – Equity.

Appendix V.4 Reconciliation statements – Statement of financial position at 31/12/2022 – Restatement – Profit and loss

In thousands of euros	Note	31.12.2022		Valuation changes	31/12/2022 restated
Interest income	**34**	**76,440**		**22,110**	**98,550**
Financial assets at fair value through other comprehensive income		669			669
Financial assets at amortised cost		70,982			70,982
Other interest income		4,789	a	22,110	26,899
(Interest expenses)	**34**	**-18,575**	**a**	**-6,883**	**-25,458**
(Expenses for share capital repayable on demand)		**-**			**-**
Dividend income	**35**	**815**			**815**
Fee and commission income	**36**	**120,972**			**120,972**
(Fee and commission expense)	**36**	**-21,220**			**-21,220**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**37**	**3,666**		**-**	**3,666**
Financial assets at fair value through other comprehensive income		3,488			3,488
Financial assets at amortised cost		178			178
Financial liabilities at amortised cost		-			-
Other		-			-
Gains or losses on financial assets and liabilities held for trading, net	**37**	**2,251**		**-**	**2,251**
Reclassification of financial assets from fair value through other comprehensive income		-			-
Reclassification of financial assets from amortised cost		-			-
Other gains or losses		2,251			2,251
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	**37**	**11,706**		**-**	**11,706**
Reclassification of financial assets from fair value through other comprehensive income		-			-
Reclassification of financial assets from amortised cost		-			-
Other gains or losses		11,706			11,706
Gains or losses on financial assets and liabilities at fair value through profit or loss, net	**37**	**1,863**			**1,863**
Gains or losses resulting from hedge accounting, net	**14**	**702**			**702**
Exchange rate differences (gain or loss), net	**37**	**4,726**			**4,726**
Gains or losses on derecognition of non-financial assets, net	**37**	**-305**		**-296**	**-601**
Other operating income and expenses	**38**	**2,393**		**-2,128**	**265**
Other income and expenses of assets and liabilities under insurance or reinsurance contracts	**38**	**35**	**b**	**-11,792**	**-11,757**
Total operating income, net		185,469		1,011	186,480

Appendix V.4 Reconciliation statements – Statement of financial position at 31/12/2022 – Restatement – Profit and loss (continued)

In thousands of euros	Note	31.12.2022		Valuation changes	31/12/2022 restated
Total operating income, net		**185,469**		**1,011**	**186,480**
(Administrative expenses)		**-141,999**	**c**	**2,850**	**-139,149**
(Staff expenses)	**39**	-82,502		2,890	-79,612
(Other administrative expenses)	**40**	-59,497		-40	-59,537
(Depreciation and amortisation)	**41**	**-22,893**	**c**	**13**	**-22,880**
(Property, plant and equipment)	**15**	-10,609		3	-10,606
(Investment property)	**15**	-550		-	-550
(Other intangible assets)	**16**	-11,734		10	-11,724
(Provisions or reversal of provisions)	**42**	**322**		**-**	**322**
(Commitments and guarantees given)		893		-	893
(Other provisions)		-571		-	-571
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and gains or losses by modification)	**43**	**8,329**	**c**	**13**	**8,342**
(Financial assets at cost)		-			-
(Financial assets at fair value through other comprehensive income)		-1		-	-1
(Financial assets at amortised cost)		8,330		13	8,343
(Impairment or reversal of impairment of investments in joint ventures and associates)		**2**			**2**
(Impairment or reversal of the impairment on non-financial assets)		**-39**		**-**	**-39**
(Property, plant and equipment)	**15**	-			-
(Investment property)	**15**	-			-
(Goodwill)	**16**	-			-
(Other intangible assets)	**16**	-			-
(Other)		-39			-39
Negative goodwill recognised in profit or loss	**3.6**	**7,501**			**7,501**
Share of gains or losses of investments in subsidiaries, joint ventures and associates	**44**	**9,941**	**a**	**-193**	**9,748**
Gains or losses from non-current assets and disposal groups held for sale not qualifying as discontinued operations	**18**	**-107**			**-107**
Profit or loss before tax from continuing operations		**46,526**		**3,694**	**50,220**
(Tax expense or income related to profit or loss from continuing operations)	**45**	-3,325	d	-2,254	-5,579
Gains or losses after taxes from continuing operations		**43,201**		**1,440**	**44,641**
Gains or losses after taxes from discontinued operations		**-87**		**-**	**-87**
Gains or losses before taxes from discontinued activities (see Note 3.6)		-91			-91
(Tax expense or income related to profit or loss from discontinued operations)		4			4
Profit or loss for the year		**43,114**		**1,440**	**44,554**
Attributable to minority interests (non-controlling interest)		78			78
Attributable to owners of the parent company		43,036		1,440	44,476
Earnings per share (basic) - in euros	**4**	**48.12**			**49.73**
Earnings per share (diluted) - in euros	**4**	**48.12**			**49.73**

Appendix V.5 Reconciliation statements – Statement of financial position at 31/12/2022 – Restatement – Statement of comprehensive income

In thousands of euros	2022		Valuation changes	2022 restated
Profit or loss for the year	43,114	a	1,440	44,554
				-
Other comprehensive income	-22,532	b	-15,022	-8,257
				-
Items that will not be reclassified to profit or loss	-496		841	345
Tangible assets	**-**		**-**	**-**
Intangible assets	**-**		**-**	**-**
Actuarial gains or losses on defined benefit pension plans	**-722**		**934**	**212**
Non-current assets and disposal groups classified as held for sale	**-**		**-**	**-**
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	**-**		**-**	**-**
Fair value changes of equity instruments measured at fair value through other comprehensive income	**171**		**-**	**171**
Gains or losses resulting from the hedge accounting of equity instruments measured at fair value through other comprehensive income, net	**-**		**-**	**-**
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in credit risk	**-**		**-**	**-**
Income tax related to items that will not be reclassified	**55**	**c**	**-93**	**-38**
			-	**-**
Items subject to reclassification to profit or loss	-22,036		-15,863	-8,602
Hedges of net investments in foreign operations (effective portion)	**-**		**-**	**-**
Foreign currency translation	**-**		**-**	**-**
Hedging derivatives. Cash flow hedges (effective portion)	**-**		**-**	**-**
Hedging instruments (non-designated items)	-		-	-
Debt instruments at fair value through other comprehensive income	**-24,162**		**-15,645**	**-39,807**
Gains or losses posted to net equity	-20,674		-15,643	-36,317
Transferred to profit and loss	-3,488		-2	-3,490
Other reclassifications	**-**		**-**	**-**
Insurance products at fair value through other comprehensive income	**11,463**		**17,834**	**29,297**
Gains or losses posted to net equity	11,463		17,834	29,297
Transferred to profit and loss	-		-	-
Other reclassifications	**-**		**-**	**-**
Non-current assets and disposal groups classified as held for sale	**-**		**-**	**-**
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	**-**		**-**	**-**
Income tax related to items subject to reclassification to profit or loss	**2,126**	**c**	**-218**	**1,908**
			-	**-**
Total comprehensive income for the year	20,582		-13,582	36,297
Attributable to minority interests (non-controlling interest)	78		-	78
Attributable to owners of the parent company	20,504		-13,582	36,219

Appendix V.6 Reconciliation statements – Statement of financial position at 31/12/2022 – Restatement – Cash flow statement

In thousands of euros	2022	Reclassifications	Valuation changes	2022 restated
CASH FLOW OF OPERATING ACTIVITIES	-211,744	-	-	-211,744
Profit or loss for the year	**43,036**	**-**	**1,440**	**44,476**
Adjustments to obtain cash flow from operating activities	**-22,251**	**-**	**-1,440**	**-23,691**
Depreciation and amortisation	22,893	-	-13	22,880
Other adjustments	-45,144	-	-1,427	-46,571
Net increase/decrease of operating assets	**-1,507,822**	**-**	**-**	**-1,507,822**
Financial assets held for trading	-34,730	-	-	-34,730
Non-trading financial assets mandatorily at fair value through profit or loss	61,249	-	-	61,249
Financial assets at fair value through profit or loss	-57,343	849	-	-56,494
Financial assets at fair value through other comprehensive income	29,031	3,844	-	32,875
Financial assets at amortised cost	-1,505,059	-4,691	-	-1,509,750
Other operating assets	-970	-2	-	-972
Net increase/decrease of operating liabilities	**1,275,738**	**-**	**-**	**1,275,738**
Financial liabilities held for trading	33,016	-	-	33,016
Financial liabilities at fair value through profit or loss	43,052	-	-	43,052
Financial liabilities at amortised cost	1,217,182	-	-	1,217,182
Other operating liabilities	-17,512	-	-	-17,512
Income tax collections or payments	**-445**	**-**	**-**	**-445**
CASH FLOW OF INVESTMENT ACTIVITIES	-70,410	-	-	-70,410
Payments	**-84,555**	**-**	**-**	**-84,555**
Tangible assets - payment	-57,672	-	-	-57,672
Intangible assets - payment	-20,169	-	-	-20,169
Investments in joint ventures and associates - payment	-	-	-	-
Subsidiaries and other business units - payment	-61	-	-	-61
Non-current assets and liabilities classified as held for sale - payment	-	-	-	-
Held-to-maturity investments - payment	-	-	-	-
Other payments related to investment activity	-6,653	-	-	-6,653
Collections	**14,145**	**-**	**-**	**14,145**
Tangible assets - collection	3,856	-	-	3,856
Intangible assets - collection	-	-	-	-
Investments in joint ventures and associates - collections	1,850	-	-	1,850
Subsidiaries and other business units - collections	-	-	-	-
Non-current assets and liabilities classified as held for sale - collections	8,439	-	-	8,439
Held-to-maturity investments - collections	-	-	-	-
Other collections related to investment activity	-	-	-	-
CASH FLOW OF FINANCING ACTIVITIES	-	-	-	-
Payments	**-**	**-**	**-**	**-**
Collections	**-**	**-**	**-**	**-**
EFFECT OF EXCHANGE RATE CHANGES	-2,471	-	-	-2,471
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (A+B+C+D)	284,625	-	-	284,625
CASH AND CASH EQUIVALENTS AT END OF PERIOD	587,245	-	-	587,245
CASH AND CASH EQUIVALENTS AT END OF PERIOD	302,620	-	-	302,620

Appendix V.7 Assets and Liabilities – Reclassification and measurement due to application of IFRS 9 and IFRS 17.

a) In application of IFRS 9 to the financial instruments of the insurance business, the balances relating to held-to-maturity financial assets of the insurance business have been reclassified to “Financial assets at fair value through other comprehensive income” and “Financial assets at fair value through profit or loss”.

b) “Valuation adjustment” corresponds to the impact arising from measuring the financial assets that were measured at amortised cost at fair value under IFRS 9.

c) In application of IFRS 17 to insurance and reinsurance contracts, the valuation difference that was recognised under IFRS 4 has been adjusted to the valuation resulting from IFRS 17.

d) Tax effect of revaluation adjustments resulting from the application of IFRS 9 and IFRS 17.

For more information, see Note 2.20.

Appendix V.8 Equity – Reclassification and measurement due to application of IFRS 9 and IFRS 17

a) Impact on equity of EUR -9,507 thousand net of tax, broken down as follows:

- Impact on “Accumulated other comprehensive income” of EUR 13,490 thousand, explained by: *a)* valuation change from reclassifications of held-to-maturity financial assets to “Financial assets at fair value through other comprehensive income” under IFRS 9; and *b)* valuation difference of insurance contract provisions, which are now measured under IFRS 17 rather than IFRS 4.

- Impact of “Other reserves” of EUR -24,437 thousand, explained by *a)* valuation change from reclassifications of held-to-maturity financial assets to “Financial assets at fair value through profit or loss”; and *b)* valuation difference of insurance contracts, which are now measured under IFRS 17 rather than IFRS 4.

- Impact on “Profit or loss attributable to owners of the parent company” of EUR 1,440 thousand, explained by both the impact of the IFRS 9 valuation of those portfolios reclassified to “Financial assets at fair value through profit or loss” and the impact of the IFRS 17 valuation affecting profit and loss.

Appendix V.9 Profit and loss account – Reclassification and measurement due to application of IFRS 9 and to IFRS 17

a) “Interest income” and “Interest expenses” include the valuation differences from the investment component of the insurance business.
b) “Other income and expenses of assets and liabilities under insurance or reinsurance contracts” includes the impact of the result of the insurance service.
c) It includes the impact of the reclassification of “Administrative expenses” and “Amortisation” to Results of the insurance service under “Other income and expenses of assets and liabilities under insurance or reinsurance contracts”
d) Tax effect of the adjustments that change the profit and loss account.

Appendix V.10 Statement of other income – Reclassification and measurement due to application of IFRS 9 and to IFRS 17

a) Impact of the change in balance of “Actuarial gains or losses on defined benefit pension plans” when measured under IFRS 17.
b) Impact of the valuation change of “Debt instruments at fair value through other comprehensive income” due to application of IFRS 9.
c) Effect of income tax.

Appendix VI – Liabilities under insurance contracts – Reconciliation

Appendix VI.1 – Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured under general method (BBA) – 31/12/2023

in thousands of euros	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component - onerous contracts	Liabilities for incurred claims	Liabilities under insurance contracts
Balance 31/12/2022	**89,748**	**11,416**	**1,096**	**102,260**
Insurance activity income	**-10,310**	**-**	**-**	**-10,310**
Insurance activity expenses	**263**	**-1,864**	**5,444**	**3,843**
Changes related to current service	263	-168	5,555	5,650
Incurred claims and other expenses	-	-168	5,555	5,387
Amortisation of insurance acquisition cash flows	263	-	-	263
Recognition of acquisition cash flow balances	5	-	-	5
Changes in cash flows from past and current service acquisitions	258	-	-	258
Changes related to future services	-	-1,696	-	-1,696
Losses on onerous contracts in initial recognition	-	-	-	-
Losses on onerous contracts excluding initial recognition	-	351	-	351
Reversal of losses on onerous contracts	-	-2,047	-	-2,047
Changes related to past service	-	-	-111	-111
Changes to liabilities for incurred claims	-	-	-111	-111
Result of the insurance activity service	**-10,047**	**-1,864**	**5,444**	**-6,467**
Financial expenses of insurance activity in Losses and Gains	**2,526**	**570**	**-**	**3,096**
Reduction of initial discount rate for future cash flows	280	13	-	293
Reduction of current discount rate for future cash flows	563	296	-	859
Changes in discount rate	1,512	235	-	1,747
Changes in present value of future cash flows using current discount rate - changes in	171	26	-	197
Exchange rate differences in losses and gains	-	-	-	-
Financial expenses of insurance activity in Other comprehensive income	**7,371**	**75**	**-**	**7,446**
Difference between current and initial discount rate reduction	2,662	59	-	2,721
Changes in discount rate	4,974	29	1	5,004
Changes in present value of future cash flows using current discount rate - changes in	-265	-13	-1	-279
Exchange rate differences in Other comprehensive income	-	-	-	-
Insurance activity financial expenses	**9,897**	**645**	**-**	**10,542**
Incurred investment components	**-5,185**	**-**	**5,185**	**-**
Other changes	**-**	**-**	**-**	**-**
Total changes in statement of comprehensive income	**-150**	**-1,219**	**5,444**	**4,075**
Premiums received	13,113	-	-	13,113
Claims paid	-	-	-9,504	-9,504
Expenses paid	-	-	-283	-283
Cash flows paid for insurance acquisitions	-317	-	-	-317
Total cash flows	**12,796**	**-**	**-9,787**	**3,009**
Balance 31/12/2023	**97,209**	**10,197**	**1,938**	**109,344**

Appendix VI.2 – Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured under general method (VFA) – 31/12/2023

in thousands of euros	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component - onerous contracts	Liabilities for incurred claims	Liabilities under insurance contracts
Balance 31/12/2022	**104,720**	**4,996**	**11,684**	**121,400**
Insurance activity income	**-9,257**	**-**	**-**	**-9,257**
Insurance activity expenses	**68**	**7,491**	**2,869**	**10,428**
Changes related to current service	68	-479	2,898	2,487
Incurred claims and other expenses	-	-479	2,898	2,419
Amortisation of insurance acquisition cash flows	68	-	-	68
Recognition of acquisition cash flow balances	-	-	-	-
Changes in cash flows from past and current service acquisitions	68	-	-	68
Changes related to future services	-	7,970	-	7,970
Losses on onerous contracts in initial recognition	-	222	-	222
Losses on onerous contracts excluding initial recognition	-	4,238	-	4,238
Reversal of losses on onerous contracts	-	-15	-	-15
Financial expenses on onerous contracts or reversal of the same	-	3,525	-	3,525
Changes related to past service	-	-	-29	-29
Changes to liabilities for incurred claims	-	-	-29	-29
Result of the insurance activity service	**-9,189**	**7,491**	**2,869**	**1,171**
Financial expenses of insurance activity in Losses and Gains	**335**	**1,082**	**14**	**1,431**
Reduction of initial discount rate for future cash flows	-	-	-	-
Reduction of current discount rate for future cash flows	2,929	400	3	3,332
Changes in discount rate	4,672	682	11	5,365
Changes in PV of future cash flows using current discount rate -	-	-	-	-
Financial interest	-7,266	-	-	-7,266
Financial expenses of insurance activity in Other comprehensive	**-**	**-**	**-**	**-**
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in PV of future cash flows using current discount rate - changes	-	-	-	-
Insurance activity financial expenses	**335**	**1,082**	**14**	**1,431**
Incurred investment components	**-9,949**	**-**	**6,997**	**-2,952**
Total changes in statement of other comprehensive income	**-18,803**	**8,573**	**9,880**	**-350**
Premiums received	6,934	-	-	6,934
Claims paid	-	-	-17,311	-17,311
Expenses paid	-	-	-60	-60
Cash flows paid for insurance acquisitions	-71	-	-	-71
Total cash flows	**6,863**	**-**	**-17,371**	**-10,508**
Balance 31/12/2023	**92,780**	**13,569**	**4,193**	**110,542**

Appendix VI.3 – Reconciliation of valuation components of insurance contracts measured by general method (BBA) – 31/12/2023

in thousands of euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liability under insurance contracts
Balance 31/12/2022	**95,830**	**2,959**	**3,471**	**102,260**
Changes related to future service	-1,996	-228	-410	**-2,634**
Contracts recognised initially in period	-1,394	122	333	-939
Changes in estimates reflected in contractual margin	595	148	-743	-
Changes in estimates resulting in losses on onerous contracts	-1,197	-498	-	-1,695
Changes related to current service	-3,369	-142	-210	-3,721
Contractual service margin for services provided	-	-	-210	-210
Risk adjustment for past due risk	-	-142	-	-142
Expert adjustment	-3,369	-	-	-3,369
Changes related to past service	-111	-	-	-111
Adjustment to liability for incurred claims	-111	-	-	-111
Result of the insurance activity service	**-5,476**	**-370**	**-620**	**-6,466**
Financial expenses of insurance activity in Losses and Gains	**3,048**	**-**	**49**	**3,097**
Reduction of initial discount rate for future cash flows	244	-	49	293
Reduction of current discount rate for future cash flows	859	-	-	859
Changes in discount rate	1,748	-	-	1,748
Changes in present value of future cash flows using current	197	-	-	197
Exchange rate differences in Losses and Gains	-	-	-	-
Financial expenses of insurance activity in Other comprehensive	**7,443**	**-**	**-**	**7,443**
Difference between current and initial discount rate reduction	2,720	-	-	2,720
Changes in discount rate	5,004	-	-	5,004
Changes in present value of future cash flows using current	-281	-	-	-281
Exchange rate differences in Other comprehensive income	-	-	-	-
Insurance activity financial expenses	**10,491**	**-**	**49**	**10,540**
Other changes	**-**	**-**	**-**	**-**
Total changes in statement of comprehensive income	**5,015**	**-370**	**-571**	**4,074**
Premiums collected	13,113	-	-	13,113
Claims paid	-9,504	-	-	-9,504
Expenses paid	-282	-	-	-282
Cash flows paid for insurance acquisitions	-317	-	-	-317
Total cash flows	**3,010**	**-**	**-**	**3,010**
Balance 31/12/2023	**103,855**	**2,589**	**2,900**	**109,344**

Appendix VI.4 – Reconciliation of valuation components of insurance contracts measured under variable fee approach (VFA) – 31/12/2023

in thousands of euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liability under insurance contracts
Balance 31/12/2022	**120,400**	**382**	**618**	**121,400**
Changes related to future service	3,772	-5	1,245	5,012
Contracts recognised initially in period	193	28	-	221
Changes in estimates reflected in contractual margin	-4,981	-10	4,986	-5
Financial burden reflected in contractual margin	3,741	-	-3,741	-
Changes in estimates resulting in losses on onerous contracts or reversal of losses	1,294	-23	-	1,271
Financial burden on losses on onerous contracts or reversal of losses	3,525	-	-	3,525
Changes related to current service	-6,354	-28	-388	-6,770
Contractual service margin for services provided	-	-	-388	-388
Risk adjustment for past due risk	-	-28	-	-28
Expert adjustment	-6,354	-	-	-6,354
Changes related to past service	-29	-	-	-29
Adjustment to liability for incurred claims	-29	-	-	-29
Result of the insurance activity service	**-2,611**	**-33**	**857**	**-1,787**
Financial expenses of insurance activity in Losses and Gains	1,437	-	-	1,437
Reduction of initial discount rate for future cash flows	-	-	-	-
Reduction of current discount rate for future cash flows	3,332	-	-	3,332
Changes in discount rate	5,371	-	-	5,371
Changes in PV of future cash flows using current discount rate - changes in PV of future cash flows using initial discount rate	-	-	-	-
Financial interest	-7,266	-	-	-7,266
Financial expenses of insurance activity in Other comprehensive	-	-	-	-
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in PV of future cash flows using current discount rate - changes in PV of future cash flows using initial discount rate	-	-	-	-
Insurance activity financial expenses	**1,437**	**-**	**-**	**1,437**
Total changes in statement of comprehensive income	**-1,174**	**-33**	**857**	**-350**
Premiums collected	6,934	-	-	6,934
Claims paid	-17,311	-	-	-17,311
Expenses paid	-60	-	-	-60
Cash flows paid for insurance acquisitions	-71	-	-	-71
Total cash flows	**-10,508**	**-**	**-**	**-10,508**
Balance 31/12/2023	**108,718**	**349**	**1,475**	**110,542**

Appendix VI.5 – Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured under general method (BBA) – 31/12/2022

in thousands of euros	Liabilities for remaining coverage		Liabilities for incurred claims	Liabilities under insurance
	Excluding loss	Loss component		
Balance 31/12/2021	**130,139**	**-**	**315**	**130,454**
Insurance activity income	**-6,597**	**-**	**-**	**-6,597**
Insurance activity expenses	**192**	**14,632**	**4,203**	**19,027**
Changes related to current service	192	-191	4,225	4,226
Incurred claims and other expenses	-	-191	4,225	4,034
Amortisation of insurance acquisition cash flows	192	-	-	192
Recognition of acquisition cash flow balances	-9	-	-	-9
Changes in cash flows from past and current service acquisitions	201	-	-	201
Changes related to future services	-	14,823	-	14,823
Losses on onerous contracts in initial recognition	-	1,127	-	1,127
Losses on onerous contracts excluding initial recognition	-	13,771	-	13,771
Reversal of losses on onerous contracts	-	-75	-	-75
Changes related to past service	-	-	-22	-22
Changes to liabilities for incurred claims	-	-	-22	-22
Result of the insurance activity service	**-6,405**	**14,632**	**4,203**	**12,430**
Financial expenses of insurance activity in Losses and Gains	**-11,902**	**-2,418**	**-**	**-14,320**
Reduction of initial discount rate for future cash flows	205	10	-	215
Reduction of current discount rate for future cash flows	12	12	-	24
Changes in discount rate	-12,119	-2,440	-	-14,559
Changes in present value of future cash flows using current discount rate -	-	-	-	-
Exchange rate differences in losses and gains	-	-	-	-
Financial expenses of insurance activity in Other comprehensive income	**-29,318**	**-798**	**-**	**-30,116**
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-29,318	-798	-	-30,116
Changes in present value of future cash flows using current discount rate -	-	-	-	-
Exchange rate differences in Other comprehensive income	-	-	-	-
Insurance activity financial expenses	**-41,220**	**-3,216**	**-**	**-44,436**
Incurred investment components	**-5,367**	**-**	**5,367**	**-**
Other changes	**-**	**-**	**-**	**-**
Total changes in statement of comprehensive income	**-47,625**	**11,416**	**4,203**	**-32,006**
Premiums received	12,858	-	-	12,858
Claims paid	-	-	-8,539	-8,539
Expenses paid	-	-	-250	-250
Cash flows paid for insurance acquisitions	-257	-	-	-257
Total cash flows	**12,601**	**-**	**-8,789**	**3,812**
Balance 31/12/2022	**89,748**	**11,416**	**1,096**	**102,260**

Appendix VI.6- Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured under general method (VFA) – 31/12/2022

in thousands of euros	Liabilities for remaining coverage			
	Excluding loss component	Loss component - onerous contracts	Liabilities for incurred claims	Liabilities under insurance contracts
Balance 31/12/2021	**142,959**	**574**	**3,819**	**147,352**
Insurance activity income	**-8,388**	**-**	**-**	**-8,388**
Insurance activity expenses	**74**	**6,955**	**1,090**	**8,119**
Changes related to current service	74	-158	1,077	993
Incurred claims and other expenses	-	-158	1,077	919
Amortisation of insurance acquisition cash flows	74	-	-	74
Recognition of acquisition cash flow balances	2	-	-	2
Changes in cash flows from past and current service	72	-	-	72
Changes related to future services	-	7,113	-	7,113
Losses on onerous contracts in initial recognition	-	189	-	189
Losses on onerous contracts excluding initial recognition	-	38,147	-	38,147
Reversal of losses on onerous contracts	-	-	-	-
Financial expenses on onerous contracts or reversal of the same	-	-31,223	-	-31,223
Changes related to past service	-	-	13	13
Changes to liabilities for incurred claims	-	-	13	13
Result of the insurance activity service	**-8,314**	**6,955**	**1,090**	**-269**
Financial expenses of insurance activity in Losses and Gains	**-5,652**	**-2,533**	**-6**	**-8,191**
Reduction of initial discount rate for future cash flows	-	-	-	-
Reduction of current discount rate for future cash flows	-773	-44	-	-817
Changes in discount rate	-37,074	-2,489	-6	-39,569
Changes in PV of future cash flows using current discount rate -	-	-	-	-
Financial interest	32,195	-	-	32,195
Financial expenses of insurance activity in Other comprehensive	**-**	**-**	**-**	**-**
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in PV of future cash flows using current discount rate -	-	-	-	-
Insurance activity financial expenses	**-5,652**	**-2,533**	**-6**	**-8,191**
Incurred investment components	**-31,414**	**-**	**34,366**	**2,952**
Total changes in statement of other comprehensive income	**-45,380**	**4,422**	**35,450**	**-5,508**
Premiums received	7,216	-	-	7,216
Claims paid	-	-	-27,532	-27,532
Expenses paid	-	-	-53	-53
Cash flows paid for insurance acquisitions	-75	-	-	-75
Total cash flows	**7,141**	**-**	**-27,585**	**-20,444**
Balance 31/12/2022	**104,720**	**4,996**	**11,684**	**121,400**

Appendix VI.7 - Reconciliation of valuation components of insurance contracts measured under general method (BBA) – 31/12/2022

in thousands of euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liability under insurance contracts
Balance 31/12/2021	**120,135**	**3,532**	**6,787**	**130,454**
Changes related to future service	19,314	-472	-3,219	15,623
Contracts recognised initially in period	1,637	290	-	1,927
Changes in estimates reflected in contractual margin	4,422	-1,203	-3,219	-
Changes in estimates resulting in losses on onerous contracts or	13,255	441	-	13,696
Changes related to current service	-2,973	-101	-97	-3,171
Contractual service margin for services provided	-	-	-97	-97
Risk adjustment for past due risk	-	-101	-	-101
Expert adjustment	-2,973	-	-	-2,973
Changes related to past service	-22	-	-	-22
Adjustment to liability for incurred claims	-22	-	-	-22
Result of the insurance activity service	**16,319**	**-573**	**-3,316**	**12,430**
Financial expenses of insurance activity in Losses and Gains	**-14,320**	-	-	**-14,320**
Reduction of initial discount rate for future cash flows	215	-	-	215
Reduction of current discount rate for future cash flows	24	-	-	24
Changes in discount rate	-14,559	-	-	-14,559
Changes in present value of future cash flows using current discount	-	-	-	-
Exchange rate differences in Losses and Gains	-	-	-	-
Financial expenses of insurance activity in Other comprehensive	**-30,116**	-	-	**-30,116**
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-30,116	-	-	-30,116
Changes in present value of future cash flows using current discount	-	-	-	-
Exchange rate differences in Other comprehensive income	-	-	-	-
Insurance activity financial expenses	**-44,436**	-	-	**-44,436**
Other changes	-	-	-	-
Total changes in statement of comprehensive income	**-28,117**	**-573**	**-3,316**	**-32,006**
Premiums collected	12,858	-	-	12,858
Claims paid	-8,539	-	-	-8,539
Expenses paid	-250	-	-	-250
Cash flows paid for insurance acquisitions	-257	-	-	-257
Total cash flows	**3,812**	-	-	**3,812**
Balance 31/12/2022	**95,830**	**2,959**	**3,471**	**102,260**

Appendix VI.8 - Reconciliation of valuation components of insurance contracts measured under variable fee approach (VFA) – 31/12/2022

in thousands of euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liability under insurance contracts
Balance 31/12/2021	**143,467**	**533**	**3,354**	**147,354**
Changes related to future service	12,538	-93	-2,381	10,064
Contracts recognised initially in period	165	23	-	188
Changes in estimates reflected in contractual margin	3,379	-25	-3,354	-
Financial burden reflected in contractual margin	-973	-	973	-
Changes in estimates resulting in losses on onerous	41,190	-91	-	41,099
Financial burden on losses on onerous contracts or reversal	-31,223	-	-	-31,223
Changes related to current service	-6,982	-58	-355	-7,395
Contractual service margin for services provided	-	-	-355	-355
Risk adjustment for past due risk	-	-58	-	-58
Expert adjustment	-6,982	-	-	-6,982
Changes related to past service	13	-	-	13
Adjustment to liability for incurred claims	13	-	-	13
Result of the insurance activity service	**5,569**	**-151**	**-2,736**	**2,682**
Financial expenses of insurance activity in Losses and Gains	-8,192	-	-	-8,192
Reduction of initial discount rate for future cash flows	-	-	-	-
Reduction of current discount rate for future cash flows	-818	-	-	-818
Changes in discount rate	-39,569	-	-	-39,569
Changes in PV of future cash flows using current discount	-	-	-	-
Financial interest	32,195	-	-	32,195
Financial expenses of insurance activity in Other	-	-	-	-
Difference between current and initial discount rate	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in PV of future cash flows using current discount	-	-	-	-
Insurance activity financial expenses	**-8,192**	**-**	**-**	**-8,192**
Total changes in statement of comprehensive income	**-2,623**	**-151**	**-2,736**	**-5,510**
Premiums collected	7,216	-	-	7,216
Claims paid	-27,532	-	-	-27,532
Expenses paid	-53	-	-	-53
Cash flows paid for insurance acquisitions	-75	-	-	-75
Total cash flows	**-20,444**	**-**	**-**	**-20,444**
Balance 31/12/2022	**120,400**	**382**	**618**	**121,400**

Mr Antoni Pintat Mas

Chairman

Mr Jaume Casal Mor

Vice Chairman

Mr Xavier Cornella Castel

CEO

Ms Rosa Pintat Santolària

Director

Mr Alfons Casanova Martí

Independent Director

Mr Ramon Aznar Pascua

Independent Director

Ms Sandra Sieber

Independent Director

Andorra la Vella, 27 March 2024

DUE DILIGENCE

The secretary (non-director) of the Board of Directors of CRÈDIT ANDORRÀ, SA declares that:

- The Consolidated Financial Statements of Crèdit Andorrà, SA and Subsidiaries for financial year 2023, in order to be verified by auditors and subsequently approved by the General Shareholders' Meeting, have been duly drawn up by resolution adopted at the meeting of the Board of Directors of Crèdit Andorrà, SA held today, and all the directors voted at this meeting of the Board of Directors in favour of drawing up the Consolidated Financial Statements of Crèdit Andorrà, SA and Subsidiaries for financial year 2023.

- At the aforementioned meeting of the Board of Directors, all the directors appeared in person, with the exception of Mr André Roelants, who did so by video conference (as per the procedure provided for in article 22 of the Bylaws), as it was not possible for him to attend the meeting in person for reasons beyond his control.

- In view of the aforementioned circumstances, the Consolidated Financial Statements of Crèdit Andorrà, SA and Subsidiaries for financial year 2023 have been signed by the directors who attended the meeting in person, indicating their acceptance and agreement, and that of Mr. Roelants, with regard to the aforementioned Consolidated Financial Statements and the signing procedure.

Andorra la Vella, 27 March 2024

Mr Àngel Cadena Falip
Secretary (non-director) of the Board of Directors
Crèdit Andorrà, SA

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